

Course : PGDLL-06



**Vardhaman Mahaveer Open University,
Kota**

**Labour Economics
And
Labour Statistics**

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LL-6 Course Introduction

This Course is conceived and produced for the students of PGDLL who need to study different aspects of Industries and Labour. It will provide understanding, skill and elementary knowledge of Labour and Industrial Laws along with Personnel Management. It will train learner for career as labour, industrial and personnel professionals. It will also inculcate the understanding of national and International dimensions of these fields.

This Block contains Sixteen Units. First Unit will introduce you with conceptual aspects of labour economics, its evolution and its importance in assessing Labour problems. In second unit you will be able to appreciate labour problems, causes and remedies in developing economy. Unit three is related to Labour Force and their evolution, nature, source and composition.

Unit four will introduce with underlying conceptual and developmental aspects of Employment along with the unemployment. It will also introduce you with theories of employment and role of employment exchange. Unit fifth will introduce you with Labour Turnover and Absenteeism. You will also appreciate the underlying concepts behind them. It will also introduce you in knowing the remedies which can reduce it. Unit sixth will make you understand about the concept of Unemployment its magnitude. It will give you knowledge about governmental measures undertaken to reduce it.

Unit seventh will introduce you with nature, characteristics, importance and problems of unorganized labors. It will also introduce with Policies and problems of Government in upliftment of unorganized workers. Unit eighth will introduce you with the Integrated Rural Development program which is for removal of rural poverty. It will also introduce you with problems in implementation of IRDP. Unit ninth will help you in understanding the status of labour in five year plans. It will introduce you with labour policies on various aspects of industries. Unit tenth discusses the characteristics, conditions, and problems of agriculture. It also suggests remedies to tackle their problems.

Unit eleven will help you in appreciating the meaning of industrial policies in industrial development. It will also introduce you with need, significance, aims of industrial policies for industrial development. Unit twelfth will introduce you with

role of large-scale industries in economic development of country and problem faced by them. It will help you in knowing the process of large scale industrialization in post independence era. Unit thirteen will introduce you with similar aspects of small scale and cottage Industries.

Unit fourteen, fifteenth and sixteenth will introduce you with conceptual aspects of labour economics and labour statistics. It will introduce you with nature and importance of labour and industrial statistics. They will give you knowledge how such data are collected and published. It also gives power of authorities for collection of these data.

UNIT-1

Conceptual Aspects of Labour Economics

Objectives

After going this unit, you should be able to:

- Understand that labour economy is a sub-system of economics science and derives its theory and methodologies from the accepted principles of economics.
- Define labour economics its, scope and importance in evolving policies for labour problem faced by the country
- Provide sufficient background for the analysis of the labour market.

Structure:

- 1.1 Introduction
- 1.2 Labour Economics as a Sub-System of the economics system.
- 1.3 Meaning of Labour Economics
- 1.4 Scope of Labour Economics
- 1.5 Importance of Labour Economics
- 1.6 Summary
- 1.7 Self-Assessment Test
- 1.8 Key words
- 1.9 Further Readings

1.1 Introduction:

This unit has been prepared to acquaint you with the Conceptual aspects of labour economics, that is its meaning, scope and importance in the Industrial sector in general, and in developing economies in particular.

Labour economics is a very important subject of recent origin. Economic development poses a challenge to the principal partners in the progress of the State, the employers and the worker. The basic aim of all these should be to keep the Tempo of development. This inevitably calls for the degree of concerted

efforts. How far such concerted efforts will be forth-coming depends upon the way of society choose to organise its development endeavour, and how the different partners feel committed to its success. Normally labour would be the weakest partner-though perhaps, it is the most important and the role it plays will be largely determined by how it react to the roles of the other too.

Its common knowledge that the worker who are Underaged of the poorly housed or who carry worrics, would be less efficient. Labour welfare is not a charity. Creating more satifying working condition and living condition for the men and women employed in the industry increase the sense of worker involvement in the objectives of the enterprise and motivates them to put forth their best in the interest of the development of the country welfare. If employee and efficient production of goods and services have been rightly regarded as among the social responsibilities of the industry and state. And that is the need of labour economics which studies the problems, solution and development of labour in the economy.

Labor economics look out to recognize the dynamics and functions of the **markets** of labor. The **labor market** function is by the interaction and dealing of employers and workers. **Labor economics** tries to understand the result pattern of income, employment and wages by looking at the workers or employs and the employers. According to **economics labor** is the measurement of the work that is done by the human beings. Usually, there is dissimilarity in **labor economics** and other aspects of production such as capital and land. The concept of **human capital** is developed by some economic theories. **Human capital** refers to the skills that workers have, this is not necessary that this is their genuine work. There are some theories of **macroeconomics** system and according to these counter posing theories human capital has contradicted terms. In **labor economics** we study that how the labor services suppliers (**workers**) are distributed in the **jobs** and how their wages or rate of payments decided and how their abilities of work affected by the other factors. Those who work and gain the capability are included in the labor force of the country as well as those who are unemployed and searching for the job or work. There are many factors manipulate how labor services suppliers (**workers**) are consumed and to what extent they are paid for their services. It also includes the qualities of **labor** force (workers) such as their level of education, their health, allocation of their skills and special trainings and

the degree of mobility. Structural characteristics of **economy** are also included in it like heavy **manufacturing** proportions, service industries and technology. In addition institutional factors are included as well such as power and extent of association of employers and labor unions and the existence of the laws of minimum-wages. Miscellaneous factors are also considered which includes variations and customs in **business cycle**. Some specific general trends are extensively recognized by labor economists. For example, level of wages is tending to be elevated in jobs and it engages high risk, higher level of efficiency of labor like training or education is required in the industries, in the **economies** that are highly proportional by such industries and the industries that are highly unionized. **Labor efficiency** is the capability of labor to raise the output of products and goods without raising the labor force. If the labor force is efficient then the **production** level of goods and products will be increased.¹

1.2 LABOUR ECONOMICS AS A SUB-SYSTEM OF THE ECONOMIC SYSTEM.

Labour economics seeks to understand the functioning and dynamics of the markets for wage. **Labour markets** function through the interaction of workers and employers. Labour economics looks at the suppliers of labour services (workers), the demands of labour services (employers), and attempts to understand the resulting pattern of wages, employment, and income.

In economics, labour is a measure of the work done by human beings. It is conventionally contrasted with such other factors of production as land and capital. There are theories which have developed a concept called human capital (referring to the skills that workers possess, not necessarily their actual work).²

Labour system is a organized relationship but is a sub-system of the larger economic system. Labour economics focuses on the behavior of the individuals in their role as suppliers of labour services and as buyers of labour services. As a sub-system of economic science 'Labour Economics' derive its theory and

¹ <http://en.doccity.com/news/economics/importance-labor-economics-it>

² http://en.wikipedia.org/wiki/Labour_economics

methodology from the accepted principles of economic. The central theme of economics science relates to an optimum utilization of resources through the productive process of all the productive resources, labour is very special. Fleisher, for eg. argue that labour can be seen as a factor of production, a human resources and a source of income. Some amount of labour is absolutely necessary to complement other factor of production. Moreover, labour is the only factor which is separable from human beings who own it. Finally, Labour which constitutes a major part of household sector not only generates income by way of payments for services but also consumes the output. As a results of labor's distinct characteristics, the central them of labour economics is only simply restricted to the problem of allocation, but extends to the problem of growth and development.

Economic theory predicts that average wage rate is determined by the force of demand for the supply of labour and tends to equality in each labour market. Both the prediction assumes competitive condition in the product of labour markets. Free mobility of labour from low wage market to high wage market would ultimately resulting in ruling wage which is equilibrium could optimally allocate labour resources of various occupations, industries, and region in a economy. Imperfection in the labour market, it was thought that, could distort the equilibrium, but the long run tendencies of wage equalization would still holds true. According to some theorist wage determination is the special case of value theory. Thus in market of labour, demand and supply jointly determine the number of people who will be employed and wages they will receive. In this respect the market of labour is like the market of goods such as wheat. In both the market choices of buyer and seller reflected in terms of exchange in the market. But the market of labour is unlike the market of wheat in many respects. Indeed it is the differences between the labour market and product market that are the most interesting economists. If there were no special characteristics of the labour market, there would be no rationale for the experience of separate discipline in labour economics.

1.3 MEANING OF LABOUR ECONOMICS

Since there are specialized branches of economics like public economics, macro-economics, agricultural economics, industrial economics, rural economics, developmental economics and so on, there also is special study of labour force separately called 'Labour Economics'. Therefore, a separate study is inevitable. There are from both-theoretical and policy point of view good reason why labour economy is dealt as a special branch of economics. But what is labour economics?

Briefly speaking labour economics simply means economy of labour i.e. the working class in an individual economy. Labour is an active factor of production which is highly responsive to various legal, economic and social changes. Labour economics studies labour problem and solutions. Labour economics may be defined, as a body of system the knowledge which deals with the pricing, allocation and development of scare human resources with view to optimizing net economic welfare.

Prof. Richard B. Freeman writes 'Hobes and idle rich notwithstanding, work is primary activity of mankind. Every society-feudal, free enterprise or collectivist-organizes product, goods and services. It, somehow, decided what task will be performed, who will perform, and under what rules? It also determines how conflict arising from these decisions should be resolved.

According to Prof. Phelps Brown 'Labour economics is the study of organization, wage determination, employment level, social security, Labour welfare and labour relations. Thus, labour economics follow a systematic and specialized approach to the study the labour in its dynamics aspects.

Labour economics is a branch of economics that studies, its problem and principles regarding organization, institution and behavior of the labour market in an industrializing or industrialized economy.

In short, labour economics is that branch of economics which studies the problem, solution and development of human resources.

1.3.1 DIFFERENCE BETWEEN LABOUR ECONOMICS AND INDUSTRIAL RELATIONS

For analytical purpose, we also distinguish between labour economics and industrial relation. The study of industrial relation requires a multi-disciplinary approach, since theoretical construction drawn exclusively from any one social science may not sufficient to explain the behavior pattern of labour management relation. In recent years, there have been social scientists that have made significant contribution to understand the economic, institutional, social behavior dimension of pricing, allocation and development of human resources. Thus, in the words of Kerr it is for a widening of economists perspective. 'Economics can continue to make a central contribution to the study of industrial relation, if it pays more attention to its assumption, if it is more concerned with the "Imperfection", and if it develops a more adequate model of trade union. The economics of labour is becoming the economics of policies of industrial relation.

Some economist has been pre-occupied in the dynamics of labour market while some are concerned with the problem of interaction between industry and society. Thus, labour concerned about labour problem , solution and development of human resources while industrial relation require a multi-disciplinary approach to study the problem arising due to interaction between society and industry , unionism and management and unionism and technology etc.

1.4 SCOPE OF LABOUR ECONOMICS

The scope of labour economics covers those fields of state-activity where labour directly or indirectly involved. It is a systematic study of various theories concepts, hypothesis and steps relating to the labour class. Labour economics deal with various aspects such as labour organization, collective bargaining, wages and employment theory, man power economics. The workers are primarily concerned with security of employment upon which depends the well being of the entire working class. The employer, on the other hand, are mainly concerned with the problem of recruitment, training and retention of worker at the wage rates which

may provide them sufficient profit while the public policy concerned with the early education of the work force, and the prevention of labour management conflict. Thus, labour economics deal with the specialized study of the areas in as elaborate below.

1.4.1 THEORY OF LABOUR ECONOMICS

Here we study various theories advocated by economist regarding various aspects have wage determination, fixation of employment level, wages concept, criteria of wage determination, components of wage payments and methods of fixation. Under the heading wage fixation collectively bargaining of has become an important method of wage fixation. As a result of the growth of unionism, the state intervention adjudication machinery and wage board retain their primary in the wage system.

1.4.2 LABOUR STATUS AND LAWS

Under this heading we study the needs, essence and objects of various law passed and effect of there laws on working class. Now every government realized its duty to initiate measures to protect labour from exploitation, women from masculine suppression and has undertaken under various legislative measures. The existing law which were in adequate in the changing context have been amended. It includes the study of the content of the various ordinances and bye-law and their impact on labour productivity and industrial relations.

1.4.3 PRINCIPLES OF PERSONNEL MANAGEMENT, JOB EVALUATION AND MERIT RATING

This part studies the various aspects of personnel problems from recruitment to retirement. The system of election of worker and need for job evaluation, merit rating and other related problems are also included therein. Evaluation of human potential has great importance. In industry, evaluation help in proper placement of

worker. A poor selection and improper adjustment of worker paves the way for efficiency , waste and production.

1.4.4 LABOUR WELFARE

Under this part various principles and practices of labour welfare studied. The process industrialization create social stresses and strain. The social cost of economic growth need to be share among the Govt. employers and Trade union. I this context, we include three aspects of worker welfare, namely the working condition, social security and community welfare. The various legislation such as the factories act as social security measures to impose statutory obligation on employers.

1.4.5 TRADE UNIONISM

This part includes form and structure of various trade unions procedure and pattern of trade union management. Trade union play a significant role in the system of industrial relations. They have developed as economic, political, and social institutions under varying condition. If includes growth of trade unionism, the problem being currently faced by trade unionism and the new directions in which they are moving.

1.4.6 STRUCTURE OF LABOUR MARKET

Here we study capitalist, socialist or mixed structure of labour market, size and composition labour market etc. While the concept of labour market is subject various interpretation, it is commonly agreed that as an economic market, it balance the forces of supply and demand. Now labour market vary almost infinitely in structure and dynamics, it also includes the study of dualism in labour markets particularly in less developed economy which have arisen due to both economic and institutional features. We may envisage three ideal types, The rural labour markets, the informal markets, and organized industrial labour markets.

1.4.7 WORK PLACE RELATION

We have consistently taken a view that industrial relations are complex phenomena which may be studied at various level of analysis. The work place industrial relations are dependent upon the role of supervision and the attitude of supervisor and workers. The attitudinal dimensions at workplace are ideology, perception and motivation and commitment of the worker. As a result of work situation and the attitude of the supervisor and workers, worker exhibit certain group behavior and certain trend in productivity, absenteeism and turnover. Thus, we include the study of role of supervisor, the attitudinal dimension of work situation and the indicators of work group and individual behavior.

Thus, Labour economics can be studied in two aspects :

- Theoretical
- Institutional

Theoretical Aspects:-

Various theories regarding the determination of wages, employer and employee relation, change in technology of production, emergency of professional schools specialized in industrial relation and controversy among theorist and institution list school over some important issues of labour economics and application of empirical, method in the study of labour economics have greatly expanded the scope of labour economics in recent years. In case of developing economics there is an expansion of scope of labour economics. Much has to place in these economics. What happened together with what is going to happen constitute a part of subject matter of laborer economics. These economics experience new dimensions of labour problem.

The socialist pattern of industrial organization has widened the scope of labour economics for it open new vistas of employee-employer relation. New model has searched out in country like Russia to organize the productive activities. All this has added to the scope of labour economics. Thus, the scope of labour

economics is continuously changing according to the stage of economic growth and philosophy regarding labour.

1.4.8 IMPORTANCE OF LABOUR ECONOMICS

Labour to-day is front page news. Its importance in the industrial system and in the future of planned economy of the country has been recognized. We have adopted the way of planning for rapid developments of economy, which in turn require a vast industrial base. A proper handling of industrial labour, thus become one of the most vital factor both in the developments and for uplift of laborers. A clear understanding of labour economic, therefore, is most essential.

The importance of study labour economics in university recognized. When entire state working in ensures justice for the masses, it cannot allow injustice to be perpetuated against the weaker section of society whether they be individual worker, agricultural worker or any other groups. The importance studying of labour economics can be mentioned under following heads:-

1.5.1 RISE OF LABOUR PROBLEMS

In recent years, various factors have encourage many problems connected with labour, whatever the system is, of economy and administration, without solving labours problem productive efficiency will suffer in every economy. Those who believe that labor problems arise under capitalism and there can be no such problems under controlled or socialist economy are living in goods paradise. As long as labour remains a separate factor of production-supplied by different agents than those who supply other factor – labour problem will always exist. The intensity and seriousness of such problems, however, may differ in different economy system.

It is believe that labour problems do not arise under small scale industries, where there are no employers and employees and the various factor of production and supplied by one and the same person. Labour movement everywhere has been

the product of the establishment of large scale industries in which different factor of production and supplied by different person. Every agent tried to get the largest share in the profit and therefore, many differences and conflict arise. Hence, the study of labour economics is a necessity for the establishment of cordial labour relation between union and management.

1.5.2 INDUSTRIAL RELATION

Industrial progress is bound up with industrial peace. Industrial relation must be so developed as to enable worker to take greater share in working of industry. The worker right to association, organization and collective bargaining should be accepted and trade union should therefore be welcomed. Differences should be settled in the spirit of reasonable compromise and only as a last measure they should be resolved by impartial investigation and arbitration. A study of labour economics enable us to study way for the avoidance of dispute, should be laid down in specific terms. An economy organized by planned production and distribution, aiming at social justice and welfare of the masses, can function only in the atmosphere of industrial peace and harmony.

1.5.3 SOCIAL SECURITY

Social Security has been considered most essential for the welfare of industrial workers because an individual member is unable to bear certain risk to which he is exposed. Labour economic study security programs provided by society and state against those contingencies of life such as sickness, unemployment, old age expediency, industrial accident and invalidity. Social security measures are essential prerequisites of stable, efficient and permanent labour force and study of labour economics throws light on various measure like Workmen Compensation Act, Maternity Benefits Act, the employees "State Insurance Act, the Employees" Prudent Fund etc. meant to provide social security to the industrial workers.

1.5.4 MANPOWER PLANNING

As labour is the key factoring the process of economic growth, our success in economic planning largely depends on our ability to keep the adjustment of huge labour force in conformity with needs of a growing economy. Labour economics emphasize the importance of proper utilization of manpower. The rapid increase in population, particularly among the working population age groups and increasing demand specialized labour force by the corporate sector has made it imperative for planning agencies to ordinate more effectively the available human resources with the need of development. The ministry of human resources has been setup recently in India for development of human resources.

1.5.5 WORKING CONDITIONS

It has to be realized that good working conditions have a great effect not only on the efficiency of the works, but also on their wages, migratory character and on industrial relations. Under working condition, we can include a number of things like sanitation, dust and dirt, temperature and humidity, ventilation, space inside the factory, safety measures and also many welfare measures like canteen, bathrooms, drinking water arrangements, refreshment room etc. and also hours of work. The study of general working conditions of laborers are studied in labour economics, the study of working conditions in industries carried out by Labour Investigation Committee and by several independent searchers point out that the working conditions in factories need to be improved considerably. However, on the legislation for shops and commercial establishment are sufficient for the purpose but should be properly implemented and enforced so that working condition of industrial worker may be improved.

1.5.6 LABOUR PRODUCTIVITY

Labour economics studies the labour productivity and labour productivity is very important because this the only way to industrial progress and for raising the standard of living of workers. Productivity indices have been prepared and used for a variety of objectives at different levels of economic activity. Employers complained about the low productivity of labour while the workers did not accept

it. The study of labour economics suggests that the existing organization and the method of work, job classification and wage scales are to be studied with a view to suggesting measures to increase efficiency and productivity. It also deals with the problems arising due to increase in wages under the pressure of trade unions government interference without corresponding in productivity of workers and vice-versa.

1.6 WAGE POLICY

The study of labour economics brings out first, the need of wage policy from the point of view of both equity and growth. Secondly any worthwhile wage policy will have to be part of overall economic policy and particularly linked with policies relating prices, non-wage incomes and taxation. Thirdly, a particular wage policy will have to combine the element of Macro guidelines with macro-level collective bargaining. Thus, wage policy cannot remain an exclusive policy. It has to be part of overall Govt. policy.

1.6 SUMMARY

In this unit we have discussed the conceptual aspect of labour economics i.e. meaning, scope and importance of studying labour economics. Labour economics is that the branch of economics which is devoted to the study of labour problems in order to have a detailed and specialized knowledge of the same. Labour economics may be defined as study of the organization, institutions and behavior of labour market in an industrializing or industrialized economy. Labour economics has to be studied with an inter-disciplinary approach. Labour economics has undoubtedly emerged as a special branch general economics. However, the isolation of labour economics from general economics is only for giving it specialized attention, otherwise labour market theory is governed by same principles which Govt. the price and quantity determination in micro-economics. The various areas of study are included under the preview of labour economics, such as international frame work of the particular economics system, size and composition of labour force and labour market, labour as factor of production, productivity and efficiency,

condition work, industrial relations, standard of living, laborers legislation and work place relations etc. Now a days, labour problems are receiving increasing attention from all quarters because of its vital important to economics stability, industrial peace and for the progress of country.

1.7 SELF ASESMENT TEST

Answer the following question in not more than a page, so that you may know how much you have understood the subject discussed in the unit:

1. Define labour economics. Why is distinguish from industrial relations?
2. Explain how labour economics works as a sub system of the economic system.
3. Briefly explain the scope of labour economics. Why is an inter-disciplinary approach required to study labour economics ?
4. "The scope of labour economics covers those fields of state activity where labour is directly or indirectly involved". Comment on this statement.

1.8 KEY WORDS

Labour: Any work, whether manual or mental which is undertaken for a monetary consideration is called 'labour' in economics.

Labour Market: Labour market deals with human resources and it must consequently take into account the behavior pattern of employers and workers.

Trade Union: Trade Union is continues associations of wage earners for the purpose of maintaining or improving the condition of their working lives.

Retirement: Termination of services on reaching the age of superannuation.

Arbitration: Arbitration means of securing a definite judgment or award of any controversial issue by referring to a third party.

1.9 FURTHER READINGS

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UNIT-2

Labour Problems in Developing Economy (NATURE, CAUSE AND REMEDIES)

Objectives

After going this unit, you should be able to understand:

- The peculiarities of labour in developing economy.
- Labour Problems in a Developing Economy and the rise of Labour Problems in developing economy.
- The main Labour problems in developing economy and their solution.
- Socio Economic importance of Labour problems.

Structure:

- 2.1 Introduction
- 2.2 Peculiarities of Labour
- 2.3 The rise of Labour Problems
- 2.4 Labour Problems in a Developing Economy
- 2.5 Socio Economic importance of Labour problems
- 2.6 The main Labour problems in developing economy and their solution
- 2.7 Conclusion
- 2.8 Summary
- 2.9 Key Words
- 2.10 Further Reading

2.1 INTRODUCTION

Labour problems constituted a serious menace to the society, and needed solution, if not to eradicate then at least to mitigate them in the very beginning. Employers paid their sole attention to the maintenance of machines and the improvement of the technical know-how to the utter neglect of the human hands

employed to man the machines because they rapidly available and could be easily replaced³. From the very beginning workers were illiterate and poor and therefore unconscious of their rights. The socio economic status of the worker was far below the employer's status. As such they could not exercise their free will in negotiating with the employer for employment. The generally take the advantage of the poor condition of the workers and dictated their own terms and conditions with regard to wages, hour of work, leaves etc. The workers were left with no choice but to accept such terms because service was the sole means for earning their livelihood.

Neither the government nor the law courts took special notice of these problems because they laid too much emphasize on the policies of the Non-Interferences and freedom of contract. Thus with the lapse of time the alteration turned out to be so worse and the society became so much adversely affected that the government was compelled to take some action to remedy these problems.

2.2 PECULIARITIES OF LABOUR

Before we discuss labour problems in the developing economy, we must know the various peculiarities of the labour because these peculiarities are also responsible to give the various labour problems.

It is important note that labour is manifestly different from other factors of production. Labour is a living things and that make all the differences. There are certain characteristics which distinguish it from the rest of the factors of production. Such characteristics are often labeled as peculiarities of labour and have been discussed below.

The first characteristic of is that it is inseparable from the person of the laborer. The laborer has to go himself to deliver the goods. The environment in which labour has to work are, therefore, of utmost consequences.

Secondly the worker sale his labour only, but himself retains his own property. The investment in labour for his training and efficiency, therefore, are of great importance.

1. V.V. Giri, *Labour Problems in Indian Idustries*, Page-116

Thirdly, labour is a perishable commodity. If any labour lost his one day that is lost forever. Labour cannot be stored up like other commodities.

Fourthly the supply of labour cannot be curtailed immediately even if wages fall, and it also that time for children to grow up or for people to get trained in order to increase the labour supply. Hence, there can be no rapid adjustment of the supply of labour to its demand.

Fifthly, capital, which helps labour in production, is more productive than labour itself. A man stands in no comparison with the productive capacity of the modern machine. Therefore under the competitive economy, the owner of capital claims and takes away a larger share of the national dividend than what goes the laborers.

Sixthly, labour is not so mobile as capital. There are differences in environment, fashions, habits, languages etc, which makes people prefer to remain at home rather than move place to place.

Seventhly, it has also to be kept in mind that labour is not only a factor of production but it also the ultimate end of production. The economic problems of labour as consumer, such as the standard of life, cost of living and poverty, constitute important subjects of labour economics.

Lastly, labour being a human factor, not only economic but moral, social and other considerations having a bearing on human beings shall also to be taken into account in the discussion of problems connected with labour. Labour problems, thus, have many aspects- economics, political, psychological, sociological, legal, historical and administrative.

2.3 THE RISE OF LABOUR PROBLEMS

All the above peculiarities give rise to many problems connected with labour. Whatever may be the system of economy, whether it is developing economy or any

other type of economy and administration, without solving these problems productive efficiency will suffer in every country those who believe that labour problems arise only under capitalism and there can be no such problems under a controlled or socialistic economy, are living in a fool's paradise. As long as labour remains a separate factor of production-supplied by different agents than those who supply other factors-labour problem will always exist. The intensity and seriousness of such problems, however, may differ in different system of economy. It follow that labour do not arise under same small-scale industries where there are no employers and employees and the various factors of production supplied by one and the same person. Labour movement everywhere has been the product of the establishment of large scale industries in which different factors of production came to be supplied by different agents.

Every agent tries to get the largest share in the profit and many differences add conflict arise. Such differences and conflicts become more pronounced and acute in a free or capitalistic economy⁴. This is because, due to profit motive and due to peculiarities of labour mentioned above. There are greater chances of exploitation of labour if the workers are not properly organized into strong unions or Govt. law for the protection of labour are not sufficient effective. However, even in a socialistic economy, there can be a clash between the interest of the worker and the interest Govt. or the party in power. The worker may agitate for better and working condition or for higher wages. The strikes of worker raise and other Govt. undertaking in India, can be cited as an example emphasis placed by Mahatma Gandhi on small scale industries , therefore not without its significance.

2.4 LABOUR PROBLEMS IN A DEVELOPING ECONOMY

“The objective of development of economy is to raise its standard of living”. Labour problems in a developing economy deserve study and attention because, in the broader sense, labour taken as the labour force is the most abundant resources

⁴ *R.C. Saxena, Labour problems and social welfare, p. 2*

available in the economy therefore its sustained and stable growth depends in a very large measure the proper utilization of this resource (man power) and in the restricted labour constitutes the poorer and often exploited section of the society broader objective of economic development is to raise the standard of life.

Further, problems of industrial labour of developing economy deserve a special study because section of this labour force is directly with the problems and consequences of development of the country's economy depends, on the extent to which their problems are solved successfully.

The crucial importance of labour to plans for economic growth so-called under developed or developing countries follow them the scarcity of capital, deficiency that may be overcome by mobilization of surplus labour for the creation of capital. Thus transfer of labour from agriculture to industry in a necessary condition as well as consequences of economy developments⁵

The reason of problems is not of geographical mobility of labour it is of psychological and social adjustments and adaptation. "Long term problems has, therefore, become a sine-quo-non of industrial growth in these case whereas a regulated economy is all that is necessary to advanced one, therefore, difficult to exaggerate the importance of suitable labour under conditions in which labour rather than capital is the chief factor accumulation⁶"

It is too important to be noted in this context that a programme of industrialization for under developed countries is a function not only of agriculture surplus or surplus labour recruited from rural area but also the training of this force in industrial occupations. Speaking broadly, in other words, the quantity as well as a quality of labour force is fundamental to economic planning. Obviously the problem of skill formation cannot be solved by marginal adjustments.

⁵ Dr. T.N. Bhagoliwal, Economic of Labour and social welfare.

⁶ Hedges Donald Clark, Economic Planning and Labour in developed countries, A.I.C.C. Economic review September, p. 116

Besides the above the problems of labour in a developing economy which related to the general problem of economic affect the interest of the worker of wage labour in country like India. For example the problems of higher wages Vs capital formation of higher wages. If difficult make a choice between higher wages on the one hand and capital formation and employment on the other. Similarly choice has to be made in regard to the method of raising the standard of labour Viz, by providing them higher wages or by improving and enlarging social security and various welfare facilities etc.”⁷

On the whole, therefore, it will be seen that the under developed countries require a new approach to labour capable of stimulating research in the problem of industrialization- an approach which is likely to contribute not only to economic planning but also to making labour of economics a useful adjunct of the general theory of economic growth and of under developed countries in particular like India. The countries like our own are in the transitional stage of economic development. Consciousness towards labour is emerging together which with the enhanced place of labour in such countries and this further increase in the significance of the labour force in such countries. Trend towards rapid industrialization and sound economic foundation has necessitated a broad-outlined study of the labour and its various problems.

Labour in the modern day’s economics is the beginning and the end of all the economic activities. Everything is done in the economy to create more and more welfare and all the efforts for creating welfare and undertaken through labour. The labour is the goal of the activities because everything is done for it.

It is also the implementing or goal-realizing agency since nothing can be done without help of labour force. Developing economy experiences new dimensions of labour problems. The position is quite burning in the case of Indian economy because of its orientation towards the socialist structure of economy. Employer-Employee relations often face fluctuation in India due to its transitory stage of economic development. The imperialistic note is dying away from Indian scene and without decay of such feelings the socialistic spirit cannot be cultivated

⁷ Dr. T.N. Bhagoliwal, Economic of Labour and social welfare. P. 12.

in the labour force. These all over changing circumstances have to do much with the expansion of the economic development. Much care is to employed while dealing with problems before the labour force. New industrial experience affects the shores of the economic ocean. It is of the significant importance to attach due importance to various measures and policies with the needs and desire of this human counterpart labour in the economic machinery of the country.

The cause of the emergence of the labour problem is no satisfaction of laborer's most needed things. When the most needed things not achieved they begin to agitate and takes the resources to strike, boycotts and other unwanted activities. The labour problems are connected to sociology. It is the main task of the sociologist to tackle all those problems. In economics, it is defined as the study of people making a living. The process of making of living , for most persons who do not produce the bulk of goods and service which they consume, break down into two broad classification of economic activity. One of these types of activity is the requiring of an income; and the second is the use of that income to buy the goods, services, insurance policy, bank accounts or other necessities convenience, of luxuries of everyday life.

2.5 SOCIO ECONOMIC IMPORTANCE OF LABOUR PROBLEMS

"The rise and growth of modern industries with complicated industrial system has given rise to labour problems in various countries. In every industrially advance country of the world, rights and privileges of labour has been sought to be secured mainly through legislation and, therefore, labour legislation plays an important part in the political life of a nation. It is of economics significance as it provides labour with what it cannot voluntarily get and thus seeks to establish harmonious relation between the employers and the employed. Besides, the part which labour policy plays in the general administration of country and the

controversies which have raged around the principles of legislation and social security measures, make it a subject of considerable interest⁸ .

As it has been noted above the magnitude of labour problems usually increase with the tempo of industrial activities in a country. For e.g. India share with other countries the economic and social chaos that is an outcome of industrialism. Problems of labour have increase with industrial development. These problem apart from their economic impact, have special repercussions as well. The welfare of the worker is important both to the industry and to the community at large. Problems of wages, industrial peace, strikes and lock-outs, the industrial housing, health, and efficiency of labour, unemployment etc confront the states as well social reformers. True under the social ethics, some of the injustices of the past have been done away with; nevertheless exploitation of labour still persists and the results are writing large in the condition of the worker⁹.

Although the magnitude of labour problems usually increases with the tempo of industrial activity, there are a host of problems connected with an different countries of the world. Whatever be the cause of the origin of the working classes in various countries, they have undoubtedly led to the occurrence of immense social and economic problems of condition of employment of hours of work or health and sanitation inside a factory or a workshop as well as outside it, of housing, welfare and social security. The question of wages and earning of the worker in various industries is vitally a significant question not only because it concerned intimately every worker but also because it often contain the clue of the solution of many other problem in worker of all countries. However, from the point of view of the role of labour in a country's economic development, the problem of the establishment of peace in industry are of special significance and probably deserve foremost consideration in many countries.

⁸ Dr. T.N. Bhagoliwal, *Economic of labour and social welfare.* p.7

⁹ Vidyarthi, R.D., *Growth of labour legislation in India since 1939and its impact on Economic developments (1961),* p.1.

Therefore, the solution of these be called labour problem created by the evils of industrialization and the lack of adjustment between the employer and his worker often all alike in the sense that they are not the problems of any particular person to the entire exclusion of others. A critical analysis of these various problems with a view to provide a clear understanding both from theoretical as well as practical standpoint is, therefore, of vital importance.

2.6 THE LABOUR PROBLEMS IN DEVELOPING ECONOMY AND THEIR SOLUTION

The main problems can be discussed under the following heads:

- 1) Unemployment
- 2) Issue of wages
- 3) Long hours of work
- 4) Migration of labour
- 5) Absenteeism and labour turnover
- 6) Industrial accident and disease
- 7) Lack of homogeneity and solidarity amongst the worker
- 8) Poverty and lack of Education
- 9) Political exploitation

1) THE PROBLEM OF UNEMPLOYMENT

In the modern times, the most pressing problem in a developing country is the unemployment i.e. the inability of person willing and able to work under reasonable circumstances to find suitable work which they are not getting. It is really loss to the nation as the unemployed do not contribute anything in building of the nation. The immediately effect of unemployment is obviously a reduce income, and as saving are usually insufficient to support the family for any length of time, the result is a fall in the standard of living. Thus, unemployment threatens great privation in food, clothing etc and causes misery not only to the

man directly affected but also to his family. Therefore, an all round effort is needed to solve the problem of unemployment. Development of nation's resources with more investments, capital equipment, increase in the pace of industrialization both in large scale and small scale sectors, agriculture reorganization, a job oriented educational system, man power planning, checks on growth of population, sound monetary and fiscal policies etc, can be some of the remedies to tackle the problem of unemployment particularly in a country of developing economy. In this connection it is also suggested that labour exchange should be established to bring about equilibrium between demand and supply of labour and provide more regular work for the laborer and minimize the evils of casual labour. The public demand for labour can be increased by undertaking public work programs like construction of public buildings, railways, road, canals etc. This will not only give employment to those who are employed in such works but will stimulate private enterprise by creating demands for goods on the part of those workers.

2) ISSUE OF WAGES

The wage problem is so important that it has always engaged the attention of all thoughtful people in all countries of developing economy. "It cannot be denied that the wages form the pivot round which most labour problems revolve."¹⁰

Wages are the main cause of trouble in the industrial disputes. They are main source of the worker's income. His livelihood and that his family depend upon the wages he receives. This problem is more complicated and compels in India because India is an example of an under developed economy and requires an early solution. Hence, the wage is of super most importance to the worker. The welfare and efficiency of the wage-earner depends upon the amount of earning received. More earning leads to or means greater satisfaction of wants.

The importance of the wage problem also lies in the fact that innumerable wage rates and unscientific differential prevail in most of the factories, and there is a lack of plan in fixing differentials in between different wage rates. The problem

¹⁰ . *R.C. Saxena, Labour Problems and Social Welfare*

of fixing a minimum wage for the work is also most essential at the present time when there is a tendency among the employers to exploit the workers.

Therefore, a number of issues, as pointed out above, are thus, involved in determination of a right wage policy e.g. the cost of living, size of family, capacity of industry to pay, productivity of labour etc. The problem has to be tackled not only from the economic but social point of view also, as a means of reducing inequalities of income and wealth. Hence the problem of wages is one of the most important and complex problems and requires immediate solution.

3) LONG HOURS OF WORK

The health and efficiency of a worker mostly depend on the number of hours they have to work. In case of long working hours the operative is bound to be tired and slack in his duties. The tiredness often becomes the cause of his shattered health, which ultimately tells upon his efficiency. Men are often found absent from their machines, and spare hands have to be employed to attend the machines of the idlers. Long hours not only cause physical exertion but also keep a worker away from home for a long time, and he cannot reasonably look after his household affairs and his family members and devote some time for his physical and mental recreation and social welfare. They lose their efficiency and interest in work.

Therefore, it can be said that long hours work and tiring factory conditions representing a marked contrast to the worker's native environment are other causes of inefficiency. The effect of long working hours on a worker must be viewed over a number of years. Conditions of modern industry impose a heavy strain on the workers and fewer hours helps to alleviate the burden. A man may work for a long time on a strenuous task for a dozen hours or more per-day, but his physique is liable to be so impaired that the length of his working life is less than that of a man whose hours are more reasonable. The long working days, multiplied by a short working life are less productive in the aggregate than short working days multiplied by longer working life. The prevention of undue fatigue always increases the efficiency of the operatives, and the liability to accident and disease

is diminished. The above steps are very important in a developing country where to increase the production is prime object of industry. A normal period of working hours, with a rest of interval would enable the worker to perform their duty more efficiently and happily. Hence, the question of reduction in the hours of work has always been an important question for industrial workers.

4 THE PROBLEM OF MIGRATION OF LABOUR

One of the characteristic features of the industrial worker in developing countries is that it has been mostly of a migratory character in the sense that the workers employed in most industries do not claim as their home town the place at which they work. While in the developed countries where industrialization has taken deep roots, there are big industrial centers which attract a permanent class of industrial workers, completely divorced from land. In those countries the workers have no ties with the village of adjoining area, most of them have been brought up in the town and they depend upon their wages as the only mean of livelihood. But in developing countries most of the unskilled factory workers come from the adjoining villages and continue to keep contact with their village homes and this feature of workers creates many problems.

The worker lives and works under conditions and circumstances which are new to his experience and completely variance with many things that he had to face previously. In the village, the worker is spasmodic with long intervals of leisure, while in the cities the worker finds themselves caught within the great wall of the factory and are stupefied by the clang and whirl of machinery. They have to toil continuously for long hours and are subjected to strict discipline which produces a heavy strain on their body as well as mind, causes them a serious distress and impairs their efficiency.

The insanitary habits of villagers also prove far more dangerous to health of the worker in the congested town than in villages. The ill-health is further augmented by the fact that the vast majority of them have to leave their wives behind in the villages, and being deprived of the healthy pleasure of family life,

they fall an easy victim to the temptation of prostitution, alcoholism and gambling that about in all industrial centers.

All above factors tend specially at first to produce a state of depression and when as frequently happen, sickness supervenes and there are no proper provision for looking after the worker as such times, there is a strong inclination to return and endure the provision of the village rather than vase and hardships of the town. The efficiency of the worker also suffer because with the constant changing of the labour force and worker are not able to get full training. The efforts and the enterprise of the employers in training of the worker are lost when the workers goes back to the villages and often does not return. The migratory character has also got an adverse effect on industrial organization and leads to unhealthy growth of trade union and do not like to pay their subscription because they do not come to the cities to live permanently.

Therefore, above all factor of migration relating to the worker are very harmful to the developing countries, where a permanent force is needed in order to progress in industrial sector.

Now the question is "should efforts be directed towards building up an industrial population divorced from the villages or should be contact with the villages be maintained and stimulated. Here it is worthwhile to mention the suggestion given by labour investigation committee¹¹. The labour investigation committee pointed out that stability of labour could be brought about by the improvement of working and living condition generally in the industries in which such worker were called upon to work. The committee quoted the opinion of the All India Trade Union Congress and many employers in this connection. All agree that a stabilized labour force is very desirable in the interest of industry, but the housing condition, wages, condition of work and living and welfare measures and other facilities must be improved before this migratory character can be checked. In the opinion of committee most workers in industrial town and landless laborer and they resort to the village occasionally for the purpose of rest and recreation,

¹¹ *Labour Investigation committee Report, p.77-78*

social ceremony etc. If that is so, it is obvious that from the worker's point of view there is no urgent necessity of going back to the villages as often as possible. There is nothing to suggest that the condition of employment, wages, housing etc. are any better in the villages than in the towns. It is of course and undeniable proposition that the villages and joint family has been a bulwark of social security for the industrial works. Hence, present circumstances and till the modern measure for social security, such as insurance against sickness, unemployment, disability etc. are adopted, the villages must be accepted as a source of comfort and security to the worker. But in my views, in order to have a permanent industrial population, as in the west, effort must be continued to provide healthy living and better employment conditions to the worker in industrial towns and for this the Govt. employers and Trade Union organization must take positive steps in the interest of industrial worker, in the form of housing finance and in organization of building industry, low income group housing scheme and the problems of slum and slum clearance improvement scheme.

5) ABSENTEEISM AND LABOUR TURNOVER

"The success of an organized industry largely depends upon the efficiency and experience of its worker. Hence, the extent to which it can reduce absenteeism and labour turnover of the worker is of great importance to the success of an industry.¹²

The worker remain absent for various reason of which only some be genuine. Sickness is responsible for a considerable part of absenteeism at most place. The low vitality of the workers, combined with bad housing and insanitary, condition of living make them easy prey to many epidemics like cholera, small pox and malaria, which break out in industrial areas and force them to be absent from their work

Hence, absenteeism is an evil for both the employers and the workers. It also reflects a reaction of the workers to industrial life and leads to serious introduction delay and increased cost. The above evil is generally find in the developing countries and therefore this problem require immediate solution.

¹² *Labour investigation committee Report, p. 77-78.*

As regards measures to be adopted for absenteeism, the Bombay Textiles Labour Inquiry committee has perhaps given the best which the Labour Investigation Committee also agreed. The committee says that the proper condition of work in the factory, adequate wages, protection against accidents and sickness and facilities for obtaining leave for rest and recuperation constitute the most effective means of reducing absenteeism. Creating a sense of responsibility among the worker by proper education and organization and by making them partner in industry and management will also reduce absenteeism. Introduction of an incentive wage scheme and linking wages and bonus with production will also be helpful in checking absenteeism.

LABOUR TURNOVER

Similarly labour turnover is at once the cause and effect of instability of employment. Mostly, turnover is due to resignation and dismissals and a higher rate of turnover becomes harmful to the efficiency of the worker as well as the quality and the quantity of the production. It also affects their organization because it leads to less solidarity among the worker who moves frequently from mill to mill and from industry to industry. Therefore, labour turnover is a serious obstacle to complete utilization of country's human and material resources, although in a developing country in India, with a large number of unemployed and under employed laborers the national loss due to turnover may be of second order so far as full utilization of the resources is concerned.

As pointed out, labour turnover is very undesirable because it leads to lower efficiency and diminished output for the industry. Hence measures have to be adopted for reducing the labour turnover. That implies a positive policy requiring concerted action. Improvement in the system of recruitment will reduce labour turnover. In order to solve this problem, measures should also be adopted to improve economic position of the workers and give them security of employment and other facilities in industrial town so that the worker may not go to the villages as frequently as they do now. "The Badli control system, introduced at certain place like Bombay, can also reduce labour turnover. Thus, as pointed out by the Bombay

Textile Enquiry Committee, improvement in the method of recruitment is one of the principle remedies for excessive labour turnover and some radical and effective methods such as establishment of Employment Exchanges, restriction on the power of jobbers and proper organization of personnel department, are required. Improvement of working conditions, welfare activities, social insurance scheme, leave and holidays, better wages, worker's participation in management etc., will also make the labour force more stable than at present. Beside, the worker's organization should be encouraged and improved which should lead to the stability of worker in industrial areas.¹³

6. INDUSTRIAL ACCIDENTS AND DISEASE

Several laborers die as a result of accident and occupational disease. Public as well as private sector should try to remove industrial injuries and disease so that the labour must be free from personal worries. The training of worker, therefore, forms an important part of the work of the prevention of accidents in industry. Prevention of accident is a cooperative effort of management, supervisor, safety engineer and workers. The employer and his supervisors must adopt the appropriate technique based on sound principles and worker must willingly cooperate. by using safety appliance and following the safety instruction.

But the first and the most indispensable requirement is that the employer and his supervisors must sincerely and enthusiastically want to prevent accidents.

7. LACK OF HOMOGENEITY AND SOLIDARITY

Lack of homogeneity and solidarity amongst worker is another serious problem, in developing countries. Victimization of worker for genuine trade union activities however continued due to above problem.

¹³ *R.C. Saxena, Labour Problems and Social Welfare, p.79.*

There is hardly any change in the attitude of employers towards the labour union while same employers had conceded upon the Government or other agencies to espouse their cause. A strong trade union movement run on democratic line alone affords adequate protection against exploitation.

8) POVERTY AND LACK OF EDUCATION

Another obstacle is the poverty of the average worker to whom even a small subscription can be an appreciable burden, particularly where he is already encircled by debt. An additional obstacle arises from the division which run across the lines in which trade unionism must develop. The importance of workers deduction as instrument for accelerating economic growth in any developing country can hardly be exaggerated. "Maintenance of industrial peace, and harmony, development of healthy labour management relations, qualities of citizenship, awareness of one's right and responsibilities and need for development of solidarity among worker call for a varied programme of labour education. It has been aptly say that the major capital stock on an industrially advanced country is not in its physical equipment. It is the body of knowledge amassed from the tested finding the capacity and the training of the population to use this knowledge effectively¹⁴. Thus it has now increasingly been realized that there is growing need for the kind of education that will properly equip worker and trade union to meet their increasingly heavy and social economy and social responsibilities. This is particularly so in the less developed countries where this form of deduction can be powerful factor of the social progress. Accordingly the attitude of the economist toward workers education of late, change considerably and research in this field have made an attempt to estimate the separate contribution of education or investment in skill formation upcoming generation and also to economic growth.

Therefore, lack of education and adequate training s no less significant cause of labour inefficiency in developing countries. Most of the workers are illiterate and they do not get the benefit of even primary education. They have not been able

¹⁴ *Simon Kuznets, Indian Journal of labour Economics, Vol –VIII 4 Jan, 1966, p. 452*

afford the time and expenses for getting school and training centers that exist in the country and hence they take time to adjust themselves to the quick and complicated working of the machinery.

On the basis of above description, worker's education is all functional and has to judge by its impact on the workers, the industry and community. In this sense, the outlays on it must bring their own returns, social or economic.

Therefore, the recommendations which are made by the National Commission on Labour (India) have an important place for any developing country, if properly implemented in the field of worker's education.

The National Commission has, therefore, recommended that the government should undertake an extensive adult literacy programme for eradication of illiteracy among workers. Apart from literacy, there has to be training which is required to make workers efficient and disciplined operating in the National Commission's view, a regular pre-employment shop floor training has to be part of the comprehensive program of worker's education. The commission also recommended that the program of worker's education should be formulated, administered and implemented by trade union themselves, though some elements of it will not be within this field of activity.

9) POLITICAL EXPLOITATION

This problem arises directly by the laborer but it is spoiled by the leaders who organized them. It's a political activity, rather than a social activity. The leaders want to have their own things to be achieved and they provoke the poor laborer for the petty things in which they are least interested. It is really an important issue and this gives rise to revolution rather than a evolution. The evil effect of outside leadership (outside dominance and political affiliation) mainly stated are. Firstly, it has undermined the purposes union and weakens their authority. More weight is usually attached to political consideration rather than to economic and social objectives. Sometimes even personal benefits and prejudices are more important than the cause of labour itself.

In fact, the issue of outsider of trade union in most of developing countries may well be expected to solve itself gradually as workers become more educated and conscious. With the spread of worker education and a greater emphasis of training of trade union workers and negotiate relation practices etc will also a long way to vest union officials with great responsibilities and give them the needed confidence to build up competent internal leadership, so in this way political exploitation of the laborers may be removed up to some extent.

2.7 CONCLUSION

In conclusion it may be submitted that in most of the developing countries force are already in operation which tend to remove the above problems. Trade unions have evidenced state support and encouragement and education amongst workers is spreading. Improvements in the system of recruitment through employment exchange and labour officers shall weaken the hold of jobber. Class consciousness is fast developing in developing countries.

The employers and fast developing countries have also realized the seriousness of the problems of laborers and they have changed their attitude for mitigating these evils because these evils effect the production of their industries. They felt that investment on labour welfare was a policy worth pursuing because a contented worker would produce better yields and would increase the efficiency.

The Govt. of developing countries too later on realized the gravity of the problems and could not remain a spectator for the workers constituted a large section of the society. Moreover the Govt. of that type of country had to intervene to settle the disputes in the interest of national economy and the welfare of the society at large extent. If some key industry is thrown out of gear, the whole system is paralyzed. Frequent break downs of even a part of economic system tend to improvise the community. The prevention of industrial strikes thus assume an important role in national policy and the state, therefore cannot afford to remain indifferent to the problems leading to industrial conflict. The Planning Commission

is pointed out that “Labour problem should be approached from two angles- the welfare of working class and the country’s economic stability and progress. The basic need of the worker for food, clothing and shelter must be satisfied. He should also enjoy improved health services, wider provision social security, better education opportunities and increased recreational and cultural facilities. The condition of work should be such as to safe guard his health and protect him against occupational and other hazards. He should be treated with consideration by the management and he should have access to impartial machinery if he fails to get a fair deal. Finally, he should have a freedom to organize and adopt lawful means to promote him rights and interest¹⁵. The above recommendations are applicable for all developing countries.

In the light of the above observation the labour problems could be easily dealt with. It is important to note that a permanent labour movement has come to stay and the forces are already in offing which will remove the various comings.

The most practical step to solve the labour problems is the combination of social assistant approach and social insurance approach i.e. to give a feeling of social security in the mind of the laborers.

In the above context, international Labour Office Comments “The Labour problems in developing are striking in the context of the industrial development. Labour, being a rational factor of production must not be treated as a commodity. The solution lies in the employer-employee relation and the attitude of the employers class towards these problems. It is not divine gift to prevail eternally but only a friction between suppliers of the two factors of production i.e. labour and capital.¹⁶

2.8 SUMMARY

In this unit we have discussed the various labour problems in developing economy. Labour problem in developing economy deserve special study and attention. So in this introductory portion of this unit a discussion about the nature

¹⁵ *Report of the planning commission of India Publication.*

¹⁶ *International Labour Office, Studies and Reports, Series M (Social Insurance) No. 18 Montreal ; p. 1.*

cause and their growth has been made. You have been also explained the socio economic importance of these problems. Every problem has been discussed in detail with their cause and measures to reduce them. Important place has been given to suggestion which are made by the various commissions and committees.

Main points of discussion are given below :

1. Labour problems :

Labour problem are the problem faced by the laborer during their work which compel them to take certainly resource to get it solved and ever resort to strikes if they are not dealt with properly.

2. Kind of Labour problems :

Unemployment, issue of wages , hour of work, migration of work, labour turnover and absenteeism, poverty and lack of education, political exploitation etc. are the various kinds of labour problems.

3. Cause of Labour Problems:

The cause of emergence of labour problems are non satisfaction of laborer's about most needed things i.e. employment, reasonable wage, house facility, good working condition, and normal working hours etc.

Measures to Reduce :

Improvement in working and living conditions of the workers, expansion of education, combination of social assistance approach and social insurance approach, reduce working hours. Labour policy must emphasize upon self reliance on the part of the worker. The employer will have to change their attitude. Public opinion must more vigilant and alert about labour problems. Proper implementation of welfare and social security schemes is required.

2.9 KEY WORDS

1. **Migratory Character** : The term Migratory character means the absence of any permanent industrial town as their homes.
2. **Absenteeism** : It is defined the term as the total man shift lost because of absences as a per percentage of total number of man shifts scheduled.
3. **Labour Turnover** : Labour Turnover may be defined as the rate of change in the working staff of a concern during a definite period . In other words, it is a measure of the extent to which old workers leave and new worker enter the service of concern in a given period.
4. **Unemployment** : It can be defined as a state of affairs when in a country there are a large number of able-bodies persons of working age who are willing to work but cannot find work at the current wage levels.

Wages : Means the remuneration paid for service of labour in production. They are payments made by the employers for the efforts put in by the worker in production.

2.10 FUTHER READINGS

1. R.C. Saxena, Labour Problems and Social Welfare. K. Nath & Co. Meerut, U.P.
2. V.V. Giri, Labour problems in Indian Industry Asia, Publishing House, Dehli.
3. Dr. T.N. Bhagoliwal, Economics of Labour and Social Welfare, Sahitya Bhawan, Agra.

UNIT-3

Labour Force

OBJECTIVES:

The purpose or object of this unit is to acquaint the students about the:

- The development of Labour Force in India.
- Nature of Labour Force in India.
- Sources of Labour Force in India.
- Composition of Labour Force in India, and
- Characteristics of Labour Force in India.

STRUCTURE:

- 3.1 Introduction.
- 3.2 The development of Industrial Labour Force in India.
- 3.3 Characteristics.
- 3.4 Summary.
- 3.5 Self Assessment Test.
- 3.6 Suggested Readings.

3.1 INTRODUCTION

This unit is prepared to acquaint the students with the development of Labour Force in India and its nature, sources, composition and its characteristics. Like USA, India is more or less “a nation of employees” with that part of the population which works for wages or remuneration, growing steadily larger both in absolute numbers and its proportion to the whole. The students should try to get a clear picture of the “Labour Force”, as those people in the Labour Market are called their location, age, education, job classification etc. However, the labour force is

necessarily a part and product of population of the country. Now days, the word “Human resource development” has been coined to cover all problems relating to man power and their employment in the industrial and sector of Socio-Economic activities throughout the world. According to Frederick H. Harbinson and Charles A. Myres, “Human resources development is more realistic and reliable indicator of modernization and development than any other single measure. It is also one of the necessary conditions for all kinds of growth –Social, political, culture or economic. A country’s physical location, its term of trade, its political relationship with other countries have a bearing on its growth¹⁷.”

The appraisal of human resource development is a logical starting point for all analysis of growth & modernization¹⁸.

3.2 THE DEVELOPMENT OF LABOUR FORCE IN INDIA

The emergence of industrial force in India may be seen against the background of Industrial development in India which is discussed below:

- (a) The industrial revolution in England brought changes everywhere and gave rise to new Socio-Economic problems. The old industrial order was replaced by the factory system on huge capital investment, natural resources and man power, the old doctrine of “free contract” or “Laissez fair” began to crumble. The industrial revolution in England was an evolutionary process but the changes it brought were so revolutionary & fundamental that its name is well deserved one³.

The Industrial revolution made England by 19th Century the world’s powerful nation. The need of growing industries demanded to supply raw material for industries and furnished market for their product, India was a British Colony at time & the effect of England’s Industrial Revolution were

¹⁷ See Frederick H. Harbinson & Charles Myres *Education, Man and Economic Growth* P.14

¹⁸ *Ibid*

17. *Indian Law Institute-Labour Law & Labour Relation* by Dr. G.S. Sharma

bound to occur in India. Laissez-Faire at home and colonization abroad became the basis of British Policy. Manufacture in India were prevented from the establishing factories. The development of railway under Govt. control was not in response to the internal needs, either of traffic or of trade, it was dictated by the needs of imperialists and administrative strategy. But these developments could not arrest the pace of factory system in India. The growth of nationalism, a movement for Swadeshi goods became the order of the day.

The process of industrialization thus began to develop and it drew inspiration from British Experience. But the industrial development came slowly in India, modern manufacturing industry Impact of nationalism brought economic reforms & Industrialization dated from about 1860, when the cotton industry first established in Mumbai & the Jute Textile industry in Kolkata. Indigenous entrepreneur were not prominent until

1870 or 1880 and most Indian Capital was active in the commercial rather than in industrial sector. The dominance of British and other foreign Capital in industry was so great that as late as 1915, European controlled concern employed more than half the work force in modern manufacturing industry¹⁹

Following are the major sectors in which labour force is engaged.

- i) Agriculture.
- ii) Mining & Quarrying.
- iii) Electricity, Gas & Water Supply.
- iv) Construction.
- v) Trade
- vi) Transport
- vii) Financing Real Estate, Insurance & business Service, and
- viii) Community, Social & Personal Service, and
- ix) Community, Social & Personal Service.

¹⁹ D.R.Gadgil, *Note on the Rise of business Communities in India*, Institute of Pacific Relation, New York-1951 P. 3

3.2 (b) **Charles Myres observed that** : “Industrialization requires not only the recruitment and training of an industrial labour force²⁰ but also to its commitment towards industrial as opposed to an agriculture way of life and as an economically under developed nation moves towards the growing industrial cities. But ties with the village and the land may remain strong. The development of labour force which accept the discipline of factory work and the conditions of urban living is much slower than the initial recruitment of enough workers to man the mills and factories²¹

During the last four decades the industrial labour force⁶ has increased in number tremendously. The Industrial labour force in India is around 315 million as per statistics available up to 1991. Table shows the details of labour employment in India.

LABOUR EMPLOYMENT SITUATION

Total Population (2011)	1,210,193,422
Labour Force (2011)	487 Million
GDP Growth rate (1981-82 to 1985-86)	5.06%
(1985-86 to 1991-92)	5.31%
(1991-93)	4.00% (P)
Growth of Population	2.1% pa
Growth of Labour Force (1981-91)	2.5% pa
Growth of Employment (1971-91)	2.2 pa
Unemployment in 1992	23 Million
Estimated Unemployment by 2002 AD	94 Million
Growth rate needed for full employment by 2002 AD	2.6 % to 2.8%

²⁰ Ministry of labour Govt. of India Annual Report 1993-94 p. 156

²¹ Labour and Economic Development edited by Walter Galeson-India by Charles Myres.

3.3 CHARACTERISTICS OF LABOUR FORCE

3.3(a) THE PUSH FROM THE LAND:

Changes which occurred in India Agriculture Created large group of Agriculture labour willing to move to urban employment. These changes bear directly on the growth of the Industrial Labour Force. In Pre-British Period, the Indian economy was characterized by independent Self-sustaining villages. Taxes were commonly paid with the village produce and non-agriculture needs were met by local artisans. The British introduced a relatively inflexible demand for cash payment of taxes with procedures of land title to others, usually the tax collector when taxes were not paid. Bad harvest or other difficulties met loss of land rights and increased the number semi-free or un free agriculture laborers. The practice of sub-dividing land among artisans even into un-economically small plot was accelerated by the rapid increase in population, especially after 1921 and added further to rule impoverish he met in population. The significance of this push from land for the character of India is industrial labour force would be noted in many cases those who migrated to the cities where not only impoverished agricultural laborers they were also from the lower castes, and had less to use by leaving the security of the village yet despite the poverty which the average, Village faced the Socio-Economic structure frequently held him and even today attract him back from the city. The typical Indian village family is the joint family. Elderly incompetent or unemployed members of the family unit are taken care of by the others the family thus represent a social security "System". The feeling of security is reinforced by the effect of the caste system on occupational choice social intercourse. Although its importance in declining caste is still determining the choice of certain occupations, and may dictate to the tradition bound villager his choice of a wife and the people with whom he is associate.

But the rigid social relationship may also create a desire especially among the lowest castes to escape the enforced economic and social subordination economic pressure may similarly push agriculture labour toward the cities, more or less regardless of caste. The magnitude of resulting rural and urban migration over

the last half-century is illustrated by the fact that, although Indian population increased by roughly 50% between 1901 and 1951. Mumbai, Kolkata, New Delhi and Chennai expanded by more than 235%.

Not only had the push from the village but relatively high wages of industrial employment attracted workers to the cities. In many cases recruitment was through labour, jobber and contractors. These men frequently recruited friends, relative and fellow members of the sub caste from their own village. They were often paid a commission by the employers for the number they recruited and security of employment, once the worker came to the city was therefore by no means assured. The worker often had to pay a commission to the jobbers to keep his job, get promoted, obtain leave or be re-employed. In Coal mining and several other industries, jobbers also acted as first line Supervisor, since they had recruited the workers, knew them personally and usually spoke their language.

3.3(b) THE SPEED OF LABOUR FORCE DEVELOPMENT:

With a plentiful labour supply, with recruitment and day to day supervision in the hands of the jobbers, top management failed in most instances to show systematic and sustained interest in labour problem speculative character of early Indian and European management partly responsible for this, and the Mumbai Textile industry experience instructive on this point. The labour force in Mills before 1934 has been described by one investigator as "little more than vast seething mob, with few loyalties and even less disciplined"²². Yet in the eight years preceding the 1934 intervention by the state to bring order into labour force employers took no effective steps to change the situation there was no shortage of untrained labour and the mills were very profitable. Imported capital equipment as expensive but labour was cheap. So there was little concern with the efficiency and discipline of the labour force. In the new 1920's when the employers tried to reduce wages and rationalize in the face of increasing competition, they reaped the whirl wind of labour protest, strikes and unionization in which the communist played an important role. The labour force was structured and disciplined only through intervention of the Mumbai state Govt. in a series of legislative enactments

²² *Morris D. Morris in Political Economy Vol. XIII No. 4 August 95*

beginning in 1934. Subsequently the mill owners association established a labour office; many mills appointed labour officers, before they were required to do so by the factories Act of 1948 and a dominant union affiliated with the strongest National Trade Union Federation, developed to give stability and direction to the workers aspirants, with some exceptions. Most employers in urban centre did little in the early period to meet the needs of migrants for adequate housing, sanitary facilities, and other amenities which might help the nascent migrants from the villages to accept industrial employment as a permanent way of life. Workers housing were characterized by serious overcrowding with as many as three or four separate families or individuals sharing a room. Single men were frequently accepted as a boarder or lodgers and this accounted for some of the overcrowding. But it was also a result of the attempt of people from the same village or sub castes to bond together against the inhospitable city.

In several, Indian cities were unable to provide the facilities necessary to accommodate migrants from the villages to an urban industrial way of life. Consequently the occasional employers interested in building a stable work force had to meet many more of his workers needs than would be necessary or desirable in advance industrial countries. It is still true in India that "Paternalism" and "Welfare activities" which characterized a managerial philosophy increasingly reflected in United State, are required of the Indian employers who expect to keep unauthorized absenteeism fairly low and employer's moral satisfactory.

The most striking instance of policies which facilitate the commitment of a stable industrial labour force is found in industrial communities which are largely built and dominated by one firm such as Jamshedpur City built by the Tata Iron and Steel Company on the site of small jungle village close to iron ore and coal deposit in deposits in Bihar (Eastern Portion). It is clear that the policies of the Tata Management in Jamshedpur have resulted in the development of a stable industrial labour force much earlier than in most other industrial cities. A stable labour force, which can maintain its ties with the village and yet work steadily in the factories, may also be sought by a conscious managerial policy by locating a new factory near a village has under employed or unemployed labour willing to take factory work, as in several cases in India.

3.3 (c) TIES WITH THE VILLAGE :

Even with some family and friends around him the former villagers may still feel adrift in the new life of the city and the factory. This separation from a known environment, perhaps as much as the hospitable physical conditions of work of living, drives the worker to return periodically to his village or "native place", which he still consider, his home. He is pulled, also by a number of obligations which his village ties place upon him. Seventy one percent of the Bombay Textile workers interviewed in a survey (conducted in 1956 or so) visited their villages at least once a year to fulfill religious obligation, visit friends and relative, help with the harvest and just to get away from it all. Yet only 21% positively disliked industrial employment because it was troublesome or strenuous and 5% because of low pay. This collaborate the impression of labour officers and employment manager who report in interviews during 1954-55 that worker on leave will use every device to fight suspension by the employer if they overstay their leave. Telegram, pleading letters written by hired letter writer, and even grievances taken to the union are resorted to by workers who to hang on their factory jobs at all costs, even though they also want extended leave in their village. In a sense these workers want to have their cake & eat it too. They are practically committed a factory job in that they regard them as more or less permanent job which can be interrupted (but not lost) by periodic visits to the village.

Thus it is not surprising to find rates of absenteeism much higher than in more advanced industrial countries, with monthly rates for some industries occasionally reaching 25%.

The partially committed labour, however, is tied to industrial employment and vast rural under-employment by these measures, for if he loses his job he forfeits leave privileges. In an economy still characterized by urban employment and vast rural under-employment, the industrial workers hold on to his job at all costs. Consequently labour turn-over in many industries and firms is relatively low in comparison with other industrial countries like USA.

3.3 (d) The Developments of labour Organization

The industrial labour force as formed several trade union for raising their voice against exploitation & victimization etc. The Indian Labour movement is significant and important for beyond the proportion covered by its number. It is centered in the growth sector of the economy, it has political and its support is sought by competing political parties. As a matter of fact the Industrial Labour Force occupies some of the key sector of the national economy in modern factories, industries, transport, mining, plantation & commercial activity. Furthermore, the concentration of the industrial labour force in important urban areas like Kolkata, Mumbai, Ahmedabad, Kanpur and Jamshedpur etc. render it one of the few concrete identifiable forces in the huge, unorganized population mass of India.

Because of these concentrations and because of industrial labor's relatively superior economic position the Indian industrial labour represent an "elite" group within the country. The role of Indian Labour Force becomes even more significant in the context of present emphasis on industrialization and economic development with the frame work of a democratic political system. Organized Labour in India has become a power group in private and public sector of national development.

The major trade union federations are Indian National Trade Union Congress (INTUC) All India Trade Union Congress (AITUC). These four national federations are at the apex of the organizational forms manifested by Indian Unionism. All of them have the objective of organizing all labour. The dominance of outsiders in the leadership in the key cities is prevalent. They occupy the key post of President, General Secretary and Treasurer. The internal leadership is not effective because of low educational standards and poor command of English which is still the principle language of labour legislation and Adjudication in India.

The major issues are:-

1. Inadequate wages.

2. Labour displacement through rationalization
3. Private ownership of industries which is held to deny workers participation in management.

The demand for a “fair wage” or a “living wage” is in the forefront. A review of Trade Unionism would show instances of disorderly and unseemly manifestation of violence which occasionally marks the industrial relation seems. Employment attitude towards the industrial labour force is also negative.

If the management is competent, the worker can produce more and earn more. Similarly the role of Govt. after 1947 has been as active intervener. The major labour legislation since that date, place Govt. squarely in control of direction which labour and management relations may take. Free Trade Union and free collective bargaining, in American sense, cannot be permitted to exist in India in the interest of our economic development. But the Govt. has also had to pay need to the growing voice of Industrial labour in India. There is an urgent need of changing the attitude of labour for and managerial contingent and the bureaucracy.

3.3 (e) NEW LIBERALISED ECONOMIC POLICY 1991& ITS IMPACT:

Due to new liberalized economic policy 1991 there is a continuing threat to the labour force. The ministry of labour, Govt. of India in its Annual Report 1993-94 has outlined the labour employment situation, trend, strategy and action plans to combat the unemployment of the labour force due to privatization and closure of industries. Table 1 shows the trend problems strategy and the action plan initiated by the Govt. of India.

Table-1
LABOUR FORCE EMPLOYMENTS TRENDS

TRENDS	PROBLEMS	STRATEGY	ACTION PLAN
<ul style="list-style-type: none"> • Growth rate of labour force higher 	<ul style="list-style-type: none"> • Mismatch between skill improvement 	<ul style="list-style-type: none"> • Reorientation of skills to suit labour market demands. 	<ul style="list-style-type: none"> • Implementation of world bank aided Vocational Training Project to-

than that of population. • Growth rate of employment lower than that of labour force	& employment opportunities.	• Reforms of training system to quickly respond to change in labour market demands.	- modernize industrial Training Institutes (it is)
	• Low technology, low productivity & low wages	• Upgradation of artisanal skills.	- introduce new trades & training programme particularly non-traditional ones.
	• Occupational shifts from artisanal to unskilled.	• Diversification of agriculture crop and region wise.	- expand existing facilities for advance training.
• Growth rate of employment of not elastic to increase in GDP.	• Under employment due to seasonal factors and more	• Waste land development for crop husbandry and forestry.	- improve quality of instruction.
	• Migration of labour force from rural to urban areas.	• Development of rural non-farm sector, small manufacture.	- improve quality of teaching-learning materials.
			- Upgrade Central Advance Training institutes by introduction of state of art technologies to retain & improve the skills industrial workers.
			• Implementation of World Bank aided scheme for up gradation and modernization of polytechnics (by the ministry of HRD, Dept. Of Education)
		• Significantly higher allocation of resources in plan for agriculture, rural development & infrastructure.	

		Outlays	7 th Plan (Rs.Cror es)	8 th Plan (Rs.Crores)
		Agriculture & Allied Activities	10573.6 2	22467.21
		Rural development	9074.22	34425.36
		Village & Small scale Industries	2752.74	6334.20
		Ecology & Environment	427.91	328.11
		<ul style="list-style-type: none">• Creation of National Renewal & (NRF) including provision for National Employment Generation Fund (NEGF) with emphasis on.<ul style="list-style-type: none">• Training• Retraining• Redeployment		

**** Source of ministry of labour Govt. of India Annual Report P. 156-187***

3.4 SUMMARY

In this unit the emergence of an industrial force in India has been discussed on the background of industrial development in the pre Independence era & post independence era. This unit also highlights the major characteristics of the India's industrial labour force & their organizations. The ministry of labour Govt. of India's Annual Report 93-94 has been cited. The present labour situation, their problems and the strategy & action plant initiated by the Govt. of India have also been given so as to appraise the students with the latest position of the labour force.

3.5 SELF ASSESSMENT TEST

Answer the following question in not more than 500 words:

1. Over the last twenty years the trend towards stabilization of industrial labour force has been further strengthened" National Commission on Labour 1969". Discuss.
2. What are the main characteristics of industrial labour force in India?
3. What is the Strategy & the action plan of the Govt. of India a safe guard the interest of Industrial Labour force?

3.6 SUGGESTED READINGS:

1. Labour and Economic development edited by Walter Galeson, New York, John Willey & Son's INC-London-1959.
2. India Law Institute Labour Law and Labour relations edited by Dr. G.S. Sharma
3. Education Man & Economic by Frederick H. Harbinson & Charles A. Myres.
4. National Commission on Labour Report 1969.
5. Hand Book on Labour Bureau Ministry Labour, Govt. of India.
6. Ministry of Labour Govt. of Indian Report 93-94.

UNIT-4

Conceptual and Developmental Aspects of Employment:

(MEANING, THEORIES OF EMPLOYMENT AND EMPLOYMENT EXCHANGES)

Objectives:

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

- Understand the meaning of employment and unemployment
- Acquire the knowledge of classical, Keynesian and New classical theories of employment.
- Understand the employment exchange, its role and function in general and growth of employment exchange in particular with reference to India.
- Comprehend the shortcomings of employment exchange and their future prospects in a developing country like India.
-

Structure:

- 4.1 Introduction
- 4.2 Unemployment
- 4.3 Full-Employment
- 4.4 Theories of Employment
 - 4.4.1 The Classical Theory
 - 4.4.2 Keynesian Theory
 - 4.4.3 Phillips Relation
- 4.5 Employment Exchange – Meaning & Role
- 4.6 Function of Employment Exchange
- 4.7 Organization of Employment Exchange
- 4.8 Employment Exchange in India – Progress & Prospects

- 4.9 Critical appraisal of Employment Exchange
- 4.10 Summary
- 4.11 Self – Assessment Test
- 4.12 Key-Words
- 4.13 Future Readings

4.1 INTRODUCTION

The man power of a country is like any other capital which has to be planned and fully utilized for the development of the country. Full Employment is the aim of all economics of the world irrespective of thus forms of organization. I the early 1980's world-wide rose employment to very large level higher than the rate prevailed during some of the years of the 1930's although not as high as the peak unemployment rate of that earlier 'Current depression not only the overall level of unemployment in wastefully large, the structure of unemployment extendedly varied. Social policies constituted since the 1930's have no doubt made the short term economic consequences of unemployment much less sent us than they were in earlier times. Now a day's control of inflation has emerged as a serious problem. Can Govt. cure inflation along with the growth of employment opportunities? What role can be the Employment Exchange plays on man-power planning? There questions must be looked into with depth.

4.2 UNEMPLOYMENT

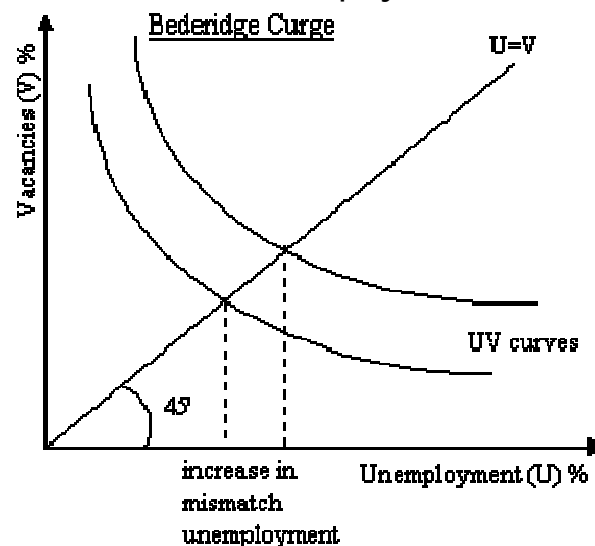
An unemployed worker is one who is unable to find employment under the provability economic conditions. Although any factor of production can be unemployed, economists have placed particular emphases on unemployment of labour, primarily because of the meat (and sometime physical) sufferings and hardship experienced by the unemployed and their dependents. A distinction is sometimes draws between voluntary and involuntary unemployment. Involuntary unemployment eccers when workers who are illing to work at current wage levels are unable to find jobs Voluntary unemployment refers to those workers who are thought to be capable of taking jobs but prefer to remain unemployed, perhaps to

enable themselves to continue their search for a better paid or otherwise more desirable job than those currently available. In case where the wage ruling in a particular labour market is for some reason above the equilibrium, there will be an excess of labour supply are said to be involuntary unemployed as they are seeking but are unable to attain employment at the prevailing wage rate.

4.3 FULL-EMPLOYMENT

According to William Beveridge, "full employment means having always more vacant jobs than unemployed men, not slightly fewer jobs. It means that the jobs are at fair wages, of such a kind and so located that the unemployed men can reasonably be expected to make them, it means by consequence that the normal lag between leaving one job and finding another will be very short." A commonly used alternative definition of the full employment level of unemployment is provided by U—V analysis (U means number of unemployed workers and v means number of unfilled vacancies). According to this approach, full employment (or the absence of deficiency or excess of labour demand) is said to occur when the number of unemployed workers equals the number of unfilled vacancies and this is shown in Figure 4.1 by the point where the 45° line from the origin intersects the relevant U—V curves.

The relation between Unemployment and unfilled vacancies.



In the case where curve A applies, full employment occurs at point t, given a full employment level of unemployment of U_t . At this point the fact that any persons are unemployed can be ascribed either to their not yet having found some vacancy suitable for them that does intact exist (frictional unemployment) or to their being in the wrong place or having the wrong skills or personal characteristics to fill an existing vacancy (structural unemployment), so that employment here is full in the sense that total unemployment is wholly attributable to what can be regarded as market imperfections rather than to an excess of supply of labour over demand.

4.4 Theories of Employment

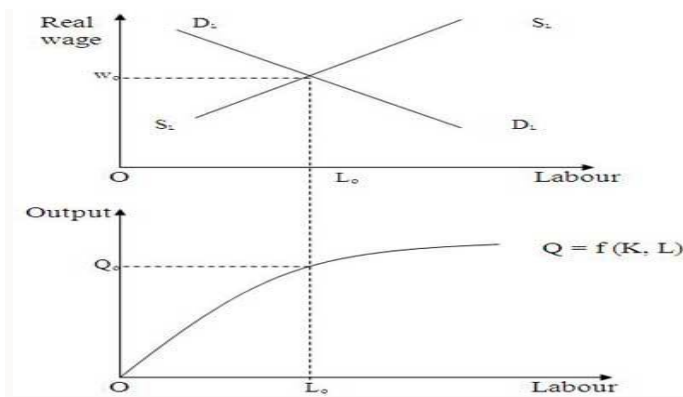
The basic theories of reemployment determination are the classical and the Keynesian theories.

4.4.1 The Classical Theory

The basic contention of classical economists was that if wages and prices were flexible, a competitive market economy would always operate at full employment. That is, economic forces would always be generated so as to ensure that the demand for labour was always equal to its supply.

In the classical model the equilibrium levels of income and employment were supposed to be determined largely in the labour market. At lower wage rate more workers will be employed. That is why the demand curve for labour is downward sloping. The supply curve of labour is upward sloping because the higher the wage rate, the greater the supply of labour.

In the following figure the equilibrium wage rate (w_0) is determined by the demand for and the supply of labour. The level of employment is OL_0 .



The lower panel of the diagram shows the relation between total output and the quantity of the variable factor (labour). It shows the short-run production function which is expressed as $Q = f(K, L)$, where Q is output, K is the fixed quantity of capital and L is the variable factor labour. Total output Q_0 is produced with the employment of L_0 units of labour. According to classical economists this equilibrium level of employment is the 'full employment' level. So the existence of unemployed workers was a logical impossibility. Any unemployment which existed at the equilibrium wage rate (W_0) was due to frictions or restrictive practices in the economy in nature.

The classical economists believed that aggregate demand would always be sufficient to absorb the full capacity output Q_0 . In other words, they denied the possibility of underspending or overproduction. This belief has its root in Say's Law.

(a) Say's Law: According to Say's Law supply creates its own demand, i.e., the very act of producing goods and services generates an amount of income equal to the value of the goods produced. Say's Law can be easily understood under barter system where people produced (supply) goods to demand other equivalent goods. So, demand must be the same as supply. Say's Law is equally applicable in a modern economy. The circular flow of income model suggests this sort of relationship. For instance, the income created from producing goods would be just sufficient to demand the goods produced.

(b) Saving-Investment Equality: There is a serious omission in Say's Law. If the recipients of income in this simple model save a portion of their income, consumption expenditure will fall short of total output and supply would no longer

create its own demand. Consequently there would be unsold goods, falling prices, reduction of production, unemployment and falling incomes.

However, the classical economists ruled out this possibility because they believed that whatever is saved by households will be invested by firms. That is, investment would occur to fill any consumption gap caused by savings leakage. Thus, Say's Law will hold and the level of national income and employment will remain unaffected.

(c) Saving-Investment Equality in the Money Market: The classical economists also argued that capitalism contained a very special market – the money market – which would ensure saving investment equality and thus would guarantee full employment. According to them the rate of interest was determined by the demand for and supply of capital. The demand for capital is investment and its supply is saving. The equilibrium rate of interest is determined by the saving-investment equality. Any imbalance between saving and investment would be corrected by the rate of interest. If saving exceeds investment, the rate of interest will fall. This will stimulate investment and the process will continue until the equality is restored. The converse is also true.

(d) Price Flexibility: The classical economists further believed that even if the rate of interest fails to equate saving and investment, any resulting decline in total spending would be neutralized by proportionate decline in the price level. That is, Rs 100 will buy two shirts at Rs 50, but Rs 50 will also buy two shirts if the price falls to Rs 25. Therefore, if households saves more than firms would invest, the resulting fall in spending would not lead to decline in real output, real income and the level of employment provided product prices also fall in the same proportion.

(e) Wage Flexibility: The classical economists also believed that a decline in product demand would lead to a fall in the demand for labour resulting in unemployment. However, the wage rate would also fall and competition among unemployed workers would force them to accept lower wages rather than remain unemployed. The process will continue until the wage rate falls enough to clear the labour market. So a new lower equilibrium wage rate will be established. Thus, involuntary unemployment was logical impossibility in the classical model.

Keyne's Criticism of Classical Theory:

J.M. Keynes criticized the classical theory on the following grounds:

1. According to Keynes saving is a function of national income and is not affected by changes in the rate of interest. Thus, saving-investment equality through adjustment in interest rate is ruled out. So Say's Law will no longer hold.
2. The labour market is far from perfect because of the existence of trade unions and government intervention in imposing minimum wages laws. Thus, wages are unlikely to be flexible. Wages are more inflexible downward than upward. So a fall in demand (when S exceeds I) will lead to a fall in production as well as a fall in employment.
3. Keynes also argued that even if wages and prices were flexible a free enterprise economy would not always be able to achieve automatic full employment.²³

4.4. 1.1 LMITATIOINS MODEL OF THE CLASSICAL

As stated above, the classical model of employment is too over-simplified. Neither the conditions of perfect competition, nor the wage rate is flexible: In fact, there are extreme market imperfections in the forms of factor immobility, price rigidity, ignorance of market conditions etc. wage rates are also not flexible downwards since they are determined largely by institutional factors particularly trade unions pressures and government legislations on account of these reasons, the classical explanation of employment determination crumbles down in the context of developing countries. As we have noted that involuntary unemployment continues to exist and expand in these countries and the ideal of full employment is yet only a dream.

4.4.2. THE KEYNESIAN THEORY

²³ <http://www.trcollege.net/study-material/24-economics/33-the-classical-theory-of-employment>

The Keynesian Theory

Keynes's theory of the determination of equilibrium real GDP, employment, and prices focuses on the relationship between aggregate income and expenditure. Keynes used his **income-expenditure** model to argue that the economy's equilibrium level of output or real GDP may not correspond to the natural level of real GDP. In the income-expenditure model, the equilibrium level of real GDP is the level of real GDP that is consistent with the current level of aggregate expenditure. If the current level of aggregate expenditure is not sufficient to purchase all of the real GDP supplied, output will be cut back until the level of real GDP is equal to the level of aggregate expenditure. Hence, if the current level of aggregate expenditure is not sufficient to purchase the *natural* level of real GDP, then the equilibrium level of real GDP will lie somewhere *below* the natural level.

In this situation, the classical theorists believe that prices and wages will fall, reducing producer costs and increasing the supply of real GDP until it is again equal to the natural level of real GDP.

Sticky prices. Keynesians, however, believe that prices and wages are not so flexible. They believe that prices and wages are **sticky**, especially downward. The stickiness of prices and wages in the downward direction prevents the economy's resources from being fully employed and thereby prevents the economy from returning to the natural level of real GDP. Thus, the Keynesian theory is a rejection of Say's Law and the notion that the economy is self-regulating.

Keynes's income-expenditure model. Recall that real GDP can be decomposed into four component parts: aggregate expenditures on consumption, investment, government, and net exports. The **income-expenditure model** considers the relationship between these expenditures and current real national income. Aggregate expenditures on investment, I , government, G , and net exports, NX , are typically regarded as *autonomous* or *independent* of current income. The exception is aggregate expenditures on consumption. Keynes argues that aggregate consumption expenditures are determined primarily by current real national income. He suggests that aggregate consumption expenditures can be summarized by the equation

$$\text{aggregate consumption} = C + mpc(Y)$$

where C denotes autonomous consumption expenditure and Y is the level of current real income, which is equivalent to the value of current real GDP. The **marginal propensity to consume** (mpc), which multiplies Y , is the *fraction* of a change in real income that is currently consumed. In most economies, the mpc is quite high, ranging anywhere from .60 to .95. Note that as the level of Y increases, so too does the level of aggregate consumption. Total **aggregate expenditure**, AE , can be written as the equation

$$AE = A + mpc(Y)$$

where A denotes total **autonomous expenditure**, or the sum $C + I + G + NX$. Different levels of autonomous expenditure, A , and real national income, Y , correspond to different levels of aggregate expenditure, AE .

Equilibrium real GDP in the income-expenditure model is found by setting current real national income, Y , equal to current aggregate expenditure, AE . Algebraically, the equilibrium condition that $Y = AE$ implies that

$$\begin{aligned} Y &= A + mpc(Y) \\ \rightarrow (1 - mpc)Y &= A \\ \rightarrow Y^* &= m(A) \end{aligned}$$

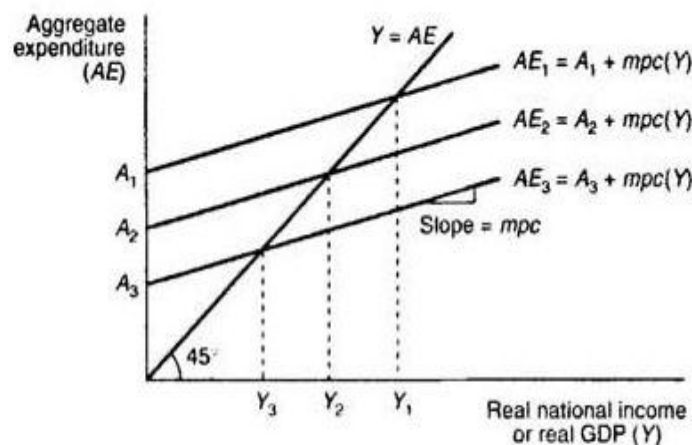
where

$$m = \frac{1}{(1 - mpc)}$$

In words, the equilibrium level of real GDP, Y^* , is equal to the level of autonomous expenditure, A , multiplied by m , the **Keynesian multiplier**. Because the mpc is the *fraction* of a change in real national income that is consumed, it always takes on values between 0 and 1. Consequently, the Keynesian

multiplier, m , is always greater than 1, implying that equilibrium real GDP, Y^* , is always a *multiple* of autonomous aggregate expenditure, A , which explains why m is referred to as the Keynesian multiplier.

The determination of equilibrium real national income or GDP using the income-expenditure approach can be depicted graphically, as in Figure . This figure shows three different **aggregate expenditure curves**, labeled AE_1 , AE_2 , and AE_3 , which correspond to three different levels of autonomous expenditure, A_1 , A_2 , and A_3 . The upward slope of these AE curves is due to the positive value of the mpc . As real national income Y rises, so does the level of aggregate expenditure. The Keynesian condition for the determination of equilibrium real GDP is that $Y = AE$. This equilibrium condition is denoted in Figure by the diagonal, 45° line, labeled $Y = AE$.



■ Figure 19 ■

Figure 1 The Keynesian income-expenditure approach to equilibrium real GDP

To find the level of equilibrium real national income or GDP, you simply find the intersection of the AE curve with the 45° line. The levels of real GDP that correspond to these intersection points are the *equilibrium* levels of real GDP, denoted in Figure as Y_1 , Y_2 , and Y_3 . Note that each AE curve corresponds to a different equilibrium level for Y . Note also that each Y is a *multiple* of the level of

autonomous aggregate expenditure, A , as was found in the algebraic determination of the level of equilibrium real GDP.

Graphical illustration of the Keynesian theory. The Keynesian theory of the determination of equilibrium output and prices makes use of both the income-expenditure model and the aggregate demand-aggregate supply model, as shown in Figure .

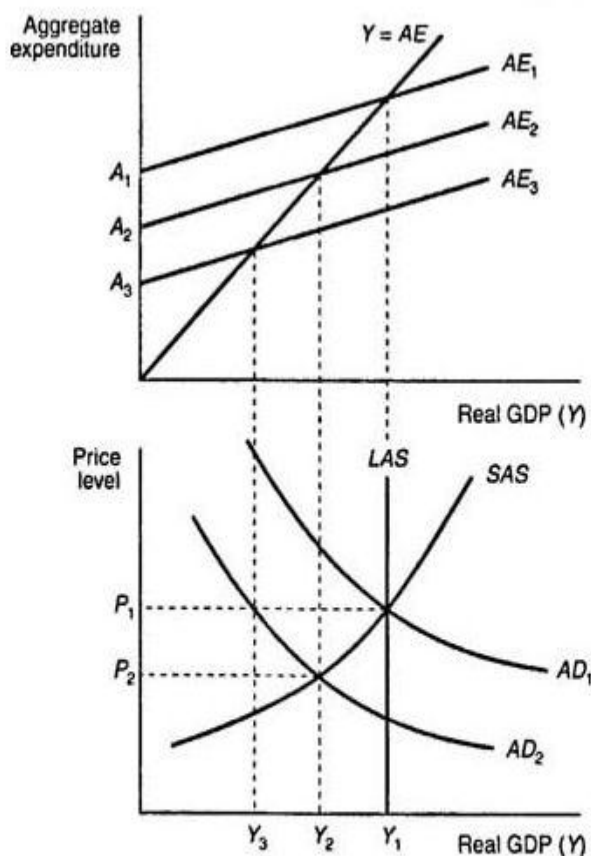


Figure 2 The Keynesian income-expenditure approach and aggregate demand and supply

Suppose that the economy is initially at the natural level of real GDP that corresponds to Y_1 in Figure . Associated with this level of real GDP is an aggregate expenditure curve, AE_1 . Now, suppose that autonomous expenditure declines, from A_1 to A_3 , causing the AE curve to shift downward from AE_1 to AE_3 . This decline in autonomous expenditure is also represented by a reduction in

aggregate demand from AD_1 to AD_2 . At the same price level, P_1 , equilibrium real GDP has fallen from Y_1 to Y_3 . However, the intersection of the SAS and AD_2 curves is at the lower price level, P_2 , implying that the price level falls. The fall in the price level means that the aggregate expenditure curve will not fall all the way to AE_3 but will instead fall only to AE_2 . Therefore, the new level of equilibrium real GDP is at Y_2 , which lies below the natural level, Y_1 . Keynes argues that prices will not fall further below P_2 because workers and other resources will resist any reduction in their wages, and this resistance will prevent suppliers from increasing their supplies. Hence, the SAS curve will not shift to the right as in the classical theory and the economy will remain at Y_2 , where some of the economy's workers and resources are *unemployed*. Because these unemployed workers and resources earn no income, they cannot purchase goods and services. Consequently, the aggregate expenditure curve remains stuck at AE_2 , preventing the economy from achieving the natural level of real GDP. Figure therefore illustrates the Keynesians' rejection of Say's Law, price level flexibility, and the notion of a self-regulating economy.²⁴

4.4.2.1 LIMITATION OF KEYNESIAN MODEL

It things were so simple, there would be no difficulty in solving the problem of unemployment in the developing countries. Yet, as the experience of developing countries clearly shows, increase in aggregate demand through an expansion in government expenditures fails to increase the employment level and results only in inflationary conditions. This is an account of the fact that supply cannot easily increase in response to an increased demand various structural and institutional constraints operate on the supply side. The inflationary conditions that presently prevail in many developing countries are a direct result of increased demand (created through increased government expenditures) and the failure of the supply to increase correspondingly. Keynes had placed great faith on the multiplier principle in bringing about full employment. However, as fully pointed out by

²⁴ <http://www.cliffsnotes.com/more-subjects/economics/classical-and-keynesian-theories-output-employment/the-keynesian-theory>

V.K.R.V Rao, this principle fails to operate in developing countries.

4.4.3 PHILLIPS FELATION:

Keynesian model fails to explain the relationship in wages, Employment and Inflation. In a dynamic economy the forces which determine both the demand for labour and supply of labour are constantly changing. Consequently, the equilibrium of real wage and the equilibrium level of employment are also changing. in the dynamic economy the price level also changes that generates changes in employment and unemployment. The relations by between the rate of inflation and the level of unemployment is known as the Phillips' relation. if we assume a zero rate of inflation (no discrepancy between the actual and anticipated rate of inflation) then the equilibrium level of employment will be consistent with the natural rate of unemployment. But of the price level begins to rise at the rate of 3 percent, the real wages will have fallen due to rise in price level, which in turn increases the demand for labour or the employer will seek to hue additional workers, *ceteris paribus*, at the loner real wage. The workers will interpret a higher normal wage as—higher real wage will cause the quantity of labour supplied to increase. Thus, the anticipated 3 per-cent rate of inflation has resulted in an increase in employment and reduction in unemployment. But after some time, the employees will come to realize that their higher nominal wages do not represent higher real wages, the equilibrium level of employment would be reestablished at the natural rate of unemployment. Thus, if monetary authorities attempt to keep the unemployment rate below its natural rate for an extended period, such attempt will require accelerating rates of inflation.

4.5 EMPLOYMENT EXCHANGE

Organization of labour market is an important aspect of employment problem. Organization of labour market on scientific lines means bringing about an adjustment between the supply of and the demand for labour. The organization of

employment exchanges offers a modern and scientific method of recruitment of labour. An employment exchange is a special institution set up for bringing together workers looking for jobs and employers looking for work to fill them. The employers are expected to notify to the exchange the number of vacancies in their establishments, and the type of personnel needed to fill them, while the job seekers register their names and qualification and the type of jobs they are looking for. It is then the function of employment exchanges to match this information quickly and precisely. They select the names of persons most suitable for a particular job notified vacant by an employer, and refer then to the latter for screening or personal interview and selection. The final choice rests with the employers. The employment exchanges continue to secure placements for all workers—registered with them. Matching of men with jobs and their placement is the most important function of employment exchanges. The employers are able to get the right man for the right job and the job seeker gets a suitable job. This ensures great efficiency and output.

The exchanges help to avoid a waste of manpower and loss of potential production. Thus, employment exchanges may be defined as the special offices set up for bringing together as quickly as possible those workers who are in need of jobs & those employers who are looking for workers.

Employment exchanges have a very important place in an orderly system of industrial relation. The maximization of national dividend depends on two things avoiding involuntary unemployment on the one hand, and giving each worker the jobs for which he is best suited, on the other. An employment exchange can play an important role in this respect. The exchange, no doubt, cannot create new employment what they can do is to bring about the best adjustment between the demand for and supply of labour. Employment exchanges serve as clearing houses for the relevant information. Employment exchanges are also responsible to see that available jobs are filled by men best fitted to hold them. The defects of recruitment through jobbers can be removed. The employment exchange also sees that the necessary skill is available in the market and is distributed satisfactorily among the various branches of production. They also help in the resettlement of displaced persons, refugees and ex-servicemen. The employment exchange are

also highly useful for the employers as they help in filling the vacancies by appointing the right man for the right job.

4.6 FUNCTIONS OF EMPLOYMENT EXCHANGE

The employment exchanges can 'perform many useful functions such as :

4.6.1 PLACEMENT FUNCTION

This is the most important function of an employment exchange. it seeks quick adjustments between labour demand and supply, and thus removes limitation which would cause wastage of production capacity. Besides, the jobs and the job seekers are properly matched to ensure efficiency.

4.6.2 INFORMATION FUNCTION

The exchange selects a lot of useful information about the labour market through registration by job seeker and notification of vacancies 'by the employers. By suitably compiling and processing the data, the employment exchange can explain occupational pattern', indicate employment trends, and forecast likely surpluses or shortages of particular categories of labour in future. The job seekers are made knowledgeable about the wide range of job opportunities available which enables them to maximize their earnings by taking up the ones they are most suited for.

4.6.3 GUIDANCE AND TRAINING FUNCTION

An employment "exchange can, thus, provide suitable vocational guidance to the future instants in the labour market. They can do so through publication of suitable career pamphlets, special lectures and employment counseling programs, special employment offices like the University employment and guidance bureaus. The exchange can also organize training programs in particular skills for fresh job seekers or those rendered frictionally unemployed.

4.6.4 LABOUR MOBILITY FUNCTION

Employment exchanges can promote and facilitate mobility of labour by suitably performing the above stated function. The job seekers who are able to get suitable and sufficient information and guidance about the available jobs and labour market trends would more readily move from one place or occupation to another in search of higher earnings. This is urgently needed in developing countries where labour is expected to move out from an overcrowded agriculture to newly developing industrial culture.

Besides there, they also help in implementation of schemes like unemployment insurance, rehabilitation of displaced persons, collect statistics on unemployment and manpower. To-day, these activities form a part of an overall programme of manpower planning, more so, in countries seeking planned development of their economies. In countries with full employment, they can help in the optimal allocation of labour resources into various employments.

4.7 GROWTH AND ORGANIZATION OF EMPLOYMENT EXCHANGE

State controlled Employment exchanges were first set up in 1891 by 'New Zealand Government. However, the importance of such employment agencies run by the state was universally recognized in 1919 at the Washington - International Labour Organization. India also ratified this convention in 1921. However the Royal Commission on Labour (1931)' did not appreciate the usefulness of employment exchange in India. The commission suggested that in view of the conditions of industrial economy of India, Employment Exchanges could be of little use either in solving the problem of unemployment or in maintaining statistics of the employed. However, in spite of such unfavorable attitude of the Royal Commission on Labour, various committees and organization in India, suggested that. Employment Exchanges should be established. In 1936, Ahmedabad Mill Owners' Association prepared a scheme for the labour exchange. Others like Sapru Committee on unemployment, Kanpur Labour Enquiry Committee (1938), Labour Enquiry Committee, Bihar, and many other workers' and employers' association

expressed strong views for the establishment of Employment Exchanges. The Raje committee also expressed view favoring the establishment of Employment Exchange in India. In 1946, the Labour Investigation Committee considered that. Employment Exchange can play an important role in the industrial economy of India. The organization, at present, is a delicate Mechanism. Central control and coordination is affected through the Directorate General of Employment and Training at New Delhi, the activities of which are divided into two Directorates of Employment and Training. The Director General is assisted by two Directors who have under the Deputy and Assistant Directors as well as other technical and non-technical staff. There are regional Exchanges treated at State capitals and sub-offices exchanges at District headquarters. Attached to some of the Exchange offices are Employment Information Bureaus and sub offices. For naval and 1 aircraft trade special Exchanges have been pronged. Besides, in view of the vast size of the country, Mobile Exchanges have been established to make the service available to these who are away from the employment exchanges. According to Shiva Rao Committee (1952-54) the day to day administration of the employment exchanges, is carried on by the State governments while the Central government coordinates their working and lays down the overall policy and norms of the operations. The opening and closing down of new exchanges is done with the prior sanction of the central government. "The Government of India bears 60 per cent of the cost of the organization.

4.8 EMPLOYMENT EXCHANGE IN INDIA - PROGRESS AND PROSPECTS

In the beginning employment exchanges were established and run on voluntary basis. During 1943-44 many employment exchanges were set up to meet the needs of personal for war production. Employment science in India made its real beginning in 1945 when a Directorate General of Resettlement and Employment was created to solve the problem of resettlement of demobilized service personnel and discharged workers. However, after independence in 1947, the scope of employment exchanges was widened so as to cover all types of jobs

seekers. At the beginning the First Five Year Plan in April 1951 there were 136 employment exchanges in the country. In 1952, the Government of India appointed a Training and Employment science Organization Committee under the chairmanship of Mr. B. Shiva Rao to examine the working of employment exchanges and to report on the future of the methods and organization of employment agencies. Having examined the working of employment exchanges Shiva Rao Committee pointed out many defects and made important recommendation as given below:

- (i) The organization should be placed on a permanent basis.
- (ii) Employment exchange organization should be named National Employment Service.
- (iii) Government and Quasi—Government employment should be compulsorily filled through there exchanges.
- (iv) The administration of employment exchanges should be transferred from the Central government to state governments. The central government should, however, formulate the general policy and Co—ordinate and supervise the work of the exchanges situated in different states.
- (v) No for should be levied on employers or employment seekers who take advantage of employment exchange service.
- (vi) Employment Exchange should organize institutions of technical and vocational training.
- (vii) The central government should bear the entire cost of Central headquarter.

- (viii) The central government should bear 60 per cent of the State expenditure and the state government should provide necessary accommodation and bear 40 per cent of the cost of running the service in the State.

The National Employment Service (NES) has, by now, considerably expanded its size and scope of operations. The number of employment exchanges increased rapidly during 1956-66 and to—day there is a net work of a 65 employment exchanges throughout the country. There is an exchange in nearly every district. Special exchanges have also been set up to cater to the needs of particular categories of job seekers including handicapped persons and rural workers. There are also a little over 50 University Employment and Guidance Bureaus in operation. The progress of employment exchanger is given in the Table- 4.1

Table 4.1

Main Statistics on the working of Employment Exchanges 1970-71 to 1989

Year	No. of Exchanges	Registration (including re-registration)	Application on live Register	Vacancies Notified during the period %	Placement by Sector		
					Public Sector	Private Sector	Total
1970-71	432	383	42,21	62.9	33.5	4.1	37.6
1975-76	502	463	93,53	61.6	32.2	4.0	36.2
1980-81	571	519	1,61,98	69.6	35.5	2.6	38.3
1985-86	721	477	2,70,34	54.2			31.3
1987-88	755	493	2,95,68	49.2			28.9
1988-89	756	501	2,98,83	44.8			25.7
May 1989	765	364	3,05,64	62.0			24.0

Source: Directorate General of Employment and Training, Ministry of Labour, Monthly Abstract of Statistics, yr., 1989

But the true progress of employment exchanges can be gauged mainly from their success in performing their placement function and the extent to which their services are used by employers and job seekers. The number of the placements, as table 4.1 shows declined significantly from 37.6 per cent in 1970-71 to 24 per cent in May, 1989. However, in the beginning of plan era the number of placements, increased significantly from 2, 60,088 in the year 1948 to 4, 16,858 in 1951 and then declined to 1,60,735 in 1955. Since then, due to proper organization of NES, the number of annual placements has steadily increased to over 5 lakhs from 1963 onwards, reaching its highest level of 5, 70,191 in 1965. From 1967 Onwards, the number of placements has fallen. Notwithstanding these fluctuations, it is a matter of satisfaction that the NES places in employment between four to five lakhs of persons every year. The success of the employment exchanges in filling the vacancies notified to them through these annual placements is more than 60 per cent expelled between 1985-86 and 1988-89.

Are the services of employment exchanges sufficiently used by the job seekers? The number of registrations has steadily increased up to 1980-81. The number of applicants on the Live Register has also increased from a little over 3 lakhs in 1951 to 3.65 crores in 1981, which is more than one hundred times.

Apart from placement work, the other important achievements of employment service organization are as follows:-

- (i) In March, 1950, the Training Scheme for Adult Civilians was started. However in 1954 this scheme was reorganized which came to be known 'Craftsmen's Training Scheme'. In the beginning this scheme was under the control of central Government, but financial control over the scheme was transferred to the respective State Governments and union territories On April, 1969. There were over 100 training centers functioning under this scheme as on Jan. 1989.
- (ii) The National Apprenticeship Training Scheme has been started under the Apprentices Act, 1961. Similarly the Pilot Scheme of part time classes for industrial workers and the scheme for the training of industrial workers have been started.

- (iii) Under the Apprentices Act, 1961, a Central Apprenticeship Council has been set up to advise to Union Government on matters concerning the regulation and control of training of apprentices' trade and allied matters.
- (iv) National Council for Training and vocational trades has been established to advise the Government on all matters of training policy to Co—ordinate Vocational training and lay-down uniform standards.
- (v) The Central Institute for Research and Training in Employment Service has been established to carryout programmers of research in operational activities, working procedure and allied problems of employment exchanges and for importing professional training to employment officers deputed by the States.
- (vi) In order to facilitate the placement of physically handicapped persons. Vocational Rehabilitation Centers were opened. National Apprenticeship scheme has been eliminated with the aid of U.N.D.P.
- (vii) As a part of the placement service, government as the single biggest recruitment agency has introduced measures for quicker employment of the jobless. The employment exchanges have started collecting data and arrange discipline—wise. Another in the series of manufactures to bridge the gap between job seekers and organization of offering employment is the publication of employment News, in English and Hindi, Containing information about all jobs opportunities.
- (viii) The Government of India appointed a committee in 1977 under the chairmanship of Shri P.C. Mathew to recommend measures for streaming the working of Employment Exchanges and remove shortcomings in their working. In September, 1981, a working group on Reorganization of the Directorate General of Employment and Training was set up under the chairmanship of Shri P.C. Nayak to review the objectives and functioning of

the Directorate and to suggest ways and means of making the organization more effective.

4.9 CRITICAL APPRAISAL OF EMPLOYMENT EXCHANGES

Looking at the working of employment exchanges appears it doubtful that they will effectively help in solving the manpower problems of the developing economy of India. Their role to remedy the evils of recruitment of labour and to bring about the scientific standardization in the system has not been up to the expectation. For the all deficiencies we cannot blame the employment exchanges, because they suffer from so many difficulties inherent in the situations, which are beyond their control. The NES has developed into a multifunctional placement agency and it has also been facilitating the geographic mobility. at the same time we cannot ignore the evils that exist within the employment service organization. The employment exchanges have not succeeded due to fundamental imbalances in the employment market in the country, lack of employment opportunities, the incompetence of the existing staff to discharge the required order of technical and administration work and corruption, bureaucracy, favoritism inherent in them.

The future of employment exchange services is to be bright. There will be greater demand on employment exchanges for the supply of all categories of labour and scope of its placement operations will be increased several. The job seekers will also increasingly turn to them for help and guidance. But as with technological advance, the labour requirement will be more and more of skilled and semi-skilled category, the exchange may find it difficult to perform their matching and placement function with speed and efficiency. It may, therefore be said that the success of the NES as measured with respect to its effectiveness in securing placement of the job seekers registered with it is not likely to be much in the future in the public sector which is obliged to patronize it. And yet the importance of NES as an institution to organize and mould the labour market and to carry out the basics of manpower planning in an era of planned economic development and technological advance will increase enormously.

4.10 SUMMARY

Every country developed or developing is facing the problem of unemployment at present. However, it is not so severe as in the year of 1930s. An unemployed worker is one who fails to find employment at the prevailing wage rate. Full employment is the state in which vacant jobs are more than unemployed men. The classical and the Keynesian theories of employment are important theories of employment determination. According to classical economists the wage rate and the level of employment are determined simultaneously at the point, where the supply curve and the demand curve for labour intersect each other but the main weakness of the classical model of employment is that it is too simple and based on many extreme assumptions. At the time of the 'great depression' the classical prescription failed to diagnose the state of unemployment in the economies. Keynes' solution to the unemployment problem lies in increasing the level of aggregate demand from the existing $C+I+G$ curve to the higher $C+I+G'$ by increasing government expenditure. However, in a dynamic economy the forces which determine both the demand for labour and supply of labour are constantly changing and the level of unemployment is affected by changes in real wages and changes in the rate of inflation.

The organization of a network of employment exchanges constituting a National Employment Service offers a modern and scientific method of labour recruitment. An employment exchange is a special institution set up for bringing together workers looking for jobs and employers looking for workers to fill them. The number of employment exchanges has increased considerably. Special exchanges have also been set up. The NES in India today is a well established multifunctional agency. While placement of job seekers remains its key function, labour market information, labour mobility and vocational guidance and training have also developed as its important associated functions to enable it to play a role in manpower planning and utilization. It now places in employment between four to five lakhs of workers every year which is about 60 per cent of the vacancies notified to it, but only between 10 to 15 per cent of the total registrations with it during the year. The NES in India may have to face new challenges in the future with rapid technological change and increasing complexity of job requirements, matching and placement functions would become rather difficult.

4.11 SELF-ASSESSMENT TEST

Answer the following questions in not more than one page each so that you may know how much you have understood the subject discussed in this unit:

1. Define Full employment and Unemployment.
2. Explain the classical / Keynesian theory of employment determination and its limitations.
3. Define Employment Exchange and its role in placement of jobs.
4. Mention the main recommendation of Shri Shiva Rao Committee.
5. Suggest ways to improve the performance of employment exchanges.

4.12 KEY WORDS

Frictional Unemployment: - Unemployment in the economic system due to frictions, laborers in the process of changing one job for another, imperfect labour mobility due to lack of knowledge about job opportunities, and other factors which prevent people from finding suitable jobs smoothly.

Inflation: - Rise in the general or average price level of goods and services; consequently, a decline in the value of money—doubling of the general price level means halving the value of money.

Multiplier: - Principle according to which an initial change in investment brings about a multiple change in income in the economy. Multiplier coefficient is obtained by the formula.

$$K = 1 / 1 - MPC = 1 / MPS$$

Where MPC and MPS refer respectively to marginal propensities to consume and save.

Classical Economics: - A body of economic thought that prevailed in industrial economics from the late 18th century to the last quarter of the 19th century. Its chief exponents were Adam Smith, J.B. Say, T.R. Malthus, David Ricardo and J.S. Mill.

4.13 FURTHER READINGS

1. Saxena, R.C., 'Labour Problems and Social welfare'.
2. Yadav, S.L., 'Wage Policy and Social Security (Hindi)
3. Bellante and Jackson, 'Labour Economics'.
4. Carter, A.M., 'Theory of wages and Employment'
5. Govt. of India, 'Report of National Commission on Labour'.
6. Indian Journal of Labour Economics, Lucknow.
7. Indian Labour Year Book

UNIT-5

Labour Turnover and Absenteeism

Objective

After going through this unit, you should be able to:

- Appreciate the underlying concept behind labour turnover and absenteeism.
- Analyses the cause of labour turnover absenteeism and their effect upon industrial progress and in smoothing industrial relation between employees and employer.
- Find out the remedies to reduce labour turnover and absenteeism in the industries.
- Evolve policies for these concepts in the context of your organization

Structure:

- 5.1 Introduction
- 5.2 Labour Turnover
 - (a) Definition and meaning
 - (b) Nature and effects
 - (c) Causes
 - (d) Measurement of Turnover
 - (e) Remedial Measures to reduce labour turnover.
- 5.3 Absenteeism
 - (a) Definition and meaning
 - (b) Effects
 - (c) Causes
 - (d) Remedies
- 5.4 Findings and Conclusion.

5.5 Self Assessment Test

5.6 Further Reading

5.1 INTRODUCTION

This unit has been prepared to acquaint you with the nature of labour turnover and absenteeism which are the natural problems in maintaining and smoothening the industrial relations between employer and employee. These problems, irrespective of their nature, have been challenge before every industrial manager.

In a sense, the syndrome of attitudes, understanding that feeling that identifies the team-dedicated participant is a major objective n the management of human resources. Levels of crew member commitment in the industries are a major component in the pay-off for thoughtful planning and consideration in all the policies and programs make-up man power management. Labour turnover and absenteeism are the off-shoot problems of the aforesaid, connected with human behavior & identified by the industrial managers. Among them labour turnover is certain situation is avoidable and within limits, not desirable. Ambitious men will leave to seek opportunities elsewhere and will take fresh wood and new ideas to the factory by enter. Frustrated men, waiting in vain for the promotion, they believe they deserve, will secure work in another factory & in so doing save themselves from bitterness. Marriage in the case of women, pension and death take their inevitable toll and leave vacancies for others. But even allowances are made on these three counts there is still a great and costly movement of worker's out of the industry. The size and the cost of this mobility concern the industrial manager and the production executives. This is the problem of labour turn-over which is rampant in the industrial world and sometime serious affects a working industry.

Absenteeism is the other ever-present trouble of production and industrial managers. To the former it means idle machines, reduce output, extra mental strain in trying to keep working teams and machines, as near as possible to their usual efficiency and increase in the cost of production. To the later it means, records in which he keeps enquiries which he makes and interviews which he takes.

Both the aforesaid problems present to the industrial manager with the necessity for, first, a practical procedure for recording it, and secondly analyses that may reveal casual factors and suggest remedies. It is therefore, essential for you as a manager and supervisor, to know how such actions should be taken as they are rampant in every industry minimal effect on the working of the organization and employee management relations. As the structure of this unit shows, we intend to examine the causes and effect of these envisaged problems and to provide remedial measures in solving these problems to some extent.

5.2 LABOUR TURNOVER

(a) Definition and Meaning :

Labour Turnover may be defined as the time to time changes in the composition of the work force that result from the hiring, release and replacement of employees. In other words, it is a measure of the extent to which old employees leave and new employees enter the service of concern or a production unit. Thus, in its quantitative aspect labour turnover is rate of change in the working staff of a concern during a definite period which may differ from industry to industry. It is an index of separations, and accessions. In this sense there are two aspects of turnover, that is, the proportion of the workers who go out of employment and the proportion of workers who enter into employment in a specific period. In its sociological aspect labour turnover is understood to mean a process of socio-economic impact which the employer and employee face in its reality.

Some of these separation and accessions, of course, can't be regarded as an expression of employees' dissatisfaction with the job. Some employees are released on the initiative of the employer. Some turnover is the result of reduced demands for workers. A varying proportion of the total, however, represents voluntary separation or quits-which may be significant. Some quits may not indicate low morals; an employee may find it necessary to move for the reasons of health family plans or other extra professional reasons. The cumulative effect of

labour turnover consequently attracts the attention of industrial managers and organizers.

(b) Nature and Effects :

Labour turnover in certain situations is unavoidable and within limits not desirable. But all labour turnover whether unavoidable or desirable are likely to attract the attention of managerial personnel and the organizers. The turnover rate differs industry to industry and organization to organization. Low levels of separations and accessions in the industry are desirable economically and psychologically. But high levels of separations and accessions have greatest significance as indicators of employee's dissatisfaction. The factor which control them are an admixture of three items, the economic and financial conditions affecting the industry and the establishment, the quality and the social skill of the management and the varied attitudes, desires and purpose of the workers as human being.

The study of turnover is helpful in manpower planning. Just as the high reading on a clinical thermometer is a sign to the physician that something is seriously wrong with the human organism, so is a high index of labour turnover rate a warning to management that something is seriously wrong with the health of organizations. But just as clinical thermometer merely indicates that something is wrong but not what is wrong so does the turnover rate merely warns and does not diagnose. A high temperature may mean pneumonia, measles or mumps. A high turnover rate may mean poor personnel management, poor supervisory practices, can also be dangerous signal²⁵

Further-to-note, labour turnover involves cost not only in human values but also money. These include:

- (a) Cost incurred in hiring and training each new employee.
- (b) Cost of overtime work required from regular workers in order to maintain the required level of production until the new employee can do his share.

²⁵ Fredrick J. Cauder : labour turn over : Calculation & Cost, A.M.A. Research Study 39, 1960

- (c) Less of production in the interval between separation of the former employee and time when his replacement is fully broken in.
- (d) Expenses in equipment or facilities not being fully utilized during the training period.

Since labour turnover is a general condition, almost a diseases, its manifestation elsewhere, if accurately and scientifically presented, can be as important to a managerial personnel as data concerning diseases similarly reported to a public health officer.

To avoid this situation it is suggested that the industrial managers and organizers must deal with individuals not groups. If individuals if properly handled, work for managements objectives; group will inevitably oppose management. If we engender competitive spirit among the workers if we breakup the attachment to the group, the result may be increased production. But nevertheless, cohesive will groups show greater team work if it is handled in a cohesive manner. Its member will get greater social satisfaction from working together. Moral is higher. Turnover is frequently lower and at this stage it is easy to supervise closely knit groups. Since the supervisor need not repeat information and order to every member, the informal leader will act as an effective channel of communication to and from the supervisor. A dis-satisfied group finds it hard to work together and may direct its aggressiveness against management in the form of poor workmanship, sabotage, grievances and wild-cat-strikes. On the other hand certain damages arise when the work group becomes too tightly knit. Such a group may be reluctant to accept new employees as members, and through there may be more co-operations within the group with outsiders may suffer. Thus competition and ill feelings may develop among rival groups. Cohesion results in higher productivity only if the group accepts management demands for higher production as legitimate.

2. (c) Causes: The ground which prompts a person to leave his employment can of tern be discovered only after a detailed and sympathetic interview of the workers and managerial personnel. The causes of labour turnover may also be discovered form various surveys and the tabulation made from statistics on labour turnover as collected statutorily under the Collection of Statistics Act 1953 in India on a uniform basis for various industries. The analysis will show that these causes are as follow:

(I) Resignations:

Resignation may be due to a variety of reasons such as dissatisfaction with working condition, insufficient wages, bad health, sickness, old age, family circumstances better job opportunities last but not least, exodus to the village for agricultural operations. The village nexus is still strong in certain industries, especially in mining, plantations, cotton and jute textiles and in unorganized industries like shellac, rice milling, mica, splitting etc. The workers do not get long leave for going to village and, hence, they resign at the time of harvesting or sowing of the crops. Moreover, workers who make periodic often regard industrial employment as merely a second string to the bow.

(II) Dismissals :

Dismissal itself is not so cute a reason of labour turnover albeit it appears to be a lesser cause of labour turnover. Nevertheless it is important in itself. Dismissal may be due to disciplinary action in cases of inefficiency, insubordination, avenues from time to time to the workers. More important is the sense of security and keeping high moral of the workers. It could be done by giving them security in job, keep satisfactory relations between the employer and employee and providing promotion opportunities at all stages.

(III) Besides, the agency of recruitment in most industries provide much scope for corruption and criterion and the jobbers are always trying to dismiss the old hands and recruit new ones in order to swell their own pockets. Thus the problem of labour turnover is to a large extent bound up with that of recruitment will reduce labour turnover.

(IV) Measurement should be adopted to improve the economic position of worker and give them security of employment and other facilities essentially in industrial towns so that the workers may go to the villages as frequently as they do now.

(V) The badli control system, introduced in certain places & industrial cities can also reduce labour turnover.

(VI) Establishment of employment exchanges, restriction on the power of jobbers and proper organizations of personnel department may also be a good weapon in reducing the labour turnover.

- (VII) Improvement of working conditions, welfare activities social insurance schemes, leave and holidays, better wages, working participation in management will also make the labour force more stable than at present.
- (VIII) Besides, the workers organizations and cohesive group also should be encouraged and improve so that the grievance of the workers may be put collectively before the employer. This will helpful in avoiding dissatisfaction among the employees and would lead to the better relations between employers and employees.

5.2 ABSENTEEISM

Absenteeism is a peculiar, acute, and common problem throughout to the industrial world including India. The problem of absenteeism is a challenge to the managerial personnel because it causes indiscipline and other industrial evils. The problem of absenteeism is also recognized as a positive symptom of low morals.

(a) Definition and Meaning:

The term “Absenteeism” is used to connote any absence of permanent worker from work whether authorized or unauthorized. Absenteeism refers to the worker’s absence from his regular task, no matter what the cause is.

The term “Absenteeism” was properly defined for the first time, in a circular of the labour department, Govt. of India, issued to the provisional Govt. before independence. Accordingly, absenteeism rate is defined as the total man shifts lost because of absence as a percentage of the total number of man shifts schedule. In this sense there is a difference between the man days scheduled to work by the permanent workers and the man days actually worked by them. The man days scheduled to work and computed by multiplying the number of permanent workers with the number of days of work lost due to strikes or lock-out are excluded from these estimates. The calculation of man days actually worked in the month is made by to filling the daily attendance of permanent workers.

For calculation the rate of absenteeism we require the number of person’s scheduled to work and the number actually present. A worker who reports for any

part of the work-shift is considered as present. An employee is to be considered scheduled to work when the employee has no reason to expect well in advance, that the employee will not be available for work at the specified time. Following examples illustrate the application of principle.

An employee on a regular scheduled vacation should not be considered as scheduled to work or absent. The same is true during an employer's ordered lay-off. On the other hands, an employee who request time-off at other than a regular vacation period should be considered as absent from scheduled work until he returns, or until it is determined that the absence will be of such duration that his name is removed from list of active employees. After this date he should be considered as neither scheduled to work nor absent. Similarly an employee who quit without notice should be considered absent from scheduled work. His name is dropped from the active list, but preferably this period should not exceed one week in either case. If a strike is in progress worker on strike should be consider as neither scheduled to work nor absent since data on time lost because of strikes are collected by other means.

This definition does not include absence on account of authorized leave, pay-off, retrenchment, strikes etc in the category absenteeism. For the purpose of calculation of absenteeism in different industries the above official definition is considered as authentic even by Labour Bureau, Ministry of Labour, Govt. of India.

(a) Nature:

The general of nature absenteeism results due to sickness or accident, social and other religious causes. Unusually high rate of absenteeism is due to boredom, frustration, lack of recognition and other inherit and environmental condition. Recognition of high rate of absenteeism ahs encouraged management to examine them carefully.

The high rate of absenteeism found in of many Indian industries are the measure of accommodation which Indian employers have made to the demands of Indian workers that they have considerable periods of time off, work for visit to

their home villages for a variety of reasons including genuine or feigned illness. Absenteeism is costly to the worker in terms of lost earning and the increased possibilities of discharge.

(b) Effect of Absenteeism :

The problem of absenteeism has diverse effect which may be explained as follows:-

(I) ***Effect on Workers*** : There is a distinct loss to workers. It adversely affects the economy of the worker himself. It reduces his earning and adds indebtedness, decreasing the purchasing power, make it difficult for him to meet necessities of life, leading to personal problems of attitude and moral and in many cases loss of employment and resultant disaster for his dependents.

(II) ***Effect on industry and Employer*** : Absenteeism in industry stops the work process, creates the bottlenecks, hampers smooth flow or continuity of work, upsets production targets, results in production losses, increases direct overhead cost, increases work load of inexperienced, unskilled workers. All these factors can also create problem of recruitment, training, job adjustments, morals and attitudes. Casual, unskilled and substitute workers increase tool down time, rejection of finished products, breakdown which may result in idle machine hours. Absenteeism on the other hand, directly contributes to the rise in the production cost while on other it deprives the industry of its hard earned reputation due to deterioration in quality of goods produced and the delay in supply to the consumers.

Thus absenteeism is an evil both for the employees and the employers. It causes industrial losses, low working capacity of the worker, production delay and increased cost.

(c) Causes :

Absenteeism falls into different categories according to the reasons which bring about. These categories will vary slightly from place to place and due to difference in the nature of human being. Some of them are as follows:-

(I) *Sickness :*

Sickness is a cause of absenteeism is more significant than any other reasons. Sickness must be distinguish as either certified sickness or not certified by a doctor. Expediencies like Cholera, Small-Pox and Malaria always break out in sever forming most industrial areas. The low vitality of Indian workers make them an easy prey to such epidemics.

(II) *Impersonal Behavior of the Employers* : Impersonal attitude of the employers toward the workers is also a reason of absenteeism. In the modern industries every worker wants to remain free and to express his view freely. But, once the employer negativities or does not recognize his ambitions and freedom of expression, he became aggressive. This aggressiveness leads him to other persons and groups, because collectively he will be heard and individually he will be ignored. An individual thus get no chance of freedom of expression. He becomes antisocial and frequently remains absent as per the direction of the other fellow being. In this way his habits are distorted and cordial relations do not exit.

(III) *Bad working Condition* : Bad working condition cause many evils and diseases. In many industrial countries like India the working is h handicapped by climatic condition. High environmental temperature reduces the working capacity. In many factories the roofs are not suitable and many types of pollutions have worsened the working condition of workers. Ultimately the worker remains absent and later on he becomes a habitual absentee.

(IV) *Unsuitable Working Hours* : In the factories where running shifts are there absenteeism during the night shift is more than in a day shift owing to the greater discomfort of work during night time.

(V) *Frequent Urge of the rural Exodus* : The most important cause of absenteeism, however, is the frequent urge of rural exodus. The rate of absenteeism is higher at the time of harvesting and sowing of the crops.

(VI) ***Inadequacy of Welfare Activities*** : The vast majority of industries still regards welfare work as a barren liability rather than a wise investment. If an industry does not provide better facilities and does not invest its resources in welfare activities then it reduces the strength and stamina of the workers and thus causes labour turnover and absenteeism.

(VII) ***Insecurity of Employment*** : Insecurity of Employment is very common factor in most of the factories. It leads to formation of complexes and inhibitions in a worker. He is not given any sense of belonging psychologically. He stays away off and on because he is not made to feel that he has real place in the scheme of things. He know that nobody bothers much about him and this feeling leads him to remain absent from the work.

(VIII) ***Miscellaneous Reasons*** : Industrial accidents, social and religious ceremonies, festivals, arrival of guest, drinking and gambling, in sanitary living condition, shortage of accommodation, hazardous nature of work, inadequacy of transport facilities, ration difficulties and the like are also the causes of absenteeism. Absenteeism has been found to be higher among women than men due to women's house hold duties, maternity leave etc. age, marital status, education, regulation politics, geographical condition, leave facilities, supervisory qualities are also the other relevant reasons.

(d) Remedies :

Certain remedies may be suggested as remedial measures in controlling the problem of absenteeism in the industries these are as follows:

(I) Proper condition of the work in the factory adequate wages, protection for accidents and sickness and facilities for obtaining leave etc. are the effective means to reduce absenteeism.

(II) Excessive fatigue and sweltering condition of work are bound to create defense mechanism in the work, and if abiding result are to be obtained, the best policy would be to improve condition of work and life for the workers and make them fell contented and happy.

(III) Besides, the most effective way of dealing with absenteeism is to provide holydays with pay or even without pay and permit workers to attend to their private affairs occasionally and thus regularize absenteeism, instead of merely taking disciplinary action for it.

(IV) Providing good facilities, welfare schemes and suitable housing accommodation will also check the high rate of absenteeism in the industries.

(V) Workers, who are unable to attend work due to illness, accident or personal circumstances must arrange for their immediate supervisor to be notified the reason of absence. If absence is due to sickness, certificate must be produced by the employee.

(VI) It is the responsibility of each employee to keep the employer advised of the circumstances which are preventing him from attending work so that the employer may realize its wrongs or slackness etc, and would be able to avoid such circumstances.

(VII) Employees who are absent from work due to reason other than sickness or accidents are required whenever possible to obtain prior permission of supervisor.

(VIII) The employer must consider each cause of persistent absenteeism on its merits, where such absenteeism appears to be unreasonable or unwarranted. Employees may be liable to disciplinary warning and in certain cases dismissal.

(IX) It is generally believed that Employee's State Insurance Schemes are prevailing in India, is a desirable social security measure but in many cases misused as a convenient umbrella for concealing feigned sickness. Presented with a medical certificate under this scheme there is relatively very little that the employer can do even if he is in possession of reasons to suspect its validity.

(X) Other remedies may be encashment of unutilized leave, advance planning of leave by workers, delayed shift changes, introducing a five day week, granting regularity allowance providing transport facilities, exhortation and counseling at all levels.

(XI) Commitment to industrial employment, however, implies more than presence of workers on the job. It involves also their acceptance of industrial discipline and the performance of tasks under supervisions.

5.4 FINDING AND CONCLUSION

Labour Turnover clearly contributes directly to inefficiency and is costly, both in itself as a form of human behavior and in what it produces. Being a social phenomenon, it is subject to all the influences which operate on human conduct.

To some extent it is a demonstration that management has not established the links which will bind the individual as team. There is a grave discrepancy between human expectation and what management usually makes available. The new entrant does not come to feel at home a feeling which in many type of human association is recognized as an indication satisfaction in a new situation.

To do this effectively, it will cost time and effort, but the cost of allowing an unsatisfactory situation to continue is greater. Possibly it require more psychological knowledge of attitudes and sentiments and more social skill in influence human conduct than many executives have acquired. This satisfaction with pay, the opportunities of self development and the job and its conditions are matters for management to consider in terms of an employment policy aiming ensuring an efficient and satisfied body of workers.

Labour turnover and absenteeism are acute problems in modern industries. To solve these problems proper investigations and enquiry must be made at all level. If a worker proposes to leave the service, the reason for his decision must be discovered. If is constantly later justification, on the one hand, any difficulty on the other must be sought. If he is absent, the causes may be significant in respect of himself as an individual or of the whole body of workers to which he belongs. He may himself be ill and in need of help, or working condition may be factor common to the sickness absence of a group of people accident etc, must be recorded properly. All these steps may be helpful in discovering and analyzing the factors of the managerial personnel in reducing the labour turnover and absenteeism.

5.5 SELF ASSESSMENT TEST

Answer the following questions is not more than 500 words, so that you may know how much you have understood the subjects discussed in this unit:

1. Define labour turnover. What are their adverse effects? How can it be controlled?

2. What do you mean by term 'Absenteeism'? What are causes of Absenteeism?
3. How the evil of absenteeism may be removed in the industries? Suggest suitable remedies thereof.

5.6 FURTHER READING

Saxena , R.C. : Labour Problems and Social Welfare.
Singh R.C. : Labour Economics
Yoder Dale : Personnel Management and Industrial Relation
Bajaj, R.K. : Personnel Problems of Large Scale Industries Indian Labour Journal.

UNIT-6

Unemployment

(NATURE, CAUSES, GOVERNMENT POLICIES AND ACHIEVEMENTS)

Objectives

After going through this unit, you should be able to :

- Define the concept of unemployment and its nature.
- Understand the magnitude and extent of unemployment.
- Identify the causes of Unemployment.
- Analyses the Govt. Measures undertaken to reduce the unemployment.
- Evaluate the Govt. Programs in terms of generation of employment opportunities and backlog in unemployment during five year plans.

Structure :

- | | |
|------|------------------------------------|
| 6.1 | Introduction |
| 6.2 | Unemployment Defined |
| 6.3 | Nature of unemployment |
| 6.4 | Nature of unemployment in India |
| 6.5 | Estimates of Unemployment in India |
| 6.6 | Causes of Unemployment |
| 6.7 | Government Policy |
| 6.8 | Achievements |
| 6.9 | Summary |
| 6.10 | Self-Assessment Test |
| 6.11 | Key Words |
| 6.12 | Further Readings |

6.1 INTRODUCTION

The population of any country comprises of the total human resources of the country. The optimum development of the human resources of the country is as important as the development of other material resources. If workers are willing to accept jobs at the prevailing wage rate but failed to get employed, this would reflect a colossal waste of nation's human resources. The manpower of a country is like any other capital which has to be planned and interested in the development of the country. Full employment is the aim of all the economics of the world, irrespective of their forms of economic organization.

6.2 UNEMPLOYMENT DEFINED

Unemployment can be defined as a state when in country there are large number of the able-bodied persons of working age who are willing to work but can not find work at the current wage rates. According to the Beuro of Labour Statistics (BLS) a person must satisfy all the following criterion to be classified as unemployed : He or She

- (1) did not work during the survey week, but
- (2) was available for work, and
- (3) had made some specific efforts during the prior four weeks to find a job.

To be available for work means that a person must be able to accept a job if it is the stimulation means, for example the college students who are looking for job in March but who are available for work until June are not counted as employed in March. Making specific efforts to find a job means that the individuals must have answered want ads, visited employment service or done any of a host of other specific activities to find a job.

Beveridge defines full employment' as a state of affairs in which there are more vacant jobs than unemployed men, not slightly fewer jobs.

Beveridge's concept of full employment is thus one in which the entire manpower of a country is full employed at any point of time subject of negligible contingencies of frictional unemployment, when persons are changing jobs.

Kinds: When looking at the overall macro economy, several types of unemployment have been identified, including:

- **Frictional unemployment** — This reflects the fact that it takes time for people to find and settle into new jobs. If 12 individuals each take one month before they start a new job, the aggregate unemployment statistics will record this as a single unemployed worker. Technological advancement often reduces frictional unemployment, for example: internet search engines have reduced the cost and time associated with locating employment.
- **Structural unemployment** — This reflects a mismatch between the skills and other attributes of the labour force and those demanded by employers. If 4 workers each take six months off to re-train before they start a new job, the aggregate unemployment statistics will record this as two unemployed workers. Rapid industry changes of a technical and/or economic nature will usually increase levels of structural unemployment, for example: widespread implementation of new machinery or software will require future employees to be trained in this area before seeking employment. The process of globalisation has contributed to structural changes in labour, some domestic industries such as textile manufacturing have expanded to cope with global demand, whilst other industries such as agricultural products have contracted due to greater competition from international producers.
- **Natural rate of unemployment** — This is the summation of frictional and structural unemployment, that excludes cyclical contributions of unemployment e.g. recessions. It is the lowest rate of unemployment that a stable economy can expect to achieve, seeing as some frictional and structural unemployment is inevitable. Economists do not agree on the natural rate, with estimates ranging from 1% to 5%, or on its meaning — some associate it with "non-accelerating inflation". The estimated rate varies from country to country and from time to time.
 - **Demand deficient unemployment** — In Keynesian economics, any level of unemployment beyond the natural rate is most likely due to

insufficient demand in the overall economy. During a recession, aggregate expenditure, is deficient causing the underutilisation of inputs (including labour). Aggregate expenditure (AE) can be increased, according to Keynes, by increasing consumption spending (C), increasing investment spending (I), increasing government spending (G), or increasing the net of exports minus imports (X-M).
 $\{AD = C + I + G + (X-M)\}^{26}$

6.3 NATURE OF UNEMPLOYMENT

India is a developing country. The nature of unemployment, therefore sharply differs from the one that prevails in industrially advanced countries. Keynes diagnosed unemployment in advance economics to be the result of a deficiency of effective demands. Unemployment in developing countries is generally structural in nature because the productive capacity is inadequate to create sufficient number of jobs for all those who are able to work. This type of employment is not a temporary but a chronic phenomenon. On the other hand, cyclical unemployment and frictional unemployment are the features of developed economics. Cyclical unemployment occur in depression phase of a business cycle. First we will examine the concept of frictional and structural unemployment and develop the notion of a natural rate of unemployment, then the nature of unemployment in India will be studied.

6.3.1 UNEMPLOYMENT AND FULL EMPLOYMENT

We can distinguish conceptually among frictional, structural and demand deficiency unemployment. Demand deficiency unemployment exist when at the existing wage rate and price levels, the level of aggregate demand is too low with the result that the country effective quantity of labour demanded is less than the quantity of worker willing to supply their labour. Full employment can be defined as the aggregate unemployment rate consistent with the natural rate of unemployment.

²⁶ http://en.wikipedia.org/wiki/Labour_economics

It is possible, nonetheless, for the level of aggregate demand to be sufficiently high to provide employment for the entire labour force, but for substantial numbers of workers to be unemployed. These workers will be classified as either functionally or structurally unemployed.

6.3.2 FRICTIONAL UNEMPLOYMENT

Frictional unemployment is caused when new industries drive away old ones and workers change to better jobs. When jobs exist within a given occupation category in sufficient number to employ all persons seeking to supply their labour to that market but the workers engaged in search have not as yet found the employers who are willing to hire them or conversely the employers who have vacancies and are engaged in the search process have not yet found those workers. Thus, the temporary phase in which the workers remain voluntarily unemployed is known as frictional unemployment. They are unemployed because information is imperfect and costly to obtain.

6.3.3 STRUCTURAL UNEMPLOYMENT

Structural unemployment is similar to frictional unemployment in the sense that in both cases there are sufficient numbers of jobs to employ all workers. However, structural unemployment is said to exist when either the available vacancies require different skills than those possessed by the unemployed workers or the jobs are available in the geographical areas other than those in which the unemployed workers are located. As with frictional unemployment, structural unemployment can be associated with perfect and costly information. But more fundamentally, structural unemployment exists because transfer of unemployed workers to fill existing vacancies would involve significant transfer cost in terms of either the cost of acquiring skills or the cost of moving to another geographical area or both.

The reallocation of labour that constantly occurs because of change in the composition of aggregate demand will be low, if unemployed worker do not have the skills required for reemployment at existing real wage levels. Thus, as we relax the assumption that all workers are perfect substitutes for each other, structural unemployment can arise. The fact that workers are imperfect substitutes for each other means that shifts in various demands for labour will change relative wages and will require that some unemployed worker adjust their wage demands downward in order to be reemployed workers. The asking wage of unemployed workers typically declines as the duration of unemployment increases.

6.3.4 THE NATURAL RATE OF UNEMPLOYMENT

Change in the composition of aggregate demand are an ever-present characteristics of a dynamic economy. Further, there are always new participants entering in the labour force. Hence, there will always be some frictional and structural unemployment in such economy, even if aggregate demand were sufficiently high to employ the entire labour force. Economists have labeled the sum of frictional and structural unemployment as the natural rate of unemployment. In principle, the natural rate could be measured as the amount of unemployment equal to the number of jobs vacancies in the economy. Although the concept of natural rate is relatively straight-forward, reaching a consensus about its size is particularly difficult.

One could choose to define full employment as that aggregate unemployment rate consistent with the natural rate of unemployment. But the concept of full employment and the natural rate of unemployment acknowledge that even with sufficient job vacancies, there will never be a zero unemployment rate. However, in our view the concept of natural rate of unemployment is preferred, for it compels us to focus on dynamic adjustment. By contrast, the common concept of full employment tends to become associated with a specific unemployment rate, say 4%, and lends itself to political sloganeering. Given a situation where the natural rate of unemployment exceeds the common conception of full employment policies which attempt to reduce aggregate unemployment below its natural rate

will have no permanent effect on employment but instead will only cause the price level to rise.

6.4 NATURE OF UNEMPLOYMENT IN INDIA

Unemployment in India may be divide into two major categories : Rural and Urban. Disguised and Seasonal unemployment are two main sub categories of rural unemployment. Open employment and under employment are the main sub-categories of urban employment.

6.4.1 UNEMPLOYMENT IN RURAL AREAS

Most of the unemployment in rural areas is Disguised and Seasonal.

Seasonal Unemployment:-

This refers mainly to the agricultural sector which is seasonal in nature. A large number of people engaged in agricultural activities remain idle for about size months in a year. The Planning Commission in its mid-term appraisal of the Fourth Plan has pointed out that leaving aside the green revolution belt, in all other areas seasonal unemployment during the early seventies was at least as much as during the fifties, if not more.

Disguised Unemployment:-

This refers to 'hidden or 'talent' unemployment generally observed in the agricultural sector in India, where apparently seems to be employed through enough work is not available for all. It is of the perennial nature. From the fragmentary information that is presently available it appears that in the green revolution belt there is no disguised unemployment. From the past one and half decades the demand of wage labour has increased in these areas and agricultural laborers have been bought from other parts of the country to meet it.

6.4.2 URBAN EMPLOYMENT

Most of the unemployment in urban areas is open and undisguised. The estimates of urban unemployment have not been prepared on a regular basis. However the Planning Commission, The Ministry of Labour & Employment, The Central Statistical Organization (CSO) and some individuals economist like Wilfred Malenbaum and R.C. Bhardwaj have made estimates of unemployment in different years. According to their results, 10 to 15 percent people were employed at different points of time.

Broadly speaking, urban employment may be classified into :

1. Open Unemployment
2. Under Employment
3. Educated Unemployment
4. **Frictional unemployment**
5. **Seasonal Unemployment**
6. **Structural Unemployment**

1. **Open Unemployment:** these results when people have no work to do even though they are able and willing to work. This mainly includes the people who migrate from rural areas to the cities in search of jobs and the educated unemployed.

2. **Under Employment:** This is similar in nature to disguised unemployment. It results when a person contribute to production less than what he is capable of. For example, a science Post-Graduate working as a clerk may be said to be underemployed.

3. **Educated Unemployment:** This is mainly a feature of urban areas. An educated unemployment person may either suffer from under employment or from open unemployment. It is a very serious and menacing problem, yet the size of educated unemployment remain largely unmeasured.

4. **Frictional Unemployment:** People waiting for their first job come under frictional unemployment. Such kind of unemployment is not regarded as

dangerous and can be improved by creating more awareness regarding new job openings.

5. **Seasonal Unemployment:** Seasonal unemployment is specific to certain seasonal industries like tourism and farming. To reduce this, people must be encouraged to take other jobs in off season.

6. **Structural Unemployment:** The worst type of unemployment is the **structural** one. It comes into picture when there is a change in the structure of an economy. It is long term unemployment and can be caused by various reasons. Machines replacing human, change in the behaviour of consumer, etc are the causes. Structural unemployment can be reduced to great extent by providing retraining, on job training and by making people occupationally flexible.

6.5 ESTIMATES OF UNEMPLOYMENT IN INDIA

In this section, we shall consider various estimates of unemployment in India. In India, a large amount of data on unemployment and related magnitudes has been collected in labour force survey over the last decades. Keeping in view the recommendation of the committee of expert on unemployment, The National Sample Survey Organization (NSSO) has developed and standardized concept and definitions of labour force, employment and unemployment suitable to the Indian conditions. These concepts have been nationally adopted by the NSSO for conducting surveys on employment & unemployment since 1972-73 but have also been accepted by Planning Commission for analyzing the dimension of unemployment problems. The three concepts of unemployment developed by NSSO are:-

1. Usual Status
2. Weekly Status
3. Daily Status

Prof. Raj Krishna has also used these concepts to estimate the magnitude of unemployment during sixties & seventies.

1. **Usual Status (Chronic)** : Unemployment refers to the workers who do not get work throughout a year.
2. **Weekly Status**: Unemployment refers to irregular unemployment and includes those persons who do not find even an hour work during the survey week.
3. **Daily Status**: Under Daily Status concepts, the activity status of a person for each of the preceding seven days, is recorded. A person who work between one & four hours is considered to have worked for half the day and one who works for more than four hours during a day is considered to be employed for the whole day.

According to Prof. Krishna in 1973 and 1978, the Overall usual status unemployment rate was 1.6 and 2.6 percent respectively. The weekly status unemployment rate for these years was 4.3 and 4.6 per cent and daily status unemployment rate was 8.3 and 8.2 percent. The magnitude of chronic of unemployment (usual status) rose from 1.4 million in 1961 to 7.1 million in 1978. The chronic unemployment rate which was 0.7 per cent in 1961 rose to 1.6 percent in 1973 and further to 2.6 percent in 1978. As for as weekly status unemployment is concerned it is rather intriguing that it declines from about 9 million to 5 million between 1959 and 1965 and then rose back to 11.2 million by 1978. This trend is clearly reflected in variation of the weekly status unemployment rate over time. The weekly rate shows a clear declining tendency 1959 and 1967. It fell from about 5.3 to 2.5 percent. But in the 1970s, this trend was reversed and weekly status unemployment rate rose to 4.3 percent in 1973 and to 4.6 percent in 1978. From these observation it is clear that although in aggregate terms daily status unemployment rose slightly from 18.6 million to 19.2 million between 1973 and 1978, the daily status unemployment rate declined slightly from 8.3 to 8.2 percent.

6.5 ESTIMATES OF UNEMPLOYMENT IN RECENT YEARS

The Planning Commission has provided estimates of unemployment for 1980 and 1985. The Sixth Plan provides the data given in the Table 6.1

Table 6.1
Estimated Unemployment in March 1980 Millions

Concept	Age 5+	15+	Groups (years) 15-59
Usual Status	12.02	11.42	11.31
Weekly Status	12.18	11.64	11.36
Daily Status	20.74	19.77	19.77

**Source : Planning Commission, Sixth Plan, 1980-85, P. 204*

The estimates of unemployment in March, 1985 have been provided in the Seventh Five Years Plan and are given in 6.2

Concept	Age 5+	Groups (years) 15+	15-59
1. Rural	7.80	7.33	7.32
2. Urban	6.09	5.92	5.87
3. Total Unemployment	13.89	13.25	13.10
4. Total Labour force	305.40	287.82	269.81
5. Rate of Unemployment	4.60	4.60	4.86

1. **a Based on 32nd round of N.S.S.**

The estimates of usual status unemployment in March 1985 based on 32nd Round are comparable with of the estimates usual status unemployment in March, 1980 as provided in the Sixth Plan, in absolute terms, unemployment has

increased. As against 12.02 million usual status unemployment in the age group of 5+ in March, 1980, there were 13.89 usual status unemployment in March, 1985. But according to 38th Round of the NSS Survey in March 1985 in the age group of 5+ there were only 9.20 usual status unemployed. thus, estimates differ from one another. Some economists believe that planner willfully attempted to ignore the estimates of weekly and daily unemployed which are definitely more appropriate measures of unemployment.

The Labour Bureau under Union Ministry of Labour and Employment released an Annual Employment & Unemployment Survey report. The report for 2012-13 states that Sikkim has the maximum number of unemployed people where as Chhattisgarh has the minimum number of unemployed people in the country. Overall unemployment rate of the country is 4.7%. In Northern India, Jammu and Kashmir has the maximum unemployment rate followed by Himachal Pradesh, Delhi, Chandigarh, Punjab and Haryana. Unemployment rate in rural area is 4.4% whereas in urban area it is 5.7%.

According to a National Sample Survey Office (NSSO) last year also there was a dip in India's employment rate that had gone down to 38.6% in 2011-12 (July-June) from 39.2% in 2009-10. With this unemployment rate had gone up from 2.5% to 2.7%. In the year 2004-05 the employment rate was 42%. In the five year period falling between 2004-05 and 2009-10, 2.7 million new jobs were created where as in the previous five years 60 million new jobs were created. As per the survey number of women who lost their jobs was more than that of men. Number of employed men between 2009 and 2012 remain almost same but number of employed women dropped from 18% to 16%. Though in terms of percentage it looks small but the actual figures are really daunting. In rural sector about 90 lakh women lost their jobs in the period of two years. On the other hand 35 lakh women were added to the workforce in urban areas. Overall unemployment rate in females was more as compared to males. For females it was 7.2% whereas for male the unemployment rate was 4%.

State of Kerala being the most literate state in India had the highest rate of unemployment, i.e, close to 10% among the large states. Rate of unemployment in West Bengal was 4.5% and in Assam it was 4.3%.

(At the same time, decline in job creation has also been revealed by Monster.com through its Monster Employment Index India. Monster is one of the biggest online

job portals. Because of the global economic conditions, Indian employers have posted less number of jobs in this job portal. The Monster Employment Index is a monthly measure of online job posting activity. The data is based on a real-time assessment. The same sluggish growth has been shown by the Naukri Job Speak Index of Naukri.com.)

Number of workforce in agriculture sector has gone down and for the first time it is below 50%. The farm sector now has 49% of the workers whereas manufacturing sector has 24% and services sector has 27% workforce.

India must see and consider employment as a major driver of the economy. Economic growth in 2009-10 was 9.3% whereas in 2011-12 it came down to 6.2%. Jobless youth is left with no other option but to go for self employment and if he does not possess specific skill then youth has to do low paying jobs like hawking magazines, etc.

On the other hand youth is now more interested in skill based job as salary is better. This has been shown by an increase in the education loans in India. As per the data by Reserve Bank of India, in the past four years, outstanding education loan in the category of personal loan has almost doubled. Also there is a rise in the number of defaulters of education loan that clearly indicates the unemployment state in India especially for students who are looking for a job is bad.

According to the reports by NSSO, illiterate population has the lowest unemployment rate. Because this segment of the society is ready to do low paying jobs. Educated youth is facing the most of unemployment that shows lack of skill based employment opportunities in India.

6.6 CAUSES OF UNEMPLOYMENT

Most of the unemployment is from the sector of the economy. It is evident from analysis that most of the unemployment in India is structural. The basic causes of unemployment in India are underdeveloped economy, slows growth process, per manpower planning, population explosion, in appropriate technology and inappropriate educational system. They are discussed in details below :-

6.6.1 UNDER DEVELOPED ECONOMY

The size of employment in any country depends considerably on the level of development. Therefore, when a country depends considerably on the development and when a country undertakes growth, its production increases the employment opportunities. In India, during the past more than three and half decades production has expanded by 'Hindu Growth Rate'.

The rate of growth remained below the target throughout the year her plans. Therefore, jobs in adequate numbers were not created. Our plans were formulated on the assumption that growth would automatically solve the unemployment problem. However, in practice, this did not happen and with the Passage of time unemployment increased.

6.6.2 POPULATION EXPLOSION

Since Independence, death rate has rapidly declined whereas the birth rates remained steady. The rate of population growth rose to 2.2 percent per annum during 1960s and as a Consequence, the rate of increase in labour force also rose to 1.9 percent annum. The average annual growth rate of population during the 30 years period from 1951 to 1981 was 2.15 percent. This was naturally followed by an equally large expansion in labour force. Since independence, education among woman has changed their attitude toward employment. Many of them now complete with men for jobs in the labour market. The economy has, however, failed to respond to these challenges and the net result is a continuous increase in unemployment backlog.

6.6.3 IN APPROPRIATE TECHNOLOGY

During planning, we have adopted a capital intensive technology despite that labour is available in abundant quantity. This policy has resulted in a large unemployment. Keeping in view this fact, the Bhagwati Committee did not approve of indiscriminate mechanization. The reason behind the adoption of capital intensive techniques in India is that India is not a wholly free market economy. The Govt. has kept of interest arbitrarily lower than those that would be determine had the capital and money market been completely free. This is a situation in which capital intensive techniques would be preferred to labour intensive techniques because they optimize the private gain of the producer.

6.6.4 IN APPROPRIATE EDUCATION SYSTEM

The education system in India is colonial and defective. According to Gunnar Myrdal "India's educational system does not aims at the protection and development of human resources. It merely produces bookish education and lower cadre executives for the Govt. and sectors. "Myrdal considers all those who receive merely bookish education, not only as inadequately educated but also wrongly educated. Our education patter is capable of only enlarging the army of unemployed persons as it does not impart any occupational education to them so most of them are unable to start their own employment.

6.6.5 LACK OF PROPER MANPOWER PLANNING

The need for development and utilization of human resources in the country was of utmost importance. In order to ensure that implementation of industrial development projects was not hampered for want scientific & technical manpower, the Govt. of India has set up many committees and commission but more concerted and comprehensive approach to the problem of human resources utilization is required. The Manpower Planning in India is based almost entirely on the 'requirements' approach and that too in respect of selected educational categories. Closer linkages between manpower supply and demand of various sector of the economy are to be followed for providing more employment opportunities to the people.

6.7 GOVERNMENT'S POLICY

Through removal of unemployment has been proclaimed objective in India's economy planning, yet all the plans so far implemented one does not find any reference too long term employment policy with a bold approach to tackle the unemployment problems. However, in each plan some short term measures were adopted. Now due to change in central govt. one can hope that National Front Govt. would be able to frame a long terms employment policy so that unemployment rate in the country may be reduces to three to four percent by the end of this country. In fact in the beginning of plan era removal of unemployment

was not even accepted as one of the main objectives of planning. It was assumed that the employment situation would automatically improve as a result of economic growth. Direct measures to eliminate the unemployment were not preferred. Only in the draft of Fifth Five Year Plan (1978-83) there was a clear shift in the approach in these lines. But with the termination of this plan in 1980, there was again a shift in priorities. Yet the Govt. has undertaken like NREP, IRDP, RLEGP, TRYSEM etc shall continue to get the attention of the Govt.

6.7.1 EARLIER PHASE OF ECONOMIC PLANNING

On the eve of the First Plan approximately 3.3 million people were jobless. During the plan period additional 9 million persons were expected to join labour force and the approx. 12-13 million additional jobs were required for completely wiping out the unemployment. But first plan created only 7 million jobs and thus, unemployment back log of 5.3 million was left at the end of the plan. In fact, the first plan was prepared at a time when the basic outlook on employment front was obscured by post war conditions and the employment chapter of the first plan was superficial and did not probe deeply in the problems and remedies for unemployment. During the Second Plan more emphasis has been laid down on the development of heavy industries. Thus, there was not much scope for creating additional jobs in the organized sector. Therefore great reliance was placed on the development of cottage and Agro-Based industries for providing additional employment. This policy was obviously inadequate to solve the problem of unemployment and as a result the number of unemployed persons raised to 22-23 million in 1969.

The employment policy envisaged in the Fourth Five Year Plan was greatly influenced by the report of ILO. During the Fourth Plan Govt. adopted crash programme for creating rural employment. The crash programme aimed at providing jobs to 1000 people in 10 months in a year in every district put programs Rs. 5000 Crores. Mr. Rajiv Gandhi announcement on IMY appears to have been strongly influenced by the World Bank's recent study, "Gender and Poverty in India - Issues and opportunities concerning women in Indian economic." Which

bank's annual report for the year ending June 30, 1989. Now as the Govt. at the centre has changed, the employment of JRY, NRY & IMY seems to be doubtful.

Planning to Eradicate Unemployment:

1. Government need to strengthen the safety net and provide relief for those directly impacted by Unemployment.
2. Government need to provide fiscal relief to the states to deal with Unemployment
3. Government need direct creation of public service jobs.
4. Government should enact a new job tax credit to spur job creation in both the private and nonprofit sectors.
5. There is a tremendous unmet need for investments on infrastructure, especially construction, maintenance, education and repair.

6.8 ACHIEVEMENTS

During the First Five Year Plan 7 million jobs were created against unemployment of 12.3 million net additions to the labour force and back log of 3.3 million. The Second started with an estimated backlogs of unemployed 5.3 million person and it was estimated that there would be further addition of 12 million additional jobs were created during the second plan. It was estimated the during the Third Plan period additional 17 million persons will be added unemployed labour force and total unemployment figure during the Third Plan will be 24 million persons but the third plan were succeeded in creating only 14.5 million additional job. According to Reserve Bank of India estimates, the number of new entrant into the country's labour force during the period of the three annual plans was 14 million, to which should be added the back log of 9.5 million unemployed at the end of the third plan. Only about 1 million additional jobs were created during the period of the three annual plans (1966-67). The total back log of unemployed at the end of March, 1969 stood at 22.5 million persons. During the period from 1951 to 1969, factory production raised at less than 3% per annum. The Fourth plan introduced the number of rural employment schemes like SFDA, MFAL DPAP etc, but all these schemes were hurriedly drawn up, were ill-conceived and 'ad hoe'

and consequently doomed to failure. The NRWP was undertaken as an internal part of the six plan. During the Sixth plan period (1979-80 to 1984-85) the addition to the labour force is estimated to be around 108 million of which 34 million would be during the period covered by the Sixth Plan reflecting 2.4 percent annual growth in labour force. The total labour force estimated on the basis of usual status at 302.29 million in March, 1985. Total employment in 1984-85 was estimated at 186.7 million standard person year which is likely to increase to 227.06 million standard person year in 1989-90. This would imply an annual? However, the growth in employment in the organized sector has been sluggish in recent years. According to the employment market information service, there was a marginal of 1.4 percent in employment in the organized sector. The number of jobs seekers on the live registers of employment Exchanges stood at 30 million by the end of September, 1988. The estimates made by individual researchers reveal that 40 million person will be unemployment at the end of 1989. Thus, it is evident that in India while the number of employed increases on the one hand; the number of the unemployment also increases. This means that at best, unemployment diminishes only relatively, that is, in relation to the labour force in the country, but it continues to expand absolutely, that is, in term of number affected. In conclusion, one may safely comment that with the type of approaches adopted in framing various schemes the country never hope to come out of the unemployment trap.

From 1983 till 2011, Unemployment rates in India averaged 9 percent reaching an all time high of 9.4 percent in December 2010 and a record low of 3.8 Percent in December 2011. In India, the unemployment rate measures the number of people actively looking for a job as a percentage of the labour force. The number of unemployed persons in India decreased to 39963 thousand in 2009 from 39974 thousand in 2007. Unemployed persons in India and Kenya averaged 36933 thousand from 1985 until 2009, reaching an all time high of 41750 thousand in 2001 and a record low of 24861 thousand in 1985. In India, unemployed persons are individuals who are without a job and actively seeking to work.

According to India Skills Report launched in the 3rd CII National Conference on Skill Development 34% were found employable Out of about 1, 00,000 candidates. The Report not only captured the skill levels of talent pool but also brought out the hiring estimates across major Industry sectors in the country. As per the report's findings, the coming year would not see bullish hiring in any of the sectors. Out of

about 10 sectors surveyed, majority of the sectors (like BFSI, BPO/ITES, Manufacturing etc.), are not expecting a major change in their hiring numbers. Engineering & Core, Hospitality and travel, came out as the only sectors where there will be a significant increase in the hiring numbers. The report also brings out a general trend amongst the employers to look for skills rather than qualifications in candidates. Apart from this, the report has in-depth analysis of the skill pool based on the gender, age-group, and domain along with the states where the most employable pool can be found. It also shows the domain wise hiring trends for the coming year.

Based on the gender, it was found that the quality of female candidates is better than the males. This and many more such insights are part of the first India Skills Report, which is an effort to capture the skill levels of the supply side and needs of the demand side of Talent and perform matchmaking between the two ends. Reaching out to over 1,00,000 students spread across the length and breadth of country parallel to almost 100 employers spread across 10 Industry sectors, the India Skills Report has helped to create an agenda that can function to solve the talent supply-demand challenge the country is facing. The Report was released by Mr Shikhar Agrawal, Director General of Employment & Training Ministry of Labour and Employment (India) in presence of Mr. S Ramadorai, National Skill Development Corporation & Indian National Skill Development Agency & Advisor to the PM on Skills, Mr Chandrajit Banerjee, Director General, CII, Mr. S Mahalingam, Chairman CII National Committee on Skill Development and Mr Rajeev Dubey, Co-Chairman, CII National Committee on Skill & President (Group HR Corporate Services & After- Market) & Member of the Group Executive Board, Mahindra & Mahindra Ltd.^{[2][3]}

According to NSS(66th round) Report from Ministry of Statistics and Programme Implementation, Government of India published on 2013^[4] Kerala has the highest unemployment rates and ranks worst, while Rajasthan and Gujarat has the least unemployment rate among major States of India. National average for unemployment rate stands at 50.

Steps taken by the Government

Mahatma Gandhi National Rural Employment Guarantee Scheme act 2005

The Government of India has taken several steps to decrease the unemployment rates like launching the Mahatma Gandhi National Rural Employment Guarantee

Scheme which guarantees a 100 day employment to an unemployed person in a year. It has implemented it in 200 of the districts and further will be expanded to 600 districts. In exchange for working under this scheme the person is paid 150 per day.²⁷

6.9 SUMMARY:

The development of human resources of country is as important as the development of a country itself. Unemployment can be defined as a state of affairs when in a country there are large number of able-bodied persons of working age willing to work but can find work at the current wage rate. In this unit we have discussed various concepts like unemployment. Full employment, structural unemployment, open unemployment, disgraced unemployment. These terms have not only been defined formally but also distinguished from one another. The nature of unemployment in India has been analyzed in details. The Planning Commission for analyzing the dimensions of unemployment developed usual status, Weekly status and Daily status Unemployment concepts. These concepts have been described along with the estimates regarding them in recent years. Causes of unemployment have been studied at length. The basic causes of unemployment in India are slow growth rate, poor manpower planning, population explosion, inappropriate technology inappropriate education system. Though reduction in the quantum of unemployment has been a proclaimed objective of India's economic planning, yet in all the plans so far implemented we do not find any reference to a long term employment policy with a bold approach to tackle the unemployment problem. However, during the plan, the number of employed persons increases on the one hand but the growth the unemployed person is more rapid. The growth rates of employment during the last to 40 years have been sluggish.

6.10 SELF - ASSESMENT TEST

²⁷ http://en.wikipedia.org/wiki/Unemployment_in_India

Answer the following Questions in not more than one page, so that you may know how much you have understood the subject discussed in this unit :

1. All unemployment worker have one characteristics in common: They are unsuccessful in finding employment, why , then, it is necessary or helpful to distinguish of unemployment and projected the likely trends. It was thought that production in public sector is highly capital intensive, therefore, the government decided to concentrated particularly on policy measures seeking to influence the private demand and utilization the private demand and utilization of manpower in the private sector. Various employment programmers were started during the Sixth Plan, such as the Integrated Rural Development Programmed (IRDP) to uplift the poorest sections. The SFDA has been merged into IRDP. The Operation Flood Dairy Development Programmed war expected to benefit 13 million milk producing families. The Food for Work Programme has been restructured as the National Rural Employment Programmed (NREP). The Rural Landless Employment Guarantee Programme (RLEGP) has been launched to supplement the NREP. The National Schemes for the Training of Rural Youth for Self – Employment (TRY SEM) has been designed for the youth of the poorest families. During the Sixth Five year Plan District Manpower Planning and Employment Generation Conceits with appropriate professional staff were established to collect the data about unemployment labour force and to suggest the measures based on local background to reduce the unemployment.

The Seventh Plan like earlier plans a key rote to the agricultural sector for employment generation. The Approach to the Seventh Plan (1985-90) was given the highest priority to the provision of production employment in order to give self respect and of the target for creation of employment opportunities in the Fourth Plan. Under the Fifth Plan a High priority was accorded to removal of unemployment. Major efforts will have to be made generating self-employment opportunities. The plan identified various schemes for rural development having large employment potential. The important schemes started during the plan were ford for work Programme. The Small Farmers development Agencies (DPAP) for enlarging the employment opportunities in rural areas.

The Draft Five Years Plan 1978-83 gave quantitative measures of unemployment. The plan documents stated that rapid growth is not a necessary condition for solving the unemployment problem. The plan document stated that rapid growth is not a necessary condition for solving the unemployment problem. Incidentally, it should be mentioned here that unlike the earlier plans there was no specific mention of the target for creation of employment opportunities in the Fifth Plan, nor was there any accurate estimate of the backlog of unemployed persons. The annual growth rate of 3.5 percent was not high enough to generate sufficient employment opportunities.

The Planning Commission acknowledged in the Sixth Plan document the hard reality that despite economic planning, employment had not adequately increased over the years. The Draft of Sixth Plan (1978) accorded 'primacy to the achievement of near full employment condition throughout the country within 10 years. The Planning Commission also discussed types of unemployment as we have done in this unit.

1. What do you mean by Unemployment? Explain the causes of unemployment in India.
2. Mention the policy followed by Government of India during various plans regarding reduction in unemployment.
3. Explain briefly: IRDP, NREP, RLEGP, TRYSEM, JRY, NRY AND IMY.

6.11 KEY WORDS

Planning : Economic planning is a conscious and judiciously carried out process for optimum utilization of existing resources in order to fulfill some well defined objectives laid down by the states.

Population Explosion : Population Explosion is commonly used to describe the prevalence of high birth rates with low death rates.

6.12 FURTHER READINGS

1. Myrdal, Gunnar "Asian Drama" Vol-II
2. Kirshna, Raj, "The Growth of Aggregate Unemployment in India-Trends sources and Macro-Economic Policy option. "World Bank Staff working Paper, No. 638.
3. Misra & Puri "Indian Economy" Himalaya Publishing House, 1988, Mumbai.
4. Sundharama KP.M & Ruddar Dutt "Indian Economy" 1988 S. Chand Co.Ltd. New Delhi.
5. Mongia, J.N. "Reading in Labour Welfare & Social Welfare" 1980, Atma Ram & Sons, Delhi
6. Saxena, R.C. "Labour Problems and Social Welfare, 1986, K.Nath & Co. Meeruth
7. All Five Year Plans

UNIT-7

Unorganized Labour

OBJECTIVES

After going through this Unit, you should be able to know the –

- Nature, Characteristics, Categories, Importance and problem of unorganized labour.
- Policies & Problems of Govt. evolved for the upliftment of organized labour.
- Role of I.L.O. Human rights and Judicial Trends.

STRUCTURE

7.1	Introduction
7.2	Unorganized Labour
7.3	Characteristics
7.4	Importance
7.5	Problems
7.6	Unorganized Labour in various spheres
7.7	Convention of I.L.O. ratified and unratified
7.8	Policies and Programmes of Government
7.9	Role of I.L.O. Human Rights and Judicial Trends
7.10	Summary
7.11	Self Assessment Test
7.12	Further Readings

7.1 INTRODUCTION

The fields of Unorganized Labour is vast and needs extensive survey. This unit has been prepared to acquaint you with the nature of Unorganized Labour

importance, Categories, Policies of Govt. contribution of I.L.O. Human Rights and the role of Judiciary.

Unorganized Labour constitutes a fair proportion of those who produced goods provides service and inspite of this fact the labour legislation which is made for their welfare and benefits remains unused and the exploitation is continue ever. We must try to root out the causes responsible for their plight. Through the judiciary has rightly come to their rescue by admitting public interest litigation, social workers should also come forward and make them aware of their rights.

7.2 UNORGANIZED LABOUR

Labour is said to be organized when it is recognized both of the management of industries and the Govt. under the prevailing laws is in a position to bargain for better wages and condition of employment. On the other hand, unorganized labour is one which depends entirely of mercy of the capitalist and the vagaries of the markets. Unorganized Labour those who have not been able to organized in pursuit of a common objective because of constraints such as-

- (a) Casual nature of employment ,
- (b) Ignorance and Illiteracy,.

Small size of establishments with low capital investment per person employed .

- (c) Scattered nature of establishments
- (d) Superior strength of the employer operating singly or in combination..
- (e) Class and caste tensions. .
- (f) Poverty, and
- (g) Large population.

7.3 CHARACTERISTICS OF INDIAN UNORGANISED LABOUR

The characteristics of Indian unorganized labour are unique. The bulk of this Labour resides in villages and it is dependent for livelihood on agricultural activities. Rural labour is illiterate, poor; unskilled, unemployed or underemployed

and ultimately low paid. He lives under the poverty line and mostly remains unorganized. These things make him weak as compared to resourceful employers. Moreover there is no security of his services due to his seasonal migratory character. The net result of all these characteristics is that he remains poor and vulnerable to exploitation. His human rights and dignity always remain subdued. Illiteracy poverty, Indebtedness, social class and caste tensions, lack of unionsation, seasonal and migratory nature of employment, and under employment are some of the factors responsible for his unorganized status.

7.4 IMPORTANCE

It is the constitutional aim object and duty of a welfare state to provide for the basic needs of these labours so as to preserve their dignity and develop the human personality of those who work .We have to see that the promise of the preamble to establish an egalitarian order in which justice, socials, economic and political fulfilled.

This is only possible when full attention is paid to the plight of unorganized labour. We should be able to convert them at least into organized labour at least.

This exploitation of unorganized labour is the result of the wide spread poverty and unemployment in the country..The very fact that they are unorganized weakens their bargaining power and that is why they are not able to bargain satisfactorily on the front of wages and other living conditions. The other reason is that the inspectorate appointed for looking after the enforcement of labour legislation mainly devotes attention to the organized sector and altogether ignores the unorganized sector. It is mainly because of these two reasons that they are deprived of the benefits of the labour legislation.

In fact the unorganized labour is careless and unmindfull of their rights partly because of illiteracy and partly due to weak bargaining power. The onus is therefore, much on those who study and interpret law and the social workers who should come forward and thus do some good for the people.

7.5 PROBLEMS

The Indian village is not oasis of humanizing, creative life and ,self respect .The class and caste tensions, the stagnation, the unemployment and under employment the starvation ,the lack of even basic amenities are well known .

We have adopted neither socialism nor capitalism. We have adopted mixed economy and so we have left some areas -to public sector and some to the private sector and laws were framed to tame private organized and unorganized sector.

Beyond a mention in the 1946 policy statement, the Government has hitherto paid inadequate attention to these workers despite the fact that they constitute 'a lair proportion of these who produce goods and provide services. Even in the organized sector, a section of total labour force has to be left out of the purview of legislation because some establishment employ workers less than the minimum number prescribed in the law.

In the absence of proper organization, they are not able to establish their reasonable claims and secure proper working conditions. It is a common complaint that benefits of labour legislation have not reached rural and unorganized labour.

The minimum wages Act 1948 was the first attempt at statutory regulation of wages and to some extent working condition of labour employed in the scatted trades, Labour engaged in these employments being unorganized had weak bargaining power and had been deprived of reasonable wages and working conditions.

Apart from the ineffectively implemented Minimum wages Act, they do not have any other legislative protection The Factories Act, 1948 and Industrial Disputes Act, 1947 which contain.

"Specific and detailed provisions for items within their purview .were not designed to meet the condition of and requirements in unorganized industries and employment." Report of NCL.

AS a result of the ratification of Labour Inspection Convention 1947, by India in 1949 .Labour laws provide for inspection staff for effective implementation of such legislations but that too has proved to be of little value Despite all the preventive and punitive laws, old and new and despite official claims to the contrary , it is no secret that exploitation of labour and the shame of bonded labour in particular continue to be facts of life in India.

What to say of other even the labour legislation which is made for welfare and benefits also remain unused. A major portion of Indian labour is still leading sub human life. Bonded labour is still rampant even after its abolition. The life of marginal farmers and agricultural laborers is precarious. They are crushed, constantly subjected to atrocities, oppression and insult. They are treated as sub humans, and have no rights, no equality. Mobility and betterment of conditions are not even dreams These very conditions force them to leave the village and come to the cities , in search of livelihood to escape atrocities, or simply to save themselves. women labour is considered to be not efficient and equal to men folk Hence there is discrimination in payment of wages to them .The women labour force has to rear children, do household jobs and earn livelihood to support the family. They can never raise a voice discordant to that of the menfolk hence their plight is still miserable. Illiteracy, poverty. indebtedness, social customs. seasonal and migratory nature of employment, un employment and under employment lack of unionsation are some of the problems hindering their ability to become organized.

There are so many other problems like bonded labour, adivasis expelled from the lands traditionally cultivated by them ,agricultural laborers who are denied minimum wages contract labour deprived of basic amenities and so on. The existing labour laws have failed to fulfill the aspiration of the unorganized laborers.

Besides the above mentioned problems there are no fixed hours of work, no social security measures and no housing schemes for such ill fated workers.

7.6 UNORGANISED LABOUR IN VARIOUS SPHERES

These unorganized laborers are found in various spheres in India.

Categories :

- (1) Contract labour including construction workers,
- (2) Casual labour
- (3) Labour employed in small scale industries,
- (4) Handlooms/Power loom workers,
- (5) Bidi and Cigar workers.
- (6) Employees in shops and commercial establishments.
- (7) Tribal and Adivasi labour
- (8) Sweepers and Scavengers
- (9) Workers in Tanneries
- (10) Bonded labour
- (11) Agricultural labour ,
- (12) Rural women workers.
- (13) Labour in the cooperative sectors.
- (14) Migrant labour ,
- (15) Workers of cotton industries,
- (16) Workers of tile making units ,
- (17) Hotel Workers,
- (18) Others Domestic servant etc.

These categories may be overlapping e.g. contract labour will be found in small scale industries. These categories include workers who are protected by some legislation and others who are not.

7.7 CONVENTION OF I.L.O. RATIFIED BY INDIA FOR UNORGANISED LABOUR

1. Rural Worker's Organization Convention
(Convention No.141), 1975.
2. Organization of Employment Services, 1948
(Convention, no.88)
3. Forced labour ,1930
(Convention No. 29)
7. Right of Association (Agriculture)1921
(Convention No. 11)
8. Discrimination (Employment and Occupation),1958
(Convention No. 111)

CONVENTION OF I.L.O. NOT RATIFIED BY INDIA FOR UNORGANISED LABOUR

1. Abolition of Forced , labour 1957 (Convention No. 105)

CONVENTIONS OF I.L.O. RATIFIED BY INDIA FOR WAGES

1. Minimum wage Fixing Machinery, 1928 (Convention No.26)
2. Equal Remuneration, 1951 (Convention No. 100)

CONVENTION OF I.L.O. NOT RATIFIED BY INDIA FOR WAGES

1. Statistics of Wages & Hours of Work 1938(Convention No.63)
2. Protection of Wages ,1949 (Convention No. 95)
3. Minimum Wage Fixing Machinery (Agriculture), 1951 (Convention No. 99)

CONVENTION OF I.L.O. NOT YET RECEIVED REQUIRED NUMBER OF RATIFICATION'S

1. Minimum. Wages Fixing with Special reference to Developing Countries, 1970.

7.8 POLICIES AND PROGRAMMES OF GOVERNMENT

The idea of organizing rural labour occupied an important place in the 20 point Economic Programme. The Indian Labour Conference, Convened in May, 1977, also discussed the problems of rural labour which was Largely unorganized and uncovered by the existing labour laws. Such rural labour constitutes more than 70% of the total work force in the country. It is estimated that only 24.83 million workers were employed in the organized sector, while 236.69 million people were employed in the unorganized sector.

The draft five year plan (1978-83) also aimed at organizing the poor and landless labour. Accordingly, a special conference on Rural Unorganized Labour was convened on January 26, 1978. The conference was to discuss the plight of rural labour and suggest concrete ways and means of organizing rural labour. The conference was also to suggest measures regarding comprehensive legislation for security of employment and welfare of agricultural workers, implementation of Minimum Wages act and rural leadership training programme etc. But unfortunately the conference on Rural Labour was a dismal failure as nothing was heard about its future and further work and programme.

The Government of Maharashtra had appointed a Committee to investigate the problems of illicit money lending and bonded labour in November, 1976. The Committee did useful work in lifting the veil from the problems and in uncovering the in-human exploitation and perpetual bondage of the poor. Although officially denied by the Government of Maharashtra Committee did find the existence of bonded labour system and other methods of exploitation such as "palemod", "lagnagadis", "gharadis", "Saldors and "lanzana"-all these forms of exploitation originating on account of poverty of the Adivasis.

The Maharashtra Employment Guarantee Act, 1977 is an important milestone in the elimination of bonded labour system and it should be adopted as a model by all States. In particular U.P., Rajasthan, M.P., Gujrat, Orissa, Karnataka and Andhra Pradesh, Kerala has more or less taken bold steps in this regard. The minimum wages fixed for agricultural workers in Kerala are the highest

in the country. The Agricultural Labour Act ,1974 is one of the most important statutes in favor, of workers in the agrarian sector. The Agricultural Worker's provident Fund scheme ,1979 is another landmark in the direction of giving a fair deal to the agricultural workers. The Provident Fund Scheme is created by contributions from agricultural workers & from their employers the contributions have been fixed at 5%of wages each from the worker and the employer. These are commendable measures in providing security of employment, fair wages, fixed hours of work machinery for settlement of disputes and social security to poor landless and other agricultural workers. Punjab and Bengal have laws regarding unemployment allowance for workers.

Recently social security to below poverty line families in terms of their life insurance and insurance of their shelter from fire, flood and other calamities has also been introduced.

As per the report of the National Survey on the Incidence of Bonded Labour a preliminary report, November 1978 (Statistical Pre -analysis 4) 18.3% of the scheduled tribes, 66%scheduled castes, 8.9% backward classes, 2.73% caste Hindus and 1 %other caste do not know to which category bonded laborer belongs.

Food for work programme is another important scheme It is an extremely ameliorative programme to save the destitute from starvation deaths. Likewise, in Kerala, Agricultural workers Act 1974 ,The Kerala Agricultural workers provident Fund scheme 2, 1979 the Maharashtra Employment Guarantee Scheme of 1977 the Food for work programme and Antyodaya Scheme are some of the loudable attempts to improve the continuously deterioration. economic and social conditions of rural labour which mostly comprises of the Harijan and Girijan Labour and may bring about an ameliorative change in their economic conditions. The Maharashtra Employment Guarantee Scheme(EGS) is another effective and alternate model which is a perpetual, round the year enforceable scheme, ensuring payment of wages even when work is not provided to rural labour. However all these scheme are palliative , remedial and not drastic and revolutionary, to combat poverty, backwardness and oppression of the poor. There is provision in the 6th Plant for organization of rural workers. It is relevant not only for the better implementation

of the minimum wages provisions but also for generally ensuring the benefits intended for rural workers under the various development programmes.

It was suggested in the Approach Paper 2 that "the Seventh Plan" will have a National Employment Programme" and accordingly in Seventh Plan money was provided for this programme.(The programme was initiated with a thrust on production of food grains and commercial crops) where the mass of landless labour ,seasonally employed laborers, and women labours are employed.

National Wage Policy

The approach paper also states that "the formulation of a National Wage Policy is essential." The most urgent need is to establish some relation between wages paid to workers in the organized and unorganized sectors including a periodic review, establishment and implementation of minimum wages in each major agro-economic region of the country.

During the Seventh Plan although for each major agro-economic region work rates could not be formulated but the provision of employment opportunities through NREP. RLEGP and JRY had its impact on increasing the minimum wages of unorganized sector.

POVERTY

Poverty removal programmes like National Rural Employment Programme (NREP), Integrated Rural Development Programme(IRDP),Rural works Programme. (RWP),Rural Landless Employment Guarantee Programme (RLEGP) Jawahar Rojgar Yojna (JRY) etc. initiated by the Government seeks to create assets for the rural poor so that they may cross the poverty line¹

In the Approach paper there was provision for the seventh Five year Plan for small scale and village industries

The Approach Paper of the Seventh Plan calls for the generation of gainful and productive employment for our working poor who number around 150 million (of the 240) million who are in the unorganized sector).

Recently we have new directions outlined in the draft of the Approach Paper of the Eighth Five Year Plan the basic rationale behind the proposed recommendation is that the state must assume primary responsibility to generate adequate employment and ensure a basic minimum standard of living to everyone, especially the poor . The Promise of guarantee of right to work is meant as the principal means to this end. Also the approach to alleviating the urban poverty problems should focus on enforcing minimum wages in the unorganized sector through State machinery and organization of workers.

7.9 ROLE OF I.L.O., HUMAN RIGHTS & JUDICIAL TRENDS

The concept of laissez Faire gave birth to labour exploitation and victimization at the hands of resourceful employers because labour has been weaker class Intact, laissez faire, gave birth to two classes of opposite interests one exploiters and the other exploited. However, with the passage of time and with the advent of the concept of welfare state the whole situation has undergone a tremendous change. With the democratic set up of welfare states, industrial democracy emerged which ultimately resulted in participative management.

With the growing consciousness of their right to a way of life consonant with human dignity, and their growing desire for conditions that would secure them such a life ,the people are coming to attach greater importance to human rights, PUDR, Salal Hydro, Bandhua,. Neeraja illustrate this, The work of (1.1.0.) and its ideals have found their loftiest expression in the universal declaration of Human Rights .1948 and the second International Covenant of 1966 drawn up by the United Nations, one on economic social and cultural rights and the other on civil and political rights. There has been a natural trend of greater emphasis on human rights at the national level and also by courts and day by day it is increasing . Though having an important place in policies the fact remains that the urge to dominate, eagerness for gain and the forces of hatred, selfishness, prejudice and inertia still represent serious obstacles and more effective ways of combining the efforts of all men of goodwill still seem to be needed .Sanjit Roy ,Salal, Bandhua ,BHEL , PUDR , Vasavada all affirm this².

We have to see the aims and objectives of I.L.O. The declaration of Philadelphia laid down two basic principles and also said that "poverty anywhere constitutes a danger to prosperity every where" and affirmed that labour is not a commodity.

RITHT TO ECONOMIC SECURITY

This includes right to work, right to social security & right to minimum Income. It is but natural that in the absence of these rights the above basic human rights cannot be realized at all. Specially in the Indian circumstances, where poverty is rampant, right to work is essential without which a man will not have minimum income and without that it becomes difficult for him to survive.

Thus at a point his right to life may also may be endangered in the absence of minimum means of subsistence.

Looking to importance of this matter the I.L.O. adopted the minimum wage fixing machinery convention No. 26 as -Snacks as in 1928 which named by India in 955 Meanwhile in 1948 the 'minimum wages Act was passed & enforced in India but its application is firstly limited and secondly ineffective.

Challenge to minimum wages Act on the ground that is was violating of Article 19(1)(g) of the constitution of India was negated and the Supreme Court held that it is valid and restriction imposed under Article 19(6) of the constitution of India is not unreasonable.

The Supreme court has protected the right to minimum income by saying that the payment of minimum wages is a must and if any undertaking fails to do so it has got no right exit to³⁻⁴.

The Universal declaration of Human Right Provides that Every has the right to work "The same spirit is reflected in Art. 41 and 43 of the Indian constitution

Providing Adequate Wages

In the field of wages State intervention for regulation of wages has its genesis in the Indian Trade Disputes Act 1929 this legislation which designed to protect the worker in the free enjoyment of his earnings represents one of the earliest manifestations of what is now regarded as the Industrial Law . The previous system of payment in kind and then money payment with the supply of goods by the master to the workmen was frequently capable of area abuse and also (required constant vigilance. and needed to be checked) The unfair deductions on the report of Whitely commission the payment of Wages Act 1936 . The amending Act No. 53 of 1964 has introduced certain important exception and recently the Parliament has also amended the act(ActNo.38 of 1982). Thereafter Industrial Employment (Standing Orders) Act 1946 and Industrial Disputes Act of 1947 came into existence The last measure was the Minimum Wages Act, 1948 .

Judicial Trends.

Chandra Bhawan Case: The Supreme Court in this case held that if the prescribed rates affect industry adversely then the industry has no right to exist . The main object of the Minimum Wages Act is to prevent sweated labour as well as exploitation of unorganized labour. It proceeds on the basis that it is the duty of the State to see that at least minimum wages are paid to the employees irrespective of the capacity of the industry or unit today the same. The fixing of minimum wages is just the first step in that direction. In course of time the state has to take many more steps to implement that mandate.

Crown Aluminum Case,. The policy of the Act therefore is to prevent the employment of such sweated labour in the interest of general public and so in prescribing the minimum wage rates, the capacity of the employer need not be considered because what is being prescribed in minimum wage rates, which a welfare state assumes ,is than every, employer must pay before he employs the-labour .

Analytical Appraisal of. NCL : Recommendation ;

- (1) The dissatisfaction expressed 21 years ago by NCL over lack of proper implementation of the provisions of the Act ,.Courts came to the rescue of these unorganized laborers⁶⁻⁷
- (2) For the problem of payment of wages to contract construction laborers, courts came to the rescue of these Poor , neglected and unorganized laborers. This was seen in-
 - (i) (PUDR Case AEI 1982 SC 1473 ;
 - (ii) (IQ S. Roy Case , Art 1983, SC 328
 - (iii) Salal Hydro Case, AIR 1984 ,SC 177
 - (iv) Bandhua case, AIR 1984 ,SC 8p2 ,
 - (v) Rohit Vasavada Case,AIR 1984 . Guj 102 .
 - (vi) BHEL Workers Association ,Hardwar Case , AIR 1985 SC 409

Further the scope of minimum wage law was extended in Patel Ishwar bhai Prahlad Bhai V. The Taluka Development Officer (AIR 1983 SC336) where the tube well operators were entitled to Minimum Wages and other benefits under the Act .

Similarly in Ram Kumar Misra V. State of Bihar , AIR 1984 SC 537 Court held that ferries were also "Establishment " and entry 27 will enlarge its scope to include employment in any shop or establishment and consequently the workmen employed in these ferries were entitled to receive minimum wage.

Right to Dignity :

Human dignity is basic amongst human rights without which all human rights are without sense.

I.L.O. has long been striving in this field and its action is designed to achieve the realization of the right of every one to the continuous improvement of living conditions which is recognized by International covenant on Economic. Social and Cultural rights 1966 , which came in to force in 1976 and ratified- by India recently. It includes the right to adequate remuneration, right to preservation of the physical integrity etc. Its provision is given in the preamble of the Indian

Constitution as also directly or indirectly in Chapter III and IV of the Constitution. Right to equality, and other right rights etc, are in consonance with human dignity. Article 42,43 and State Policies in article 39 are all directly concerned with it.

A number of International and National instruments provide procedures to be followed when individual rights are denied e.g, Minimum wages Act, Payment of wages Act.etc,

The main problem is their effective implementation for which ,enforcement machineries are required to be given teeth and they ark! -supposed to work sincerely keeping in view national interest and human value. Judicial trends in this field are also encouraging .

Towards fulfillment of these social goals various labour enactments contain necessary provisions relating to hours of work ,rest and leisure hours, health, safety, welfare and other essential conditions. The Factories Act, 1948 The Mines Act , 1961 and the Industrial Employment (Standing Orders) Act. 1946 are some of the important enactments on the subject.

The provisions of Industrial Disputes Act, 1947, The Employees (Standing Orders) Act, 1946 grievance procedure and unfair labour practices under the code of discipline and protecting communication within industry play very significant role in human dignity

FREEDOM FROM FORCED LABOUR

Bonded Labour:

Bonded labour is bonded labour because it is unorganized. The remnants of bonded labour system were also found in contract labour. Out of two conventions of I.L.O. India has ratified only one convention of 1930, the other of 1957 still remains unsatisfied. The constitution of India also prohibits forced labour and makes it a punishable offence.

Article 39 and 46 the Constitution of India are also very relevant in this regard which provide for adequate means of livelihood and protection from social and economic injustice and from all forms of exploitation.

So by definition the bonded laborers cease to be a free economic agent. He loses his freedom of opportunity for employment his freedom of movement and his right to sell at market value the production of his labour. Bonded labour is thus a grave but widespread violation of human rights economic and social as well as political.

As per plan VI-

"Besides the evils of indignity and exploitation involved the system of bonded labour has placed certain sections of the population in perpetual poverty, backwardness and dependence. The abolition of the system in the act of 1976 was the first step in generating hopes for this section, the lowest among the rural poor. Also any partial rehabilitation would defeat the purpose of the programme and result in their relapse in to near bondage .To prevent this an expanded scope of rehabilitation on a family basis is being considered with provisions for minimum consumption loans etc. A change in the pattern of assistance is also under contemplation.

As a consequence of the passing of the Bonded L about System (Abolition) Act, 1976, more than 3 lakhs bonded laborers were identified and freed and rehabilitated in various parts of the country up to January, 1989.

Still complaints of bonded labour are often heard from different parts of the country. Even where this practice has been totally abolished; there is no provision for fixation of hours of work. The Contract Labour (Regulation and Abolition) Act 1972 helps to regularize seasonal employment of agricultural workers through contractor⁴.The Interstate Migrant Workmen (Regulation of Employment and Conditions of Service) Act.1979 provides beneficial provisions for agricultural laborers who migrate in search of employment when there is no crop in a season or during drought or flood.

The Supreme Court's, Constitutional responsibility came to the rescue of these laborers and Justice Bhagwati's Judicial craftsmanship came into full play and he deserves high praise for it. He explained the new trend in public interest litigation and held that-

"Supreme Court has widest powers almost unlimited powers to enforce basic rights (Fundamental Rights) and gave wide range of directions (Twenty- one) to the Central and the Haryana Government to protect the fundamental rights of the laborers who were living inhuman conditions.

Right to life in Article 21 means decent human existence. Central Govt. is bound to ensure observance of various labours. laws enacted by the Parliament for the purpose of securing for workmen a life of basic human dignity in compliance with the Directive Principles of State Policy.

In another case Neeraja Chaudhary V. State of M.P. Supreme Court held that it is not enough merely to identify and release bonded laborers but it is equally. Perhaps more important is that after identification and release, they must be suitably rehabilitated.

The Act has been enacted pursuant to the Directive Principles of State Policy with a view to ensuring basic human dignity to the bonded laborers and any failure of action on the part of State Government in implementation its provisions would be clearest violation of Article-21 apart from Article- 23.

The Bonded Labour System is also found in agricultural sector and also in contract labour and has spread to migrant workers engaged on construction sites, mines,, quarries and brick making. In PUDR Case, Justice Bhagwati's judicial craftsmanship came into full play .He constructed inadequate payment as a form of forced labour. Further, the State cannot be permitted to exact labour thereby taking advantage of their helpless conditions by paying them less than minimum wage. Similarly where due to economic, compulsions workmen are forced to work under inhuman and sub-human Conditions without safeguards, facilities etc. secured to them under the law irrespective of the question of wages paid to them & their apparent consent the labour employed would be Forced Labour, so as to invite

attention of Article 23. The observance of NCI is that the system of wage payment by contractors to sub-contractors on piece rate basis and of payment by the latter to the individual workers on daily rates is prone to abuse. There are complaints by workers about non-payment, short payment, short measurement of the work done and harsh deductions.

Right of Equal Remuneration

I.L.O.'s Convention No.100 of 1951 of Equal remuneration-, and convention No. 111 of 19-58 of discrimination employment and Occupation has already been ratified by India but still they are not effectively implemented and often violations are reported even under Minimum wages Act 1948 on the ground that the work allotted to women workers was light or that their output was less.

This right of equal remuneration has been recognized by the universal Declaration as well as Indian Constitution but none of them is of finding nature. In India, this provision, having been made part of chapter IV of the Constitution, which contains limply social goals to be achieved by the State but does not make it enforceable.

However, towards achieving this social goal in 1976 the Equal Remuneration Act was passed to provide for the payment of equal remuneration to men and women workers and for the prevention of discrimination on the ground of sex against women in the matter of employment and for matters connected there with or incidental there to. Thus, we see that this Act fulfils not only the objectives laid down in Article 39 of the Constitution but also of the Discrimination (Employment and occupation) Convention, 1958 and of the Article 16(1) and 16(2) of the Constitution. So this is one of the important legislative measures enacted under the 20 point Economic Programme for the weaker sections of the Society. In *Randhir Singh V.Union of India* AIR 1982, SC 879 the court held that "equal work for equal pay" was not a mere demagogic slogan but a constitutional goal capable of attainment through constitutional remedies.

7.10 SUMMARY

In this unit we have discussed the nature of unorganized labour, characteristics, categories, importance. of their study and problems. The conventions of I.L.O. (Ratified and unsatisfied) have also been mentioned for reference. The policies and programs of the I.L.O. and human rights played an important role with special reference to judicial trends have also been given.

7.11 SELF ASSESSMENT TEST

Answer the following questions so that you may know how much you have understood the subject discussed in this unit

1. What do you understand by "Unorganized Labour?"
2. Describe the main characteristics and categories of Unorganized Labour.
3. What are the problems of Unorganized Labour?
4. Describe the policies /programs of The government for the upliftment of Unorganized Labour.
5. Discuss the role of I.L.O and Human rights for unorganized Labour with Judicial Trends.
6. Write Short notes on ;
 - (a) Forced Labour;
 - (b) Right to Economic Security.
 - (c) Right to Dignity and
 - (d) Right to Equal Remuneration.

7.12 FURTHER READINGS

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2. Human Rights International , Labour Standards, Jenks C.W
3. The I.L.O. and Human Rights , David A. Morse.
4. Labour problems &, Social Welfare- R.C. Saxena.

5. Reports of First Five Year Plan to Seven to Seventh Five Year Plan; Planning Commission Government of India, New Delhi
6. Labour Law Journal.
7. Journal of Indian law Institute.
8. PUDR case AIR 1982 SC 1473
9. S, Roy Case AIR 1983 SC 328
10. Vasavada Case AIR 1984 Guj 102.
11. Neeraja Case AIR 1984 SC 1099
12. Salal case AIR 1984 SC 177 2,
13. andhua case AIR 1984 SC 802 14
14. BHEL Case AIR 1985 SC 409
15. Patel Case AIR 1983 SC 336
16. Misra Case AIR 1984 SC 537
17. Corwn Aluminium Case AIR 1958 SC 30
18. Chandra Bhawan Cazse AIR 1970SC 2042
19. Express Case AIR 1963 SC 569. 124

UNIT-8

Integrated Rural Development Program and Labour

OBJECTIVE

After going through this unit, you should be able to understand:

- The policy thrust directed towards removal of rural poverty.
- The programs that have been implemented to solve the problems of rural labour.
- The meaning, significance and role of IRDP as a key programme.
- The problems in the implementation of IRDP.

STRUCTURE

8.1	Introduction
8.2	Meaning of IRDP
8.3	Approach of IRDP
8.4	Limitations
8.5	Suggestions
8.6	References and Further Reading
8.7	Bibliography

8.1 INTRODUCTION

Historically speaking, the area of rural development had always been the concern of the individuals and voluntary organization. To alleviate rural poverty, many rural reconstruction projects were set up. The Sri Niketan Project of rural reconstruction was set up in the 1928 by Rabindra Nath Tagore and in the same

year Y.M.C.A. started a project named Marthandon Project in Kerala. F.L. Braya working as Deputy Commissioner in Gurgaon set up 'Village Guides in 1927', Kasamba Project run by the servant of Indian Society, Etawah Project all aimed for the improvement of the conditions of the rural people.

During the freedom struggle, Mahatma Gandhi and Jawahar Lal Nehru repeatedly reminded the county men that 'India lives in its villages and unless they are lifted from the scourge of poverty, the Swaraj would not be compete'. Sewagram was an experiment of Mahtma Gandhi for constructive work in this field. The BhooDan and Gram Dan Movements were in true sense 'a continuation of the Gandhian tradition'. Though these efforts had their contributions to some extent, but as rural development is a multi-disciplinary approach, it was consider transforming a static and stagnant economy of the country into a self reliant and the self-generating one through social, economic, political and technological dimensions.

The term Development is largely associated with technological advance, an argumentation of income, and improvement of the quality of life. The development of the country however, is some time narrowly measured in terms of Gross National Product (GNP). Considering many development dimension to be important, the Govt. of India after independence formulated many scheme and programmes for the rural development such as :

1. Community Development Programme 1952
2. National Extension Service 1953
3. Khadi and Rural Industry Programme 1954
4. Rural Housing Project 1957
5. Multi-Purpose Project 1957
6. Scheduled Tribes Development Unit Programme 1957
7. Package Programme 1960
8. Intensive District Agriculture Area Programme 1962
9. Applied Nutrition Programme 1962
10. Village Industry Scheme 1962
11. Intensive Agriculture Area Programme 1966
12. High Productive Varieties Programme 1966

13. Training and Education of Farmers Programme 1966
14. Well Construction Programme 1967
15. Village Work Programme 1967
16. Scheduled Tribe Development Unit 1966
17. Village People Power Programme 1969
18. Drought Affected Area Programme 1970
19. Cash Programme for Village Employment 1971
20. Small Farmers Development Agency 1971
21. Scheduled Tribe Area Development Programme 1972
22. Pilot Programme for Scheduled Tribe Development 1972
23. Intensive Pilot Rural Employment Programme 1977
24. Minimum Needs Programme 1972
25. Command Areas Development Programme 1972
26. Special Milk Production Programme 1972
27. Food for Work Programme 1977
28. Desert Areas Development Programme 1977
29. Intensive Village Development Programme 1979
30. TRYSEM 1979
31. Intergraded Rural Development Programme 1979
32. National Employment Programme 1980
33. New 20 Point Programme 1980
34. Rural Women and Child Welfare Programme 1983
35. Intergraded Rural Development Programme 1985-90

Thus if we see the several programme, it is clear that toward the seventies and the beginning of the eighties, the Govt. of India took several measures to launch a direct attack on *Poverty*. Integrated Rural Development Programme is one of such attempt towards alleviation of rural poverty. The Prime Ministry ushered in the 70's the call "*Garibi Hatao*" Sixth Plan had a declared objective of reduction of poverty from an All India index of 51.1% in 1979-80 to 10% by the end of it perspective Period of 15 years i.e. by 1994-95. This programme was run through the whole of the plan period which initiated a multi-prolong attack on poverty. Poverty, which brings a chain of problems of hunger, Squalor, disease, illiteracy, bonded labour and many social programmes. So on the other side, the

attack was spear headed by generation of employment opportunities and on the other hand by assets endowment activity for the assets less rural poor

Today India has 575,936 village with rural population of 548 million and 136 million household against an urban population of about 110 million with 27 million household. Out of total rural household, about 40 percent are sub-marginal farmers and agricultural laborers. About 20 percent are marginal and the remaining 40 percent are classified as farmers.

Rural Development is now realized by the economists, sociologists, planner and politicians as the '*sine qua non* of national development and social welfare too.

Bhagavathi is for the balanced growth. The basic requirement for economic growth namely savings and investment and an expanding industrial marketing ultimately depend on rural development. While to an extent, this is viewed by some as part of the process of economic growth, in recent year, it has been recognized by the planner and by the Government that the objective of economic growth alone, irrespective of the pattern of production, and employment not sufficient. The objectives of the planned economic development should be extended so as to cover growth as well as to removal of poverty.

The doctrine of 'balanced growth" also that in the development programmes, all sectors of economy should grow simultaneously so as to keep a balance between all sectors.

8.2 Meaning of IRDP

According to the Task Force on Integrated Rural Development "Integrated development encompasses both spatial and functional integration of all relevant programmes bearing on increased agricultural production and reduction of unemployment and underemployment among small farmers and agricultural labour".

The present programme can be considered as a combination of the relevant activities suited to the local situations and priorities. According to Chaturvedi it stands for the development of the rural society in all its facets-social economic, institutional and administrative. This new approach stands for integrated, performance and accomplishment of all the objectives stipulated.

8.3 Approaches of IRDP

Many approaches were made by the Central and State Government in this perspective.

1. Multi-purpose Approach

The Community Development programme of 1952 aimed at development to the fullest extent the material and human resources of an area through the co-operative efforts of the people and the active help of the state.

2. The Minimum Package Approach

It was launched as the Intensive Agricultural District Programmed in 1960-61.

3. Target Group Approach

Rajasthan's Antyodaya Schemes and separate programmes like SFDA/MFLA, are examples of this approach.

4. Areas Development Approach

For the development of the underdevelopment regions and backward areas they are identified and DPAP, TDP, CAD hill area, development etc. come under this approach.

5. Spatial Planning Approach

The approach was to bring close action strategies relevant to the acceleration of integrated area development around potential growth centers.

6. Integrated Rural Development Approach

It comprises of four types of activities:-

- (a) increase production in agriculture and allied sectors such as animal husbandry and horticulture.
- (b) Emphasis on village cottage, handicraft and tiny industries
- (c) Tertiary sector which would cover artisans and the requirement of skilled workers in several rural activities; and
- (d) Labour mobilization which includes training in skill and organized employment for labour class.

The approach outlined in the plan documents is very comprehensive. According to 6th Plan "The main objective of IRD Programme will be to evolve an operationally integrated strategy for the purpose on one hand, of increasing production and productivity in agriculture and allied sector based on better use of land, water , and sun light and on the other of the resources and income development of vulnerable section of the population in all the block of the country.

In the light of the finding of many impact studies, a number of remedial measures too have been taken into the account in the Seventh Plan.

In the beginning this programme was initiated in 20 blocks in March 1976 & in 1978-79 it was expanded to 2300 blocks of the country. From October 2, 1980 this programme is being run allover the country.

The IRDP's main objective is to bring families in the identified target groups above the poverty line and to create substantial additional opportunities of

employment in the rural areas to help the rural people. According to World Bank , “rural development is simply a strategy designed to improve the economic and social life of a particular group of people- the rural people”. We can say in simple word that IRDP is meant :-

- To improve the economic and social life of the people.
- To improve ample opportunities to the large mass of rural people particularly farmers, marginal farmers and agricultural laborer to participate in development programmes of the scheme.
- To raise the standard of living through social input like education, health care, drinking water etc. and through economic output by increasing the average earning of the families.
- To bring about the feeling of self-employed scheme under IRDP.

As discussed above, the remedial measures, a lot of thought was given on to the problems of the labour force too under this programme who have to suffer a lot due to unemployment. They are largely illiterate, easily exploited and invariably unskilled labour. And thus the problem of unemployment has grown.

***Unemployment – Its Concentration
(27th Round of NSS) 1977-78 Data***

House Hold	Percentage of Population	Rate of Unemployment	Percentage share of Unemployment
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A. Self employed

Households

a) in agricultural	40.9	2.68	13.8
b) in non agricultural	8.4	5.49	5.6
	49.3	3.16	19.1
B. Labour Households			
a) Agricultural Labour Households	21.2	15.87	46.7
b) 8.2 households	Other labour	5.2	12.75
	26.4	15.27	54.9
C. Other households	3.9	--	2.8
Total Rural	79.6	7.70	76.8

Estimate given by Planning Commission for different periods in the past showed that the labour force was growing as follows :-

1. During the 1st Five year Plan 9.00 million
2. During the 2nd Five year Plan 11.8 million
3. During the 3rd Five year Plan 17.00 million
4. During the Annual Plan (3 Year) 14.00 million
5. 1966-76 a period of 10 Years 43.00 million
6. During 6th Five Year Plan 34.29 million

Annual addition during 1st Plan was only 1.8 million. Our labour force is rising by 70 to 80 Lakh per annum and among these the rural youth suffers most.

The illiterate young people from the rural areas are migrating to urban areas to become laborers because they do not have a choice. They work in the organized sector that is factory sector to have employment. But tokenism, disparities and lack of education bring more frustration than economic satisfaction.

Our former Prime Minister Shri Rajiv Gandhi realized this problem and he said "The goals of our plan are food, work and productivity. In the last two years, we have concentrated on improving productivity and we have made substantial progress. A new direction has been given impetus. Now the emphasis will shift to work or the removal of unemployment. They are :-

1. Rural Works Programme (1961)
2. Rural Manpower Programme (1964-65)
3. Crash scheme for rural Employment (1971-72)
4. Pilot Intensive Rural Employment (1966)

Food for work programme was launched in 1977 to provide employment of the rural labour:-

- National Rural Employment Scheme
- The Rural Landless Employment Programme (1966)
- Training scheme for Rural Youth for Self Employment.
- Indira Awaas Yojana, a part of RLEGP

These schemes provide free houses to SC/ST's and free bonded labours. It also provides wage employment.

DWACRA – Development of Women and Children in Rural Areas is a sub scheme of IRDP which provide employment to rural women to enable them to economic conditions.

Scheme Financed Under IRDP

Schemes	No. of Beneficiaries	Per Loan	Per Capita Subsidy	Per Capita
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1. Agriculture

a) Small Farmers	11	4990	1148
b) Marginal Farmer	07	4071	1275
	18	4530	1212

2. *Milch Animals*

a) Small Farmers	04	2500	625
b) Marginal Farmer	04	2500	750
c) Agricultural Labour	14	2500	791
	22	2500	722

3. *Animal Husbandry*

a) Small Farmers	13	4000	1000
b) Marginal Farmer	01	4000	1200
d) Agricultural Labour	21	2450	750
	35	3483	983

4. *ISB Sector Scheme*

a) Weavers	19	2000	665
b) Others	06	3170	957
	25	2585	811

Agriculture Laborers formed the largest segment of the beneficiaries under two scheme

Schemes	Prior to the Scheme	Per Capita Income (Rs.) After the Scheme Income	Incremental
<i>1. Agriculture</i>			
a) Small Farmers		10639	12772
b) Marginal Farmer	15666	19916	2125
Aggregate	13152	16344	2130

2. Milch Animals

a) Small Farmers	5500	6785	1375
b) Marginal Farmer	5500	7300	1800
c) Agricultural Labour	1927	3392	1467

Aggregate	4309	5855	1547
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3. *Animal Husbandry*

a) Small Farmers	6250	7900	1250
b) Marginal Farmer 4000	4700	700	
c) Agricultural Labour	2377	3650	1573

Aggregate	4209	5250	1174
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4. *ISB Sector Scheme*

a) Weavers	1842	4521	2679
b) Others	2214	6348	4134

Aggregate	2028	5434	3406
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The agricultural laborer have received significant incremental income under both the schemes.

8.4 LIMITATIONS

Khusro "has made pointed reference to the quality of social services and poverty of anti-poverty programs. While he commends the logic of integrated Rural Development Programme, he observes that although the programme has

work with different degree of success, it has not given results commensurate with cost and efforts”.

The Delivery System of IRDP is weak and the input coming from the line department are not co-ordinated below the district level. And the backup programs are lacking.

According to Thimmiah, “poor people are afraid of expose ineligible beneficiaries in the Gram Sabha meeting for fear of reprisals”. His enquiry has shown that while bank gave loans from Rs. 2500/- to Rs.3000/- the amount which actually reached the poor ranged from Rs. 1300/- to 1500/- only.

In some cases use the loans for their consumption. Misguidance given by politicians for their vested interests for not repaying loan is another factor the affect the programme. Poor are illiterate and don't know much about accounts. So at the time of recovery, a lot of problems are being faced by these people.

According to P.E.O. study, wrong identification of beneficiaries ranging from 15% to 26% is one of the major hindering factors of IRDP. Another study not only explore faulty identification of beneficiaries , but also the gap and inconsistency in the programme implementation, inadequate amount of loans and mis-utilization of funds.

It has been observed that illiteracy of the rural people especially of the beneficiaries is major factor responsible for the unsatisfactory implementation of IRDP.

The situation in the implementation of drought prone area programme is no different. These areas hardly benefited from Govt. programs. Fisheries schemes have aided private fish traders rather than the poor.

A study of rehabilitation of bonded labour has reported about lack of proper norms, pressures from ex-master to return them for work and no specific

arrangement for follow up action to watch the progress, and prevent their relapse into bondage.

Rangachari observed that the assumption about prospective employment trends in non-wages sectors have not proved well founded. It had taken for granted that the special rural oriented programs like IRDP, NREP, RLEGP TRY and TRYSEM can create jobs in terms of million men but in all these cases owing to seepages of funds and incorrect data on jobs provided by the middle level agent, inspired guess take the place of hard statistics for the number of jobs created.

The Public Account Committee of Parliament observed that disproportionately large amount of the funds are spent in the month of March (March Fever). Such rush of expenditure push up the price of assets thus fattening the pocket of middlemen; compromise with quality of assets of encourage of all kinds of financial irregularities

A study of Sunder bans has found that the financial payments for the schemes is determined according to the work norms adopted for the National Rural Employment Programme but the workers are being actually paid on a different norms which deprive them of a part of their legitimate wages to the extent of 40 to 50 percent. Stringent repayment terms of the bank is also a lacunae of this programme.

8.5 SUGGESTIONS

Developmental Schemes are to be based on fundamental traditional structure of rural society. More labour incentive scheme should be initiated. Rural industries like Khadi and Village Industries, Handloom Sari cultures, Handicrafts etc. should be introduced and promoted in the rural areas.

- The craftsmen's skills are artisans artistic talents available in plenty should be identified properly and exploited fully.

- Co-ordination between agencies involved in developmental projects should be made.
- Some essential pre-conditions like physical facilities, banking and credit should be available to start some small and cottage industries.
- Clear cut policies should be evolved to upgrade the skills of the entrepreneurs, through TRYSEM schemes has initiated some projects.
- New intervention measures of IAD should emphasis as it has two prolonged focus : on direct problem of the people and second on the coordination of institutional activities.
- Marketing support is highly needed for this labour force to supply their products.
- To minimize suffering against natural calamities like drought and flood IRDP should give emphasis to agro-based industries in the rural areas.
- Infrastructures at the grass root level are to be strengthened.
- Monitoring followed by evaluation should be made.
- Kulkarni suggest that 7-point Programme especially for rural youth which include non formal education in all its variants, including reinforcement of ethical value along Gandhian lines ; expansion and improvement in apprenticeship schemes; improvement in working of the employment Guarantee Scheme prevent migration to urban areas; generation of enough jobs creation of condition in which basic

needs of youth would be met. These points can be easily collaborative.

- Emphasis should be given on co-coordinating the IRDP activities to a large extent. Too much water has been shed on the water tight compartment system of bureaucracy.
- Bandhopadhyay has suggested their direct intervention programme for poverty alleviation should be linked with land reforms, planning and implementation at the grass-root level & with the organization of the poor.
- Hanumanth Rao and Ranagswamy have found that inspite of inefficiency, low income groups experienced a significant increase in income to the extent of 40 to 60 percent.

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UNIT-9

Labour in Five Years Plans

Objective

After going through this unit , you should be able to :

- appreciate the underlying concept of labour planning and planning in India
- appreciate labour value of the Constitution.
- appreciate the evaluation of labour policy in the Five Year Plans.

Structure

- 9.1 Introduction
 - (i) Planning
 - (ii) Planning of India
- 9.2 Constitutional Value and Labour
- 9.3 Labour and Five Year Plan
- 9.4 Five Year Plan and Labour
 - (i) Industrial Relation
 - (ii) Wages and Social Security
 - (iii) Working Conditions
 - (iv) Employment and Training
- 9.5 Second Five Year Plan and Labour
 - (i) Trade Union
 - (ii) Industrial Relations
 - (iii) Discipline
 - (iv) Wages and Social Security
 - (iv) Other Problems.

9.6 Third Five Year Plan and Labour

- (i) Industrial Relations
- (ii) Trade Union
- (iii) Wages and Social Security
- (iv) Working Condition, Safety and Labour Welfare
- (v) Subsidized Housing Schemes
- (vi) Employment and Training Schemes
- (vii) Other Problems

9.7 Fourth Five Year Plan and Labour

- (i) Industrial Relations
- (ii) Trade Union
- (iii) Wages and Social Security
- (iv) Working Condition, Safety and Labour Welfare
- (v) Industrial Housing
- (vi) Employment and Training

9.8 Fifth Five Year Plan and Labour

- (i) Industrial Relations
 - (ii) Trade Union
 - (iii) Wages and Social Security
- #### 9.9 Sixth Five Year Plan and Labour

- (i) Industrial Relations
- (ii) Trade Union
- (iii) Wages and Social Security
- (iv) Employment

9.10 Seventh Five Year Plan and Labour

- (i) Industrial Relations
 - (ii) Training
 - (iii) Industry Safety
 - (iv) Wage Policy
 - (v) Bonded Labour
 - (vi) Child Labour
 - (vii) Women Labour
- #### 9.11 Conclusion

- 9.12 Summary
- 9.13 Self Assessment
- 9.14 Key-Words
- 9.15 Further Readings

9.1 INTRODUCTION

Usually economist classified productive resources under three main heads : Land , Labour, and Capital. Labour at all time, has been recognized as a separate factor of production. Any work, whether manual or mental, which is undertaken for a monetary consideration is called "Labour" in Economics. No production is possible without an efficient labour force. Labour is different from other factor production and bear some characteristics which give rise to various labour problems in all country. The most outstanding feature of labour is that labour are inseparable from the person to the laborer. The environment in labour has to work is, therefore, of utmost consequences. Secondly, labour being a human factor, not only economic but Moral, Social and other consideration having a bearing on human being also have to be taken into account in the discussion of problems connected with Labour.

All these peculiarities give rise to many problems connected with labour. Whatever may be the system of economy and administration, without solving theses problems productive efficiency will suffer every country. Labour problems product have great impact upon workers, employers and society at large. These problems are therefore , required to be tackled from different angles like economic, political, psychological, sociological, legal and administrative.

9.1 (i) Planning :

More recently, organization has been made to the productive resources as an independent factor of production planning effort in this context is an organization effort, undertaken systematically by an external authority. Initially, planning begin with such resources as are available, adding only better organization. It is the continuous organizational effort that increase the quantity

and improve the quality of resources in the cumulative manner and bring about development. Planning, therefore means, in a sense, no more than better organization, consistence, and far-seeing organization and comprehensive all side organization. Planning does not mean that there should be ownership of the means of production by the state, but they are effectively controlled by the state. Planning implies external direction or regulation of the activity by the planning authority which is, in the most cases, identified with the Govt. of the State. It is undertaken presumably because the pace or direction of the development in the absence of external intervention is not considered to be satisfactory.

Planning is not once only one-for-all effort. In an under-developed economy, it has to be continuous, consistence and forward looking effort sustained for decades. The organizational efforts were adopted in contrast to the prevailing doctrine of *Laissez Faire*, which meant that leave men free in their economic activities, that is, state should abstain from intervening in the economic sphere of the peoples. It took private ownership of capital for granted and exploitation of the weak resulted from this system. Hence, it was thought that something should be done to organise the economic systems in such a manner as to get rid of all kind of exploitation. Gradually planned economy is now accepted mode of raising productivity, income and of accelerations the all round of progress nation.

9.1 (ii) Planning in India :

With the dawn of independence, India switched to plan economy. The doctrine of *Laissez Faire* could not remain a maxim of economic activities and social living. India is economically under developed country. Free play of self interest was considered deterrent to social emancipation. With the resources being low and demand for development being insatiable, it being incumbent that a planned effort be made to use the available resource to achieve the maximum effort. This therefore, prompted planning formulation of 5 year plans. The Indian Constitution lay down no articulate economic philosophy. Socialistic pattern of society was added as the precaution of social living.

The planning effort is an effort to be undertaken by Govt., with this objective the Govt. of India established a Planning Commission in 1950, under the

Chairmanship of Prime Minister. Among several specified functions of the Commission, the two most important are :

- (a) To formulate a policy for the most effective and balanced utilization of the country's resources.
- (b) To appraise from time to time the progress achieved in the execution of each stage of the plan and recommendation and adjustment of policy and measure that such appraisal might show to be necessary. The Commission has formulated so that seven plans, and the eighth plan is under progress

The Planning Commission has shown keen interest towards formulating labour policy also, but before considering the Five Year Plans and labour policy it would be expedient to discuss the Constitutional 'values with reference to labour.

9.2 LABOUR AND CONSTITUTIONAL VALUES

The Preamble of the Constitution declares Justice, Liberty and Equality as the main objectives of the Constitution. When India got independence the two giant problems were poverty and unemployment- the root causes of all other problems, which demanded solution. The Constitution created India as a Welfare State. The primary function of such a State is to attack the problem of poverty. Social economic and political justice was the main thrust of the Constitution.

For this, besides creating more opportunities of employment, and for the economic development of the nation, a path of greater and greater industrialization was adopted. Efficient labour force is required to get the proper benefits of industries. At the same time, harmonious and cordial relation between the workers and management are essential. So, with all these points in view the founding fathers made some provisions in the constitution with regard to labour. Article 23 of the Constitution prohibits traffic in human beings and *beggary* on, and other similar forms of forced labour. Article 24 lays down that no child below the age of

14 years shall be employed to work in any factory or mine or engaged in any other hazardous employment.

On the other hand, the Directive Principles of State Policy in the Constitution, though not enforceable by any Court of Law are, as laid down in the Constitution, "nevertheless fundamental in the governance of the country" There are references in a number of places to the prevention of exploitation. The basic concern shown is that with the problem of poverty, that is, with employment and the standard of 'living. This is emphasized by a number of distinct references, such as -

- (i) right to an adequate means of livelihood, Article 39(a)
- (ii) living wage for all workers, Article 43
- (iii) raising the level of nutrition and standard of living, Article 43 and Article 47.
- (iv) Health and strength of workers and tender age children are n-abused, Article 39
- (v) The State to make provision for securing just and humane condition of work and for providing maternity relief, Article 42.
- (vi) Participation of workers in management of industries, Article 43A - added by 42nd Amendment of the Constitution.

In all these the supreme object is to achieve economic justice for all. The Planning Commission formed its policy in accordance with these directives.

9.3 LABOUR AND FIVE YEARS PLANS

An important place is given to labour in policy formulation of Five Year Plans. Labour policy in India has been evolving in response to the specific needs of the situation in relation to industry and working class, and has to suit the requirements of a planned economy. The labour policy is influenced by the directives of state policy.

The following pages shall examine the place of labour in Five Year Plans.

9.4 FIRST FIVE YEAR PLAN POLICY

The First Five Year Plan was drawn up in the context of a growing consciousness of the importance of industrial labour in the national economy. With the advent of Independence, certain assurances were given to labour in recognition of its rights which had long been neglected. An attempt was made in the First Plan to give concrete shape to these assurances and to give labour a far

Chapter XXXIV of part III of the First Five Year Plan dealt with labour. The Commission's approach to labour problems rested on the considerations which were related on the one hand to the requirements of the well being of the working class and on the other to its vital contribution to the economic stability and progress of the country.

The First Plan eulogized the worker as the principal instrument in the fulfillment of the targets of the Plan and in the achievement of the economic progress generally. It further said that labour problems should be approached from two angles : the welfare of the working class and the country's economic stability and progress. The basic needs of the workers for food, clothing and shelter must be satisfied. Improved health services, wider provision of social security, better educational opportunities, recreational and cultural facilities should be provided for enjoyment. Working conditions must be such as to safeguard his health and protect him from occupational and other hazards. He should be treated with consideration by the management and in case of failure to get a fair deal, he must have access to an impartial machinery.

The Commission pointed out that most of these rights were recognized and found a place in the Constitution, and the Central and State Governments were alive to them. In this connection, reference was made to various labour laws and the Commission stressed that every effort should be made to complete the implementation of the existing laws before new legislation was undertaken. The recommendation made with regard to labour fell under the following heads

(1) Industrial Relations:

Harmony and cordial relations are the sole basis of peaceful industrial progress. The Commission was not satisfied with the functioning of the legal machinery for the settlement of industrial disputes. Excessive delays, lack of balance in judgments and disharmony with the true requirements of the situation occurred in judgments. Work of the industrial and labour courts had suffered in quality and speed of disposal. Therefore the Commission favored settlement of disputes by the employer and employees themselves without any external interference and was not in favor of Appellate Tribunal. It suggested no appeal except in extraordinary cases. However, machinery, needed to settle certain extraordinary cases of, disputes without delay, was not ruled out. It suggested that machinery should be in accordance with the principles as under :

- (i) reduction of legal technicalities and formalities of procedure.
- (ii) final and direct settlement of each dispute.
- (iii) trained and expert personnel for tribunals and courts.
- (iv) reduction of appeals over these courts, and
- (v) prompt enforcement of the terms of award.

A Central Tribunal to deal with disputes of an all India Character was recommended. workers Committees were recommended for the settlement of differences on the spot, while Joint Committee for the Centre and for the industry as whole were also recommended.

The Commission recommended setting up of "norms" and standards to govern mutual relations between employers and workers. To avoid disputes the commission suggested that duties and responsibilities of employers and workers should be laid down in specific terms. Workers should be enabled to approach the authorities and should be kept in touch with We affairs of industry. The workers' right to association, organization and collective bargaining should be accepted and trade unions should be welcomed.

With regard to Public Sector, the Commission pointed out that wages, working conditions and welfare arrangements should serve as models in such undertakings. All labour laws should be extended to them.

(2) Wages and Social Security:

Price rise affected the wages and profits. To check inflation, profits and wages were required to be controlled, so the Commission did not favour any increase in the wages except to remove anomalies. The Commission asked for full and effective implementation of the minimum wage legislation. Standardization of wages was recommended. Payment of bonus was restricted and was to be credited to workers' savings. Constitution of permanent wage boards on a tripartite basis was recommended. As to Social Security the Commission recommended for proper implementation of the then existing laws, e.g., Workmen's Compensation Act, E.P.F. Act, Maternity Benefits Act, E.S.I. Act etc.

(3) Working Conditions

The Commission pointed out the scope for considerable improvement of working conditions in factories. The existing laws should be properly implemented and enforced. The establishment of National Museum of Industrial health, Safety and Welfare was also suggested

(4) Employment and Training

The Commission emphasized the importance of proper utilization of man power. It suggested improvement in the system of recruitment, for employment exchange organization and for the proper co-ordination of training facilities. To increase productivity, a scheme of training within industry was recommended. The Commission devoted a separate chapter on agricultural workers. It recommended many measures like the grant of occupancy rights in house sites, support for the movement for gift of land, labour co-operatives, financial assistance educational stipends, minimum wages, etc. for the welfare of the agricultural labour.

9.5 SECOND FIVE YEAR PLAN

Chapter XXVII of the Commission report dealt with Labour Policy and Programmes. The Second Plan continued the policy laid down in the First Plan with necessary modifications which were called for by the objective of the socialist pattern of society envisaged for future. The Plan observed : *"Much of what has been said in regard to labour policy in the First Five Year Plan holds good as a basis for the future. However, in the light of the socialist pattern of society, suitable alterations in labour policy are required to be made". The Plan further observed : "Whether it is the public sector or the private sector the goal of progressively speeding up production would mean that indiscipline, stoppage of production and indifferent quality of work will have to be guarded against, and the labour policy has to be directed towards this end".*

Labour Policy under the Second Five Year Plan may be discussed as under :

(1) Trade Unions:

The Commission felt that a strong trade union movement is necessary both for safeguarding the interests of labour and realizing the target of production. The Plan suggested to minimize the number of outsiders as office- hearers of the union to check unhealthy rivalries in the labour movement, and suggested training of workers themselves in trade union philosophy and methods. Recognition of workers union and statutory provisions therefore were suggested. A subsidiary provision for fixing of membership fee should be prescribed as a condition for recognition, so that the financial position of the unions may be sound.

(2) Industrial Relations :

The Commission felt that industrial peace is indispensable and can be achieved by parties themselves. The Commission suggested that mutual agreement by parties themselves should be preferred. Preventive measure such as avoidance of dispute at levels was suggested: Conciliation machinery should keep in touch with trade union leaders so as to avoid future disputes. In case of disputes, recourse should be had to mutual negotiations and to voluntary arbitration. The machinery for facilitating these stages should be built up. To avoid inadequate implementation

of awards, penalties provided for non implementation should be enhanced to be sufficiently deterrent. Penalties for workers in case of deliberate violation should also be of deterrent nature. An appropriate tribunal should be constituted for enforcing compliance. It should be made easy and simple to approach this tribunal. Standing joint consultative machinery should be established to avoid industrial unrest. The representative union should have the sole right to take the management for talks in matters of wages etc. Joint consultative board should be more effectively utilized.

(3) Discipline:

Hard and efficient work and avoidance of indiscipline are required to achieve the goal which the community desires to reach. For maintaining discipline in industry, the Plan suggested that various aspects of indiscipline should be examined.

(4) Wages and Social Security:

The Commission emphasized the need for a wage policy and workers' right to 'fair wage'. Industrial tribunals failed to evolve a consistent formula for fair wage. The Plan felt that improvement in wages can result from increased productivity, Worker's should be consulted before a system of payment is adopted. The Commission suggested a wage commission to examine the relevant material in wage determination. Tripartite wage board consisting of equal representatives of employers and workers and an independent chairman should be instituted for individual industries in different areas.

(5) Social Security:

The Plan proposed that Employees' Provident Fund Scheme should be extended to cover industries and commercial establishments having 10,000 workers or more in the country, as a whole. The Plan mentioned that a proposal regarding the provision of medical benefits to workers' families under the Employees' State Insurance Scheme was under consideration. Workers disabled by Industrial accidents should be provided with alternative employment.

(6) Other Proposals:

The Plan made proposals for contract labour, agricultural labour, women workers and also proposed development programmes such as training to craftsmen, apprenticeship scheme for the training of skilled craftsmen, training of instructors, expansion of the Employment Service Organization and Central Labour Institute setting up of a film unit, housing and other schemes in the list.

9.6 THIRD FIVE YEAR PLAN

Labour Policy in India has been evolving in response to the specific needs of the situation in relation to industry and the working class. The Third Plan stressed that the coming years should witness the fuller impact of the ideas which have been tried and found useful during the Second Plan period. It has always to be kept in view that the measures that are adopted must serve adequately the immediate and long-term ends of planned economic development. Labour policy under Third Five Year Plan is contained in chapter XII which may be discussed under the following heads :

(1) Industrial Relations : The structure of industrial relations has been designed for the purpose of securing peace in industry and a fair deal for the workers. In the Third Plan, the stress was on prevention of unrest by timely action at the appropriate stages and giving adequate attention to root causes. This involves a basic change in the attitudes and outlook of the parties and the new set of readjustments in their mutual relations. The Plan, found that the development of industrial relations rests on the foundations created by the working of the Code of Discipline. The Plan emphasized that a full awareness of the obligations under the Code of Discipline had to extend to all employers and workers and it had to become a living force in the day to day conduct of industrial relations. The sanctions on which the Code is based have to be reinforced. Ways, it was said, will be found for increasing the application of the principle of voluntary arbitration in resolving differences between workers and employers and steps will be taken to remove hindrances in the way of recourse to voluntary arbitration. Further the plan said that it is essential that Workers Committees are strengthened and made an active agency for the democratic administration of labour matters. The Plan

emphasized that the scheme of Joint Management Councils will be progressively extended to new industries and units so that, it may become a normal feature of the industrial system. It suggested that workers' participation in management should be accepted as a fundamental principle and an urgent need. Joint Management Councils should be set up in all establishments in the public as well as private sectors. As to workers' education programme the plan said, it is intended to be diversified.

(2) Trade Unions :

The Plan said that there is need for a considerable readaptation in the outlook, functions and practices of trade unions. They have to be accepted as an essential part of the apparatus of industrial and economic administration of the country and should be prepared for the discharge of responsibilities. Their leadership has to grow progressively out of the ranks of the workers and this process will be greatly accelerated as the programme of workers education gathers momentum. A union having membership of 15 per cent of the workers in the establishment over a period of 6 months shall be recognized as representative union for an industry or area. It also emphasized that once a union has been recognized, there should be no change in its positions for a period of two years, if it has been adhering to the provisions of the Code of Discipline. The Plan proposed a suitable training programme for the personnel of the industrial relations machinery.

(3) Wages and Social Security:

In the Third Five Year Plan, as regards wages, it was pointed out that the Government has assumed responsibility for securing a minimum wage for certain sections of workers in industry and agriculture, who were economically weak and were in need of protection. The Minimum Wages Act had not proved effective, so for its better implementation, the machinery for inspection had to be strengthened.

The Plan said that apart from the minimum wages, care should be taken in fixing fair wages for different classes of workers, so that adequate incentives were provided for the acquisition and development of skills and for improvements in output and quality. A Commission, consisting of representatives of both parties, will be appointed to study the problem of bonus.

As regards Social Security, the Third Plan said that during the period of the Plan the Employees' State Insurance Scheme will be extended to all centres where there is concentration of five hundred or more industrial workers. Medical care and treatment, including hospitalisation and maternity services will be extended to the families of insured persons in all places where the scheme is in operation. The construction of new hospitals and dispensaries will be speeded up. The Employees' Provident Fund Scheme will be extended to more industries. A sum of Rs. 2 crores was allocated for providing relief to workers affected by closures.

(4) Working Conditions, Safety and Welfare

The Plan said that under various laws, a comprehensive code has been developed to ensure satisfactory working conditions, safety of persons and the provision of a variety of facilities to promote the welfare of the workers. The Plan felt that the improvement of working conditions can result in greater productive efficiency on the part of the workers. Every effort should be made to keep abreast of the modern developments relating to human factor in industry. The problem of safety should receive greater attention. The Plan said that a standing Advisory Committee will be set up to promote measures for bringing down the incidence of accidents in factories. State Governments should strengthen the inspections of the factories. For safety in mines, a National Mine Safety Council is proposed to be set up for safety education. Special Welfare funds have been constituted for financing welfare measures for workers in the coal and mica mines.

(5) Subsidized Housing Scheme

The Plan proposed that campaigns should be undertaken for setting up co-operative credit societies. The Plan found that the Subsidised Housing Scheme could not improve the housing problems. So new wages will be devised immediately so that workers may be assured of minimum standards in respect of living conditions, facilities for recreation and sports will be enlarged.

(6) Employment and Training Scheme

The plan proposed to increase the number of Industrial Training Institutes from 106 to 318 by the end of the Third Plan. Adequate training facilities will be

provided. The capacity of three existing Central Training Institutes for Craft Instructors will be raised and three other Institutes will be set up. The apprenticeship training scheme carried out on a voluntary basis, will be carried out compulsorily, and the target of evening classes for industrial workers was to be raised from 3000 seats to 15000 seats. One hundred employment exchanges will be opened, number of rural employment exchanges will be increased. The plan said that steps will be taken to afford a measure of relief and assistance to retrenched workers. The estimated cost of programmes under labour and labour welfare in the Third Plan amounted to Rs. 71.08 crores - Rs. 44 crores at the Centre, Rs. 25.19 crore in the States and Rs.1.89 crore in the Union Territories.

(7) Other Problems

The Plan took note of contract agriculture and unorganized labour also.

9.7 FOURTH FIVE YEAR PLAN AND LABOUR POLICY

The Draft outline of the Fourth Five Year Plan laid emphasis on labour legislation since independence and agreement arrived at jointly between representatives of workers and employers and the Government, and said that these will continue to form the basis of labour policy during the Fourth Plan. The labour policy in the Fourth Five Year Plan was evolved with reference to two basic concepts. Firstly, the relationship between workers and employers is one of partnership, secondly, the employers are under obligation to protect the well being of employers. The labour policy under Fourth Plan is discussed in chapter XXII. It made its own contribution towards the evolution of labour policy. The following provisions were provided in the Plan:

(1) Industrial Relations : Industrial Relations in the Fourth Plan rested on the working of the Code of Discipline. The obligations of the Code were extended to all the constituents of the Central Organizations of employers and workers. The Plan referred to the Industrial Disputes Act which provided for the settlement of disputes through conciliation, adjudication and voluntary arbitration. The Plan said while the provisions of this legislation were available as a last resort, the greater

emphasis should be placed on collective bargaining and on strengthening the trade union movement for securing better labour management relations supported by recourse in large measure to voluntary arbitration. The Plan provided for the establishment of Workers Committees at the plant level and Joint Management Councils to new industries. It further says that there is wide agreement on the need to strengthen the machinery at present available for conciliation, adjudication and voluntary arbitration. In this connection, it would be useful if summary powers could be conferred on labour courts to enable them to recover dues and monetary benefits to which workers might be entitled under various awards and agreement.

(2) **Trade Unions:** The Fourth Plan, in its draft outline, said that trade unions should serve not only as agencies seeking for their members fair wages and proper conditions of work and living, but should also play an increasingly important role in the nation's development. It referred to lack of a unified trade union movement. Priority was accorded to the growth of a healthy trade union movement.

(3) Training and Employment :

The Craftsmen's Training and Employment Service Programme was transferred to the States during the Fourth Plan. The Director General of Employment Training was made responsible for the overall co-ordination of programme. Seating capacity was marginally extended to cover new trades. Three institutes for training special categories of craftsmen for industry and supervisory staff were to be set up. Apprenticeship programme was emphasized. The employment service was to be expanded by strengthening employment exchange machinery, university employment information and guidance bureau.

(4) Research :

The Government undertook special programmes of studies and surveys of aspects such as working and living conditions, family budgets, wage census, pattern of absenteeism, productivity etc.

9.8 FIFTH FIVE YEAR PLAN AND LABOUR POLICY

It was mentioned in the Draft Fifth Plan that the employment generation has not kept pace with the growth of labour force. Hence the emphasis in the Fifth Plan was on employment and manpower. There was increased awareness to improve the conditions of rural worker. The policy under the Fifth Plan may be discussed as under :

(1) Industrial Relations

There was no shift or change in labour policy during the Fifth Five Year Plan.

(2) Trade Unions

The Draft of the Fifth Five Year Plan placed emphasis on legislation to help the growth of a healthy trade union movement.

(3) Wages and Social Security

The Fifth Plan recognized the need to attain and maintain a reasonable balance as regards wages, prices and incomes but emphasized the necessity to avoid rise in wages unrelated to improvement in productivity. It mentioned that an equitable national wage structure covering the public and private sectors had to be evolved. At the same time, the need for proper discipline on the part of those who draw their income from property and enterprise, has been emphasized.

With regard to social security the Fifth Plan contemplated action on the extension and coverage of E.S.I. Scheme after the Government reached decisions on the recommendations of the Committee on perspective planning appointed by E.S.I. Corporations.

The Fourth Plan said that for the success of planned development, it was essential that an integrated income policy should be evolved. The question of price stability is basic to wage policy, for, pressure for higher wages arises directly from price increases in the cost of living. It would be appropriate to link clearness allowance with cost of living, though complete neutralization of increase in cost of

living at all levels may not be feasible. The total wage should have three components, namely, basic or minimum wage, an element related to cost of living and an element related to increase in productivity. Efforts should be made to extend the scope of wage systems, based on payments by result. A careful review of the working of wage boards and the criteria followed by them should be undertaken.

As regards social security in the Fourth Plan it was proposed to bring the remaining employees and their families in all areas with insurable population of 500 or more within the scope of the scheme. In addition, the scheme was to be extended to include all factories employing 10 or more persons using power and 20 or more persons without power and to shops and commercial establishments in some of the larger cities. It was also proposed to provide full medical care to families, including hospitalization, on the same scale as for insured persons where it could not be done during the Third Plan.

(4) Working Conditions, Safety and Welfare

As regards working conditions, a comprehensive Code has been developed under various laws to ensure satisfactory working conditions. Provisions have also been made for the safety of persons and facilities to promote the welfare of the workers. During the Plan period, the Industrial Safety, Health and Hygiene Divisions of the Central and Regional Labour Institutes were strengthened. Activities of the National Safety Council were intensified. Stress was laid on strengthening labour administration.

(5) Industrial Housing

The past approach to the problem had been inadequate. Therefore, new ways were devised during the plan period so that workers may be assured of minimum standards in respect of living conditions. At the instance of Planning Commission, a Working Group on Housing was constituted. The group recommended adequate priority to the housing scheme.

(6) Training, Welfare and Employment

The Fifth Plan took note of other matters also: It laid emphasis on craftsmen's training and labour welfare. The Fifth Plan outlay on these matters was Rs. 50.14 crores, out of which Rs. 14.18 crores was at the Centre and Rs. 30.92 crore in States. The Fifth Plan emphasized that the employment service be strengthened for better-functioning in the spheres of registration, placement, vocational guidance and employment council.

9.9 THE SIXTH FIVE YEAR PLAN AND LABOUR POLICY

In the Sixth Five Year Plan chapter XXIV dealt with labour and labour welfare. It pointed out that labour policy derived its philosophy and content from the Directive Principles of State Policy as laid down in the Constitution to suit the requirements of planned economic development and social justice. The aim is to promote co-operation between workers and employers in order to improve production and working conditions and to promote the interest of the community at large.

The thrust of the programs in the Sixth Plan was on implementation effectively different legislative enactments regarding labour, and special programs for agricultural labour, artisans, handloom weavers, fishermen, and other unorganized workers in the rural and urban areas. Programme of workers' education, including women and young workers, were to be taken. The Plan also laid emphasis on vocational rehabilitation of the physically handicapped, training schemes, organization of rural workers and problems of bonded labour, child labour, women labour, contract labour and other allied problems. The outlay in the Sixth Five Year Plan on labour and labour welfare was Rs. 199.64 crores. The Policy under the Sixth Plan was laid down as under :

(1) Industrial Relations

The Sixth Plan pointed out : "Industrial harmony is indispensable for a country to make economic progress. Healthy industrial relations on which industrial harmony is founded is regarded as a matter of interest for employers, workers and also the community as a whole The parties must bear in mind the

larger interest of the community" The Plan said that adequate consultative machinery and grievance procedures should be evolved and made effective and strikes and lockouts should be resorted to in the last stage.

(2) Trade Unions

The Sixth Plan pointed out that trade unions have a vital and constructive role in improving the quality of life of the workers and they should evince greater interest in welfare programmes for their members, the Government on its part, can consider some financial aid to those trade unions which take up welfare activities. For growth of trade unions, the problem of multiplicity should be overcome.

(3) Wages and Social Security

The Plan pointed out that the determination of the size and level of wages is linked with the problems of evolving and sustaining a wage structure, which was based on accepted notions of fair remuneration to labour, and relevant consideration of economic efficiency and incentives. The level of the minimum wages should be raised in such a manner that soon the concept of a need based minimum wage became a reality. The Plan observed that payment of lower wages than the prescribed minimum should be prevented. It is 'he necessary to enforce the Minimum Wages Act and to undertake to periodical revision of the minimum wages. It emphasized for the rationalization of wage structure and linking of wages to productivity.

The Sixth Plan pointed out that for expansion of E.S.I. Scheme, efforts should be made to remove the financial and physical difficulties.

(4) Employment

One important feature of the Sixth Five Year Plan was the adoption of a decentralized strategy for manpower planning and employment generation through the setting up of District Manpower of Planning and Employment Generation Councils. These would prepare district employment plans. Employment Exchanges were geared up to enable, motivate and guide work seekers to look for self employment as avenues also. A scheme for this purpose was formulated.

Public Sector Plan Lay Out in Sixth Plan

Group of Schemes	Centre	States	Union Territories	Total
Craftsmen Training	23.50	45.66	6.33	75.49
Apprenticeship Training	7.50	4.56	0.65	12.75
Employment Service	7.00	7.23	0.70	14.93
Labour Welfare	15.50	10.11	1.48	27.09
Total	53.50	67.56	9.15	130.22
Central Rehabilitation of Bonded Labour	25.00	6.68		31.68
Total	78.50	74.24	9.16	161.90

9.10 THE SEVENTH FIVE YEAR PLAN AND LABOUR POLICY

In the Seventh Five Year Plan Chapter- V deals with employment, manpower planning and labour policy. As regards the labour policy the thrust of the Seventh Plan is on improvement in capacity utilization, efficiency and productivity. The Plan

- (a) realized that higher productivity was essential for higher wages linked with the lower cost of production.

- (b) In order to achieve higher productivity, the Plan put emphasis on the role of technical factors and the state of technology- crucial in determining productivity levels.
- (c) The importance of discipline, motivation of workers, their skill and the state of industrial relations -all were important. The Seventh Plan refers to industrial sickness which creates the problem of rehabilitation of large number of workers in the organized sector. A sound policy to tackle industrial sickness was to be evolved.
- (1) As regards Industrial Relations the Seventh Plan points out that there is considerable scope for improvement in industrial relations which would obviate the need for strikes and the justification for lock outs. In the proper management of industrial relations the responsibility of unions and employees has to be identified and inter-union rivalry and the inter-union divisions should be avoided.
- (2) As regards Training, the Plan says that training has to suit the requirement of industry and has to be of the best quality. It felt urgent need for modernization of the industrial training institutes. It emphasized the effective role of employment exchange machinery in respect of wage employment and self-employment.
- (3) As regards Industrial Safety the Plan said that arrangement for it will have to be made foolproof through better vigilance, proper identification of hazardous industries and development of expertise for inspection and enforcement.
- (4) An important aspect of labour policy mentioned in the Seventh Plan, pertains to the formulation of an appropriate Wage Policy. The basic objective of wage policy are a rise in the levels of real incomes in consonance with increase in productivity, improvement in scales, sectoral shifts in desired directions and reduction in disparities. Labour policy should also have provisions for the welfare, working and living conditions of unorganized labour in rural and urban areas. Efforts should be made not only to train and upgrade the skill of

such workers but also to educate them and make them aware of the legislative provisions available to them. The existing legislation for them should be effectively implemented.

(5) Another important aspect of the policy in the Plan pertains to *Bonded Labour*. The Plan said that it is an important social obligation the law on the subject is enforced and the freed bonded laborers are rehabilitated. Conditions creating bonded labour have to be rooted out.

(6) As regards Child Labour, the Plan said that though it is not feasible to eradicate the problem of child-labour but attention has to be focused on making the working conditions of child labour better and more acceptable. Improved legislation coupled with better enforcement machinery is required. Non-formal education for child workers be provided. Abolition of child labour can be achieved by improving the conditions of the families whose children are compelled to work.

(7) As to *Women Labour* the Plan pointed out that they have to be given special recognition and provided with the requisite facilities for bringing them into the main stream of economic growth. The major tasks are vocational training facilities for women to suit their varied needs and skills, to provide crèches facility and family planning centers, to increase women's participation in trade unions and decision making, and to improve and enlarge the scope of the existing legislation for woman workers. The Plan outlay on labour and labour welfare in the Central Sector was Rs. 57.74 crores for Training, Employment Services and Labour Welfare and on centrally sponsored schemes Rs. 37.70 crores.

9.11 CONCLUSION

All these proposals in all the Five Year Plans are no doubt, welcome but much would depend on the proper implementation of the suggestions, otherwise mere pious hopes can not achieve much. The extent to which the labour policy in plans has been implemented in the nation is evident from two instances of decided

cases by the Supreme Court. In the case known as *Asiad Case*, the laborers working in the construction of the stadium were not being paid minimum wages even when they were working under Delhi Administration' and Delhi Development Authority. Supreme Court had to direct the Delhi Administration to pay minimum wages. Supreme Court was faced with a similar problem of child labour later in *Salal Hydro-electric Project Case*. The Court regretfully noted that Inter-State Migrant Workmen Act and the rules though brought into force from October, 1980, the implementation machinery was not ordered till June, 1982, and the Supreme Court had to give direction to the Government concerned (which were in fact the defaulters) that it should carry out the implementation of the Act and the Rules.

Though many steps have been taken and policies have been implemented the greatest weakness is failure to solve the problem of unemployment. Secondly, no definite policy is given about compulsory adjudication in the country. Thirdly, the problem of outside leadership, in the trade union also required greater consideration because they were flattered and cajoled by employers and even by many government officials. The cause of workers often suffers. They pose many impossible demands. Employers have to be told to approach the workers in a spirit of brotherhood and as equal partners in industry. A change in their attitude of high securing profits is yet to be brought about. Evasion of labour laws and their non-implementation needs to be probed.

However, the greatest stress in the plans has been on implementation, on speed and thoroughness in seeking practical results and on creating conditions for the maximum production and employment and the development of human resources. Since independence the industrial scene has undergone radical changes. The structure of working class has changed in several respects. Important changes are likely to take place in future.

9.12 SUMMARY

In this unit we have discussed the labour policy of the planning commission with regard to industrial relations, trade unions, wages and social security, working

conditions, safety and welfare, employment training, housing etc. During the past years the main postulates of the labour policy in the country may be summarized as under :

- (1) Recognition of State -the custodian of interest of the community as the catalyst of change and welfare programmes.
- (2) Recognition of the worker's right the resort to peaceful direct action if justice is denied to them.
- (3) Encouragement to trade unions as representatives of workers.
- (4) Encouragement to mutual settlement, collective bargaining, and voluntary arbitration.
- (5) Intervention of the State in favor of the weaker party to ensure fair treatment to all concerned, such as bonded labour, child labour, women labour etc.
- (6) Primacy to industrial peace, by maintaining cordial industrial relations between the workers and employers.
- (7) Ensuring 'fair wage' standards and provisions of social security.
- (8) Workers co-operation for augmenting production and increasing productivity.
- (9) Adequate enforcement of labour legislation.
- (10) Enhancing the status of the workers in the industry.
- (11) Tripartite consultation to be encouraged.
- (12) Stress on employment and training of workers.
- (13) To provide housing facilities to the workers.
- (14) Towards achievement of social and economic justice.

9.13 SELF-ASSESSMENT TEST

Answer the following questions so that you may know how much you have understood the subject discussed in this unit.

- (1) Briefly summarise the labour policy of India. What provision have been made for labour under five year plans ?

- (2) Give a brief account of the Third Five Year Plan with reference to labour.
- (3) Give an account of the Fourth and Seventh Five Year Plans with reference to labour.
- (4) Discuss in brief the policy in the Five Year Plans with regard to industrial relations, trade unions, wages and labour welfare ?

9.14 Key-Words

Industrial Relations : The state of relations between workers and employers of an industry.

Trade Unions : An association of workers established by their membership for the purpose of improving their conditions.

Social Security : Security that society furnishes, through appropriate organization, against certain risks to which its members are exposed, against which the workers or individuals cannot effectively provide for.

Wages : Remuneration paid for the service of labour in production. Labour Welfare Such services, facilities and amenities which may be established in, or in vicinity of an undertaking to enable the persons employed in them to perform their work in healthy congenial surroundings, and provided with amenities, conducive to good health and high morale.

9.15 Further Readings

- (1) Reports of the First Five Year Plan to Seventh Five Year Plan.
- (2) R.C. Saxena, *Labour Problems and Social Welfare*, (15th Ed. 1986) K. Nath & Co., Meerut.
- (3) *Asiad Labour Case - People's Union for Democratic of India* (1982) 3 SCC 235.
- (4) *Laborers, Salal Hydro-Electric Project V. State of J. & K.* (1983) 2 SCC 181.

UNIT-10

Agriculture Labour

Objectives

The main objective of this unit are to :

- Acquainted you with the characteristics, condition and problem of agricultural labour
- Give you details information about efforts made towards their upliftment
- Provide you with an idea of measures to be adopted to tackle their problems.

Structure

- 10.1 Introduction
- 10.2 Definition
- 10.3 Characteristics
- 10.4 Categories
- 10.5 Growth in number and causes of Growth
- 10.6 Condition and Problems
 - (1) Unemployment and Under-employment
 - (2) House of work
 - (3) Wages and income
 - (4) Housing
 - (5) Standard of Living
 - (6) Indebtedness
 - (7) Bonded Labour
 - (8) Lack of Organization
 - (9) Hard and Rough Work
 - (10) Lack of Social Security Measures

10.7 Measures Adopted by the Govt.

1. Minimum Wages
2. Abolition of Bonded Labour
3. Rehabilitation of Land less Laborer
4. Provision for Housing Site
5. Special scheme for providing Employment
6. Special Programme for Rural Development
7. Programme and Rural Debt

10.8 Effort and Judiciary

10.9 Bhoodan and Sarvoday Movement

10.10 Co-operative Movement

- (1) Introduction and Development
- (2) Structure
- (3) Achievements
- (4) Weakness or Deficiencies

10.11 Measures Requirement for Improvement

10.12 Summary

10.13 Key words

10.14 Self –Assessment Test

10.15 Further Reading

10.1 INTRODUCTION

India is predominantly an agricultural country. According to 1981 Census about 77% of the total Population lives in rural areas and about 65% of total population is dependent on agriculture for livelihood. Out of the working population of 24.71 Crores (37.55% of total population) , the number of agricultural labour were 5.54 Crores (8.41% of total population). The rapid spread of the use of money and development of exchange system has changed the entire complexion of agriculture. The growth in agriculture production has generated

employment for a large number of persons. However, the living and working conditions of the agricultural labour have still remained unsatisfactory. Their income is low and employment irregular. Since they possess no skill and training they have no alternative employment opportunities either. Socially, a large number of agriculture laborer belongs to SC/ST. therefore, they are on oppressed class. They are not organized and cannot fight for their rights. The problems of migrants , unemployment , under employment, landlessness, lack of a Central Federation for agricultural workers, availability of seasonal work and land and non-availability of rights on the land have led to the present pitiable condition of the agricultural workers to do work.

This unit has been prepared to acquainted you with thye concept of *Agricultural Labour* . We intend to deal with all the important aspects of *Agricultural Labour*.

10.2 DEFINITION

Unlike industrial labour, agricultural labour is difficult to define, due to the lack of separate wage-based class of agricultural workers. Many small and marginal farmers also work partly on the farms of others to supplement their income. On the other hands, wherever there is no crop in a season, the clear cut agricultural migrate in search of employments. They accept seasonal employment through Contractors. To what extent should these two types of workers (on their family) be considered agricultural laborer is not easy to answer.

Despite of these difficulties, various attempt have been made to define agricultural laborer by different experts and committee appointed by Govt. from time to time. The first agricultural laborer enquiry committee of 1950-51, defined those people as agricultural workers who are engaged in raising crop and worked for 50% or more days on payment of wages in a year. In this definition even those people were included under the categories of Agricultural worker who possessed some land of others against payment of wages. The Committee also define an agricultural laborer household as one where the head of the household or 50% or more of the earners report agricultural labour as their main occupation. The second agricultural labour enquiry committee of 1956-57 took a broad view of agricultural

activities like animal husbandry, dairy, poultry, piggery etc. The second committee also submitted that to be an agricultural labour household it is necessary that its 50% or more income is derived as wages for work rendered in agricultural. The changes over from work to income seem more scientific. In the census of India-1961, all those workers were included in the category of worker who worked on farms of other and received payment either in money or kind (or both). The 1971 Census excluded those people from agricultural laborer for whom working on the farms of others was a secondary occupation.

Thus, even the experts are not agree upon the definition of agricultural labour. We can define agricultural labour are as under

“All those persons who derived a major part of their income, during major part of a year as payment for work performed on the agriculture farms of others can be designed as agricultural workers.”

“It may be also noted that the term agricultural laborer refers to all those who are employed in agriculture return for wages in cash or in kind or in both and such person may or may not have their own land.

“Any work, whether manual mental, which is undertaken for monetary consideration is called ‘labour’. When work is performed in agricultural field of wages then it is known as ‘agricultural laborer’ in general.

10.3 CHARACTERISTICS

The Characteristics of agricultural labour includes many things. Some of them will discussed in detail under ‘condition and problems of agricultural labour’. Certain characteristics differentiate agrarian labour from industrial labour in the marked manner exposing them to exploitative factors. Main labour characteristics are the following:

(1) Employer-Employee Relationship -

There is no clear-cut employers employee relationship in agricultural industries. Members of some marginal landholders families too, seek wage employment in agriculture to supplement family income

(2) Lack of Proper Classification of Workers-

There is no classification of worker into skilled, semi-skilled and unskilled labour. There are only two types of agricultural labours employed either for casual work or regular farm work on a continuing basis. What these agricultural laborer are primarily concerned with gain full employment whatever to be kind of work available to them.

(3) Seasonal Employment-

Employment in agriculture is mostly seasonal with varying intensities depending upon regional characteristics and crop pattern. This seasonal activity is followed by slack season, agricultural labour have to seek alternative source of employment

(4) Migratory Character-

In busy season, agriculture laborer migrate from region where labour relatively abundant to region where it is scarce. In slack season, the agrarian labour migrates in search of employment like road construction and building operations etc.

(5) Payment of Wages-

Wage payment in agriculture shows considerable diversity. Payment of wages may be in kind or partly in cash or both. Supplemental payment s in the form of perquisite are also made to laborer. The wage structure in agriculture is considerably influence by traditions and customs.

(6) Forced Labour/Bonded Labour –

Even after the abolition of Zamirdaries, certain relics of feudal practices like exaction of forced labour known in different place by different name like Begar, Pannaiyal, Ghoti, Vetti, Hali etc. were in existence. Bonded labour (Abolition Act, 1976) has been passed to abolish this type of bonded labour. Serfdom of this kind

is now more or less a thing of the past to the degree of skill and the only basis of classification can be the duration of employment. Agricultural Labour may be employed permanent or on a part-time basis, or for a season, or casually according to the agencies of the work. The duration of employment varies with the character of the crop and the system of cultivation which is adopted.

The first Agriculture Labour Enquiry Committee had classified Agriculture worker into two categories.

1. Attached Laborers.
2. Casual Laborer

In the Indian context, this is the basic classification. Attached Laborer is attached to some cultivator household on the basis of a written or oral agreement. Normally they do not free to work at any other place. The number of attached workers forms only about 10% to 15% of the total number of agricultural workers. All workers other than attached workers are known as casual workers. They are free to work on the farm of any farmer and payment is generally made to them on daily basis.

Agriculture Labour may also be classified as:

- (a) field laborer like reapers , ploughmen, sower, weeder and transplanter etc
- (b) Ordinary labour like digger or other who do odd jobs
- (c) Skilled Laborers like masons, carpenter etc.
- (d) there small holders of land who have very small holdings and are thus forced to work as casual laborer on the farm of others
- (e) tenants who work on temporarily leased land and share the crop with the owner and also known as share-cropper are not better than casual laborers
- (f) there is high percentage of female and child labour among Agriculture Laborers.

10.5 GROWTH IN THE NUMBER & CAUSE OF GROWTH

The class of agricultural workers did not exist in India before the advent of Britishers. Sir Thomas Munroe had stated in 1842 that there was not a single landless in India. Undoubtedly, this was an overstatement. However, it can be safely said that the class of agriculture worker too small to attract any attention. According to the Census of 1881, landless laborers in that year were 7.5 million. In 1921, agriculture workers were 21 million which was 17.4% of the total rural working population. They were 27.5 million in 1951 and 31.5 million in 1961. According to the Census of 1971, the number of agricultural workers was 47.5 million which was 26.3% of the total workers. Thus, every fourth person of the labour force was working as an Agricultural Laborer in 1971. According to the Census of 1981 the number of agricultural workers has shot up to 55.4 million which was 22.4% of the total workers. Thus, their number has increased very fast during last 80 or 90 years.

There are a number of factor responsible for the continuous and enormous increase in the number of the number of agricultural workers was 47.5 million which was 26.3% of the total workers. Thus, every fourth Agricultural Laborer in India.

Some important factors are the following :

(5) Illiteracy-

It is common knowledge that the Agricultural work force has a very low percentage of literacy. Through there are variation from region to region and state to state yet the fact remain that the extent of illiteracy among Agricultural Labour is very high. However, a worker today is more aware. He is keen about self-education at adult literacy centres and even more keen about the education of his children and their future.

(6) Lack of Unionization-

Most of the Agricultural workers are unorganized, because they live in distant. Out of the way, places and are poor and ignorant.

(3) Indebtness-

Because of the low level of their income agricultural workers have to seek debt of and on.

(4) Low Standard of Living-

The class of agriculture workers is the poorest and resource less class in rural area. Even now their level of income is inadequate to enable them to make both ends meet.

(5) Lower Age Group and Female Workers-

The class of agricultural workers are employed in agriculture. The reason for this is their availabilities and willingness to work at low wages.

(6) Dependence on Luck-

The general outlook on the life of agricultural workers is influenced by dependence on luck. Every thing is done for them by fate and nothing by themselves. This complacent attitude and fatalistic approach take away dynamism.

(7) Social and Religious Attitude-

Social and religious beliefs of agricultural workers also effect their efforts. Caste, social and religious restriction are not favorable for mobility.

(8) Lower Efficiency-

The cause of the low efficiency of the agricultural workers are low wages, low standard of living, illiteracy and rough conditions of work. The workers get a poor and unbalanced diet, shabby and insufficient clothing and bad housing.

10.4 CATEGORIES

The nature of the work of agricultural laborers is mostly seasonable and intermittent in character. Therefore, the workers cannot be classified accordingly :

(1) Increase in Population-

Increase in Population is one of the major reasons of increase in the number of agricultural laborers. Developments has proceeded at a very low rate and it has not

been possible to provide employment to the increased population in areas other than agriculture.

(2) Decline of cottage Industries and Village Handicrafts-

There was a rapid decline of cottage industries and village handicrafts during the British periods, but modern industries were not set up to take their place.

(3) Eviction of small farmers and tenants from land-

With the increase in the number of intermediaries, the land started slipping out of the hands of farmers & they were forced either to adopt the status of a tenant or work as agricultural laborers.

(4) Uneconomic Holdings-

The process of sub-division and fragmentation of holdings (due to inheritance and decline of joint family system) rendered a large number of holdings uneconomic. As a consequences farmers working on these holding were forced to work on the farms of Zamidars and big landlord as agricultural workers.

(5) Spread of the Use of Money & Exchange System-

Previously land was often given to the tenants to cultivate from whom landlords obtained rent in the form of portion of the produce. The present practice is to employ agricultural workers to do the workers. Thus the workers are now being 'detached' or separated from the land and are increasingly assuming the role of wage laborers.

(6) Capitalist Agriculture-

Abolition of intermediaries, technology development in agricultural field, cheap co-operative credit, expansion of marketing facilities and the pricing policy of the Govt. have all developed Capitalist Agriculture. The farmers turned entrepreneurs of various areas like Punjab, Haryana, Western U.P. etc have adopted capitalist farming on a large scale and have started attracting agricultural workers from far off places.

10.6 CONDITIONS AND PROBLEMS

The class of agricultural laborers is the most exploited and oppressed class in rural hierarchy. Before Independence their position was nothing better than those of serfs. The situation has improved in the 40 years after independence. Though even now the class of agricultural workers is the poorest and resources less class in rural areas. In present section, we are discussing their problems, working and living conditions.

1. Unemployment and Under-employment-

The agricultural laborers have to face the problems of unemployment and underemployment. Unemployment can be defined as a state of affairs when in a country there is a large number of able bodied persons of working age who are willing to work, but can not find at current wages. There is a agricultural Unemployment in the country on account of pressure of population on land, lack of supplementary industries and the seasonal nature of agricultural operations. Agriculture suffer from various defects and can provide full employments to millions of Indians who depend on it. 'Under-employment' result due to non availability of as much as a worker is capable of doing. For a substantial part of the year agricultural laborers have to remain unemployed because there is no work on the farms and alternative sources of employment do not exist. In India, in non-irrigated tract, agriculture is mostly a gamble in the rains. When monsoon fails, the laborer has to go with out employment. The amount employment, therefore depends upon whether the tract is irrigated or not, the numbers of crops and the numbers of family members employed. Agricultural workers are employed at most for only six months during the year. During the remaining time they do some other type of work such as handicraft, carting, digging of trenches, work on daily wages on road etc. They migrate from their villages to other places as a 'Contract labour' or 'Inter State Migrant Labour'.

2. Hours of Work-

The hours of the work of agricultural laborers are not regulated by legislation. Even the I.L.O. has not been able to pass any convention on hours of work for agricultural labour. Hours of work of attached agricultural laborers are very lengthy and in some cases they have to work from dawn to dusk on the farms and houses of their employers. Ploughman work in the morning and in the evening with a break of 4 to 6 hours. Laborer and employed in lift irrigation work in shifts of one or two hours at a time. Laborers themselves do not mind working longer hours if they are paid piece wages or according to result. Piece workers often work for lesser number of hours than other workers, while they earn more. But that is only for a small number of days during harvest seasons in a year, laborers on daily wages generally work for about 8 hours a day with a break of two hour during mid day. Generally casual workers during certain days in the year have to work for very long hours, while on other days they are practically idle. On the whole, hours of work in agriculture are not long, considering the nature of work which is not tedious as in the factory.

3. Wages & Income-

Agricultural wages and family income of agricultural worker are very low in India. In spite of the rise of wages during last decade, laborer have suffered much from the high prices, due to time lag between payment of wages and current prices. Even agricultural wages and methods of payment vary not only from state to state, but from district to district and even sub-division to sub-division in the same state. Since agricultural workers are not organized they can not fight of better wages, although the state may be prescribe minimum wages for them. For doing the same work, low caste worker, low caste worker, women and children are often paid less than high cast workers and men. In certain occupation, women workers are employed and they are paid lower rates of wages than although they are distinctly more efficient. The method of payment also differs at some places payment may be made in cash, at others in kind only and somewhere it may be partly in cash. The remuneration of agriculture workers are also sometimes fixed in different ways, like allotment of land, giving grains, & clothing, cash payment, giving boarding and lodging etc. This First agricultural labour enquiry Committee reported per capita income of agricultural labour family at Rs.104 in 1950-51 and average annual income of the house hold Rs.447. The second agriculture labour

Enquiry Committee reported that per capita income falling to Rs.99.4 in 1956-57 and the average annual income of the household to Rs.437.

Agricultural labour gets lower wages due to the following reasons:-

- a) The seasonal and scattered nature of work, and lack of an organization reduces the bargaining capacity of such workers.
- b) There is a social exploitation as laborers belong mostly to the lower classes.
- c) There is legislation to govern hours and other condition of work.
- d) Landlords keep a labour reserve by giving them loans.

4. Housing of Agricultural Labourers

Housing condition of agricultural workers are deplorable. They occupy the worst quarters or the worst houses or huts in the village. Generally they do not possess any land of their own, with the result that they are dependent on the mercy of landowners or employers for small house sites. If the house-site is provided, the worker has to pay heavily for it in the shape of forced labour services on paltry wages. There is complete lack of sanitation in their houses, men and beasts sleep under same roof and during rainy and winter season the worker suffer a lot, on account of these bad housing conditions, resulting is rise of diseases. Something must be done to improve the housing conditions of agricultural workers

5. Standard of Living

The low wages paid to the agricultural workers are responsible for their sub-human standard of living. Not only the wages but seasonal character of their employment is also responsible for their poor condition. The inevitable result that they are mostly semi-starved, not having enough physical strength to perform, in a proper manner, all the agricultural operations. There is always a deficit in their family budgets. They spend less on meal , clothes and house and nothing on medical, education and amusements. These workers hardly spend on any comfort or luxury and can not saved any thing, with the result that in any emergency or any social and religious occasion they are forced to borrow money.

6. Indebtedness

Agricultural workers perpetually in debt, because of their low level of their income. They have to seek debts off and on. The agricultural workers is forced to borrow money for consumption purpose mostly and for social ceremonies. The money lenders and Mahajans often advance loan with the purpose of grabbing the land of small farmers. In an attempt of repay debts, these poor farmers are forced to work as agricultural workers. Often their land is also mortgage with money lender who sooner or later grab it under the pretext of non-payment of loans. Agricultural laborers borrow money from land holders from whom they work. The result is that the indebtedness is exploited, and he is compelled to work at low wages lower than what he would have earned if he had not obtained a loan. This indebtedness has also led to bonded labour or serf labour i.e. worker has to be bind himself to work for creditor till the debt is repaid.

7. Bonded Labour, Child Labour & inter State Migration

The relation between land lords and agricultural laborers is of two types. In the first category are those laborers who are free. Therefore, they can, if they so wish, to refused to work for a particular landlord at the prevailing wages rate. They can leave their village and go to some other places for work. In the second category are included those agricultural labour who work under contract or in return for some debt as attached labour. They have to work on the fields of their master and have to accept whatever wages are offered to them. They are deprived of their freedom in number ways. Job less agricultural laborers migrate from their villages to another State in search of employment. These inter state migrant laborers are kept in human condition, their position is nothing better than that of bonded laborers. A survey conducted during 1985 reveals that about 1000 agriculture workers either died or their limbs were imputed in Punjab, Haryana, and western H.P. while they were working on threshers. Of specific importance is the fact that female and child labour account for high percentage in the field of agricultural labour. Over 90% of working children are to be found employed in agriculture and related occupation in villages. These child workers are completely denied a childhood and are forced into adulthood almost at birth, and bonded labour almost as soon as they learn to walk, to add something to family income and to save educational expenditure.

8. Lack of Organization

We also find that agricultural workers are unorganized because they live in distant out of the way villages. They are illiterate scattered, unorganized poor and ignorant. They are unable to form unions so as to protect their interests. If they try to form union, the landlord and their pressure group try to foil their efforts due to their implied interests.

9. Hard and rough work

The agricultural laborers have to work on the fields under burning sun, rains, storm and other odd conditions without any proper rest and adequate wages. Their capacity to fight diseases and other adverse situation of life like poor housing, lack of sanitary facilities, good and sufficient drinking water during summer, hygienic food etc. is very limited. Any stoppage or break in their meager income throws them and their families into destitution.

10. Lack of Social Security Measures

According to the Census 1981, the number of agricultural workers is 5.54 Corers. But the social security measures undertaken by Govt. are not devised to cover those people. These people have no land and no property and are dire need of social security. They have no old age benefits and are forced to work right till their end or depend on the mercy of their children. If they suffer from some serious sickness or disability of the children, they have nothing to fall back upon and even lose their job. They have no sickness leave, medical leave or medical facility worth the name. The female agricultural workers have no maternity leave and no maternity benefits. Extension of the Social Security scheme to agricultural and introduction of unemployment insurance are indeed complex task, considering the general poverty of the country.

11. Other Problems

Agricultural laborers are also victim of harmful social custom, and tradition due to which they have to spend extravagantly on the occasion of marriage, birth death and other social and religious ceremonies.

10.7 MEASURES ADOPTED BY THE GOVERNMENT

We can consider the major adopted by the government for the problems of agricultural workers under the following headings :

1. Minimum Wages -

The minimum wages act was passed as long back as in 1948, but because of the number of difficulties, it was not found possible to fix minimum wages for agricultural labour in most of the states upto 1974. The second scheduled to the act covers agricultural workers in this respect. At present, excepting J & K, Nagaland & Sikkim, legislation has been passed in all the states fixing the minimum wages for agricultural workers. However, on account of practical difficulties and excessive supply of labour, benefits from these legislations have been very limited. Because of the lack of bargaining power, agricultural workers do not press for minimum wages. A way ought to be found to involve the *Village Panchayat* in the task of implementation of the act. Although the National Commission on Labour and the Act itself recommended for periodic revision of minimum wages through tripartite committees, not much has been done in this respect.

The Equal Remuneration Act, 1976 was legislated for the prevention of discrimination against women on ground of sex in the matter of employment..

3. Abolition of Bonded Labour -

Under Article 24 of the Indian Constitution, in relation to the fundamental rights it has been stated that trading in humans and forcing them to do work *beggars* is prohibited and can invite punishment under law. However despite this, the practice of bonded labour has continued in the country. In 1976, the Bonded Labour System (Abolition) Act was passed by the Govt. Under this act, Bonded Labour system was abolished throughout the country and every laborer was free and discharged from any obligation to rendered bonded labour, attachment for recovery of bonded debts etc were declared null and void. As a consequence of this act, more than 300000 bonded laborers were identified and freed and

rehabilitate in various parts of the country up to Jan, 1989. Through bonded labour has been abolished in the country, yet complaints of bonded labour are often heard from different parts of the country.

It happens because :

- (a) many agricultural laborers are not aware of existence of such an act,
- (b) extreme poverty and economic compulsions force agricultural laborers to enter into bonds.

Even where this practice has been totally abolished, there is no provision for fixation of hours of work. The Contract labour (Regulation & Abolition) Act, 1972 helps to regularize seasonal employments of agricultural worker through contractors. The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Services) Act, 1979 provide beneficial provisions for those agricultural laborer who migrate in search of employment when there is no crop in a season or during droughts or floods.

3. Rehabilitation and Landless Labours -

The Govt. has distributed land less laborers with a view to improving their economic position. The first plan made a provision of Rs. 1.5 Crores for resettlement of landless workers on newly claimed land as well as cultivable waste land. After 1957 according to the proposals of National Development Council land obtained under ceiling laws and Bhoodan and Gramdan were primarily given to land less laborers belonging to SC/ST.

Approximately 70 lac hectares of land has been distributed among Landless Laborers so far. However most of the land made available to these is not fit for cultivation. Though, it has satisfied their hunger for land, it has been able to improve their economic lot.

4. Provision for Housing Site -

Law has been passed in several states and number of steps undertaken during second plan for providing house sites in villages to agricultural workers. In the fourth plan, financial assistance was given to the States of construct house sites with an area of 91 sq. mtr for agricultural Laborers. The Minimum Needs Programme (MNP) and the 20 point programme give a high priority to the rural house site-cum-house construction scheme. 0.72 million out of 12.2 million houseless families have been provided with house sites in Seventh plan proposed a financial assistance of Rs. 2500/- per land less family to develop house sites of 90 sq mtr and toward construction cost. A total provision of Rs.577 Crores has been made for the programme (7th Five Year Plan 1985-90 Vol-II , Page No 294)

5. Special Schemes for Providing Employment:-

A number of schemes were initiated in the various five year plans for providing employment to poor. The important ones being the following:

Rural Work Programme (RWP), Crash Schemes for Rural Employment (CSRE), Employment Guarantee Schemes (EGS) initiated in Maharashtra, Food for Work Programme (NREP), Rural Landless Employment Guarantee Programme (RLEGP) and Integrated Rural Development Programme (IRDP). NREP was launched in the Sixth Five Year Plan with an outlay of Rs. 1620 crores to generate 300-400 million mandays per annum employment in rural areas. In the Seventh Plan an outlay of Rs. 1250.81 crores has been kept to create a total employment of 1455 millions mandays.

RLEGP was introduced in August, 1983, as a hundred percent centrally funded programme to provide employment to the rural landless. The works under the programme can be broadly categorized as: (i) construction of micro habitats and housing unit of SC/ST families and forced bonded laborers, (ii) work of social forestry, (iii) construction of rural latrines, (iv) other work like minor irrigation schemes, roads, water, seeds, project etc. An outlay of Rs. 1743.78 crores

has been providing for RLEGP in the Seventh Plan to create 1,013 millions mandays employment.

A new schemes called the Jawahar Rojgar Yojana has been introduced from 28th April, 1989 under IRDP Programme. Under this schemes, Rs. 90,000/- are provided to every Gram Panchayat for development work and to create 100 mandays employment in a year for selected persons.

6. Special Programme for Development

A Draught Prone Areas Programme (DPAP) was introduced and some special agencies like the Small Farmers Development Agencies (SFDA) and Marginal Farmers and Agricultural Laborers Development Agency (MFAL) Were created in 1970-71 with an outlay of Rs. 115 crores. They were merged in the 5th Plan. In these programme some important schemes like programme for irrigation, land leveling, soil conservation, dairy development, poultry breeding, piggery development were introduced for the benefits of marginal farmers and agricultural laborers. In addition to these, promotion of Small Scale and Cottage Industries, village handicrafts and development of industrial estates in rural areas have created job opportunities for agricultural workers.

7. Programme for Rural Dept

Rural Dept has engaged the attention of the various States Central Government from time to time and several efforts were made to cope with this problem. The following legislation have been under taken for relief of rural Indebtedness Act, 1975 Rajasthan Scheduled Debtors (Liquidation of Indebtedness) Act, 1976, The Tamil Nadu Debt Relief Act, 1976, Gujarat Rural Debtors Relief Act 1976 etc. Now Khadi Gramodhyog Co-operative Societies, Co-Operative, National and other banks are providing loans on simple conditions to farmers and farmers and agricultural laborers to meet their needs and to establish cottage and other small scale industries. Measures against imprisonment for debt and attached of wages are also prescribed by the government.

10.8 EFFORTS OF THE JUDICIARY

The Supreme Court after 'Keshwanand Bharati's Case' (AIR 1973 SCC 1461) adopted an attitude in favor of land stood against concentration of wealth and economic power in few trends 'Minerva Mills Case' (AIR 1980 SCC 1789) has supported this attitude. In D.G. Mahajan V. State of Maharastra (AIR 1977 SCC 715) the Supreme Court displayed its deep concern and commitment towards land reforms. The Court held in this case, disapproving judgments of various High Courts, that fixation of ceiling on agricultural property for a family was a agrarian reform. Mr. Justice P.N. Bhagwati pointed out that "*without a dynamic programme of agrarian reforms it was not possible to change the face rural India and to upgrade the standards of living in the village*"

The Court held that in fact the promises of agrarian reforms is implicit in the Preamble and Directive Principles of State Policy and it is one of the economic foundation of the Constitution of India. Of course, it was made clear that it is not the intention of the legislature nor to the court to divest land lords. The Supreme Court in recent years has brought justice with in the reach of the poor masses through Public Interest Litigations. In a number of cases the court has highlighted the various problems of Bonded Laborers, Contract Laborers, Inter-State Migrant Workmen, Child Worker and has instructed Govt. agencies to solve them. Court has also catalyzed the enforcement of Minimum Wages, various labour welfare measures etc, the "*Salal Hydro Electric Power Case*" (AIR 1984 SC 177) as a landmark case in this respect.

10.9 BHOODAN AND SARVODAY MOVEMENTS

Details of ' Bhoodan and Sarvoday' Movements of Shri Vinobha bhawe are also mentioned here. The object of the Bhoodan or 'gift land' is to provide land for the land less laborers by arousing the charity instinct of the big landlords, in order

to facilitate the donation of land to Bhoodan and the redistribution of such land, various Bhoodan Yojana Act have been passed in different States. The legislation in different States deals with the procedure for giving legal validity after necessary inquiry in to the Bhoodan donation and for vesting the land rights to the Bhoodan Society . About 12 lacs acres of land received under bhoodan already been distributed to distributed to land less laborers in different State, such as Maharastra, Bihar, U.P., H.P., Punjab and Rajasthan.

‘Bhoodan Movement’ was started in 1951 by Acharya Vinoba Bhave a colleague of Mahatma Gandhi , in district of Telangana in Hyderabad where their were agrarian disturbance due to land hunger of cultivators. Vinoba Bahve describes Bhoodan as a method to remove Mal-adjustment in a peaceful way according to the Gandhian philosophy.

Vinoba Bhave said *“In a just and equitable order of society , land must belong to all. That is why we do beg for demand a share to which the poor are rightly entitled”*. The movement spread all over the country. The target was to collect 550lac acres of land so that it may be possible to provide some land for cultivation for every rural family. The movement since January, 1957 widened out into Gramdan, that is, donation of entire villages. In non-agricultural sector the movement assume various form such as Sampattidan (donation of money), Buddhidan, Jivandan (donation one’s mental ability and life) to the achievement of the Bhoodan ideals.

No doubt several measures of land reforms such as abolition of intermediary rights in land, prescription of ceiling on land holding etc. have been taken but these measures ill benefit tenant rather than land less laborers. For making land available to the land less, Bhoodan movement deserves to be strength. Allotment of land itself can not solve the problems of landless laborers. Other ameliorative measure like co-operative farming, establishment of handicraft, cottage and small industries to provide jobs during seasonal unemployment are also essential. Thus this movement only create the right climate for improvement of agricultural laborers.

10.10 CO-OPERATIVE MOVEMENT

Co-operation and its Development in India -

Co-operation means the association of individuals to secure a common economic objective by honest means. Since India has its roots in villages, co-operation was expected to *"evolve a scheme of co-operative community organization which touches upon all aspects of life"*. (Planning Commission 3rd five Year Plan, Page 200)

Co-operative movement was evolved long back in the pre-independence period. The idea of co-operation in our country originated on account of the evils of money lending and rural indebtedness. In 1902 Mr. Durnmex Published a book. "The people's Bank in India" and started a few co-operative society in U.P. on his own responsibility. On the recommendations of Famine Commission 1901, a co-operative credit Society Act passed in 1940 prescribing rural and urban co-operative Society with the principles of unlimited liability. In 1912 the co-operative Society act was passed. According to this act, non-credit forms of co-operation were permitted like purchase, sale, production, insurance and housing and the need for central organization for supervision was recognized. After this act, there was steady growth in the number, membership and working of the societies. After the 2nd world war, in 1945, Govt. of India appointed a co-operative Planning Committee which emphasized multipurpose societies, extension of the movement and greater assistances the movement by the Reserve Bank. In 1954 a Committee of Direction appointed by Reserve Bank, recommended an '*integrated scheme of rural credit*' which catalysed the conversion of Imperial Bank into the State Bank of India with 400 new branches in the rural areas for rural areas for rural credit. After 1959, Co-operative Farming and Multi purpose Co-operative societies including agriculture credit and marketing and consumer Co-operative became the keystone of the main structure of our Plans. In 1983-84 there were 92, 496 primary agricultural societies with the membership of 6.67 crores covering 97% of the rural area. There working Capital was Rs. 5417 Crores on June 30, 1984. over the years

importance of Co-operative credit in agricultural finance has increased considerably.

Structure of the Co-operative Movement

The Co-operative movement of India has a three tier structure. At the bottom is the primary agricultural societies, at district level 'Central Co-operative Banks', and at the top are the 'State Co-operative Banks'.

(1) Apex Co-operative Banks-

At the state level there are Apex or State Co-operative Banks. Since July, 1982 NABARD has become an Apex institution accredited with the various matters concerning policy, planning and operation in the field of agricultural credit.

(2) Central Co-operative Societies -

At the District level 'Central Co-operative Banks' & Co-operative Union have been formed. Their functions are mostly supervisory and advancing of loans to the primary societies.

(3) Primary Societies -

At the local level primary societies are established as under :

- (a) Agricultural Credit Societies are for advancing loan to the cultivators.
- (b) Agricultural Non-Credit Societies are formed for the purpose of marketing, consolidation of holdings, supply of better seeds and manure etc.
- (c) Non-Agricultural Credit Societies are for advancing loans to the industrial laborers, artisans etc.

- (d) Non-Agricultural Credit Societies are for various purpose like housing, sales, consumer Co-operative societies, milk union, industrial societies etc.
- (e) Multi-purpose Societies are formed for both the credit and non-credit functions.
- (f) Service Co-operative is a new form in which common service are provided by a society.
- (g) *Co-operative Federation* : Emergency of these federations have added a new dimensions to the Co-operative infrastructure. At the apex is the National Co-operative Union of India and others are All India State Co-operative consumers Federation, Indian Farmers Fertilizers Co-operative Ltd. (IFFCO), a leading producer of fertilizers, the National Co-operative Housing Federation, National Agricultural Co-operative marketing Federation of India Ltd.(NAFED).

NAFED represent 3, 370 Co-operative institutions in the country and IFFCO represents 26, 000, ranging from the national level federation to the villages level Co-operative

Achievements of Co-operative Movement

At the village level, Co-operative organization could be used to develop land and other resources and various services in the common interest of the village. At the same time, specific group (like artisans) could also enter into Co-operative associations which seeks to serve their special needs. Co-operative confers a number of social economic and political benefits on the society ; the important ones are being discussed here :

(1) Contribution in the Field of Rural Credit-

The co-operative societies have made an impressive contribution in this field. Consequently the farmers are freeing themselves from the clutches of the money lenders.

(2) Promotion of Spirit of Thrift and Self-Reliance -

The farmers are now taking credit more for productive purpose and less for wasteful social function because co-operative do not encourage productive loans.

(3) Role in implementation of the new strategy -

In distributing high yielding varieties of seeds, fertilizers and agricultural implementation and procuring fair prices for the produce, the co-operative played a significant role in rural areas.

(4) Role of co-operative in cities-

In urban areas housing and consumer co-operative exercised much influence on the economy by arranging housing loans for salaried workers, displaced persons and by distributing essential commodities during acute shortage.

(5) Social and Political Benefits –

Co-operative movement has catalyzed participation among the rural people in the development process of society and provides them with some experience in the management and running of institutions.

Weakness and Deficiencies

The co-operative movement had to face some constraints and difficulties also due to which it could not make much progress. Some weaknesses of the movement in India are as follows:

(1) Rural Illiteracy –

Due to illiteracy and lack of awareness people considered the co-operative societies only as a substitute for the money lenders.

(2) The Distorted Nature of Co-operative Movement -

In most of the societies there is much favoritism in granting loans and mismanagement prevails. These have benefited the rich farmers who dominate, manage and use the resources of these societies for personal purposes. They even use the money for the purpose of re-lending of rural poor at higher rates of interest.

(3) Lack of Financial Resources -

The State and Central Banks have failed to obtain much fund from the public. They depend heavily on assistance from the Govt. There has been a lack of punctuality in repayment of debts.

(4) Neglect of Non-Credit Aspect -

For a long period of time co-operation was sought only in the field of agricultural credit, other sectors of the rural economy were ignored.

(5) Imposition by the Government -

In India co-operative movement was imposed by the govt. Government officials associated with the co-operative institutions are corrupt and unaware of the principle of co-operative movement.

(6) Others -

Other reasons for failure of the co-operative movement are 'Credit for limited purpose', non-remunerative management and neglect of commercial principles.

However, effort should be made to avoid the drawback and defects with Govt. and public assistance. The co-operative movement has a vital role in the socio-economic welfare of agricultural workers in the framework of actual help among the workers. It will make them better citizens with high moral values.

10.11 MEASURES FOR IMPROVEMENT

We can make the following suggestions for improvement in the working and living conditions of agricultural laborers and to solve their problems:

(1) Implementation of Legislative Provisions -

Effective implementations of various acts such as minimum wages act, Contract Labour Act, Bonded Labour Act, and Inter State Migrant Workmen Act leave much to be desired.

(2) Resettlement of Agricultural Workers -

Waste lands and land obtained as a consequence of the implementation of land ceiling laws should be distributed amongst agricultural laborers.

(3) Creating the Bargaining Capacity-

Special efforts should be directed towards organizing agricultural workers under the protection of and support from the Govt. because the large farmers and big landlords and economically and socially very powerful.

(4) Creating Alternative Sources of Employment -

By promoting small and cottage industries and village handicrafts, we can create ample employment opportunities outside the field of agriculture to cope with the pressure on land of the increasing population.

(5) Improving the Working Conditions -

It is necessary that the hours of work of agricultural worker should be statutorily fixed and strictly enforced. Beyond the stipulated hours, overtime payment should be made.

(6) Public Works Programme for Under-employment -

During the period of inactivity or unemployment, it is necessary to organize rural works programme like construction of roads, school building, digging of canals and wells, so that employment can be provided to agricultural laborers all the years round.

(7) Raising the Standard of Living -

To improve the socio-economic environment in which agricultural laborers work, State can organized fair price shop , arrange for safe drinking water , provide amenities **and** service like health centers, maternity wards, sports facilities, vocational and technical training.

10.12 SUMMARY

The class of agricultural laborers is the most exploited and oppressed class in rural hierarchy. Before Independence their position was nothing better than that of a serf. Their income was low and employment irregular. Even now they possess no skill or training with the result that they have no alternative employment opportunities either. They are not organized and cannot fight for their rights. There are a number of factors responsible for their problems and enormous increase in their numbers. The situation has improved somewhat in the 40 years of post independence period. The Govt. has shown awareness of the problems of agricultural workers and all plan documents have suggested ways means to improve their living and working conditions. There is an urgent necessity for regulating the working conditions of agricultural workers can be tackled only by enforcing land ceiling and distributive surplus land to agricultural laborers by promoting small and cottage industries and village handicrafts to provide an alternative employment.

10.13 KEY WORDS

Labour

Any work whether manual or mental which under taken for a monetary consideration is called 'labour'

Under-Employment

It result due to non-availability of as much worker is capable doing. This may be in terms of quality of work hour of work or amount of earning of a worker from a given work.

Co-operation

Co-operation is a form of organization where in persons voluntarily associate together as human being on the basis of equality for the promotion of their economic interest themselves

Contract Labour

A workmen hired through a contractor in connection with or without the knowledge of the principle employer.

Bonded Labour

Any labour or Service rendered under the system of forced labour for an advance or economic consideration or customary obligation or by succession or by birth in a caste

Minimum Wages

Minimum limit of wages , essential to maintain the working capacity of workmen.

10.14 SELF-ASSESSMENT TEST

Answer the following question so that you may know how much you have understood the subjects discussed in this unit :

1. What do you understand by *Agricultural Labour*’?
2. Describe the main characteristics of agricultural labour.
3. What are the problems of agricultural labour in India ?
4. What measure have been taken in recent years with regards to the interest of agricultural labour ?
5. What suggestions can you offer for the improvement of condition of agricultural labour?
6. Write a short notes on :
 - (a) Bhoodan and Sarvoday
 - (b) Co-operative Movement
 - (c) Under-Employment in agricultural workers.
7. What efforts have been made for rehabilitation of land less laborers in India?

10.15 FURTHER READINGS

- Saxena S.C. *Labour Problems and Social Security*
- Desai & Sharma D.P. – *The Rural Economy of India*
- Laxman narayan H. & Tyagi .S.S – *Changes in Agrarian Structure in India*
- Joshi P.C. – *Land Reforms in India*

- Mishra S.K. and Puri V.K. – *Indian Economy*.
- Jones Steve, Joshi P.C. and Murmis Miguel – *Rural Poverty and Agrarian Reforms*.

UNIT-11

Industrial Policy

Objectives

After going through this unit, you should be able to understand:

- The meaning of industrial Policy;
- The need, significance and aims of Industrial Policy for Industrial development ;
- The rational of modifying the industrial policy statement from time to time ;
- That all the industrial Policy statement have establishment the concept of mixed economy which constitutes the basic character of Indian Economy System.

Structure

- 11.1 Introduction
- 11.2 Meaning and Industrial Policy
- 11.3 Need and Industrial Policy
- 11.4 Aims of as Industrial Policy
- 11.5 Industrial Policy of 1948
- 11.6 Industrial Policy of 1956
- 11.7 Industrial Policy of 1973
- 11.8 Industrial Policy of 1977
- 11.9 Industrial Policy of 1980
- 11.10 Recent Developments
- 11.11 Recent Developments
- 11.12 Self-Assessment Test
- 11.13 Key Words
- 11.14 Further Readings

11.1 INTRODUCTION

The attainment of independence brought in its trail, a number of Socio-Economic problems which called for the adoption of an explicitly stated industrial policy. It mainly aimed at vast industrial development and balanced growth of different regions through State regulation. The first Industrial policy resolution was announced in 1948 which divided industries under four categories and laid emphasis on progressive nationalization of industries. After the adoption of the Constitution in 1950 and acceptance of the socialistic pattern of society as a goal of our socio-economic policy, there was banned for change in our industrial policy and consequently in 1956, a new industrial policy resolution was announced which provided for three categories of industries. It laid emphasis for the simultaneous development of industries. These policies resolution were modified in 1973, 1977 and 1980 to suit the needs of development planning. But the main focus has continued to be the concern that our economy should be operated as a mixed economy. All these points have been highlighted in this unit.

11.2 MEANING OF INDUSTRIAL POLICY

Industrial Policy means all procedure, principles, rules and regulations which control the industrial undertaking of a country and shape its pattern of industrialization. It in-corporate the fiscal and monetary policies, the tariff policy, the labour policy and the Govt. attitude not only towards external assistance but to the public and private sectors.

11.3 NEED OF INDUSTRIAL POLICY

Only the independence eve our new national Govt. was facing a number of economic problems and hence the development in industries in a regulated and integrated manner was needed for economic development and to preserve as also to perpetuate the newly gained political independence. Production had declined but population was increasing. Inflation was worsening by economic upheaval

consequent upon the partition of the country and the problem of rehabilitation of refugees. In this view, it was essential to announce an industrial structure and thus, could create a climate of motivating investment in industry.

11.4 AIMS OF INDUSTRIAL POLICY

The following are the main aims of industrial policy :

- (a) Preparing a climate for fast industrialization and thereby accelerating the economic growth
- (b) Balanced development of different regions
- (c) Generation of employment opportunities
- (d) Appropriate State regulation of industries in the interest of all
- (e) To provide motivation for investment in industries
- (f) To adopt a balanced approach for the development of private and public sectors.
- (g) To progressively Indianise the foreign concerns
- (h) To mobilize resources for industrial development
- (i) To ascribe proper role for cottage and small scale industries and
- (j) To give a fair deal to the workers

11.5 INDUSTRIAL POLICY OF 1948

It demarcated the definite spheres of Govt. undertaking and privately owned industries and also indicated broad guidelines of State regulation and control of industries. Its main features were as follows –

- (a) It divided industries into four categories, i.e. industries which were exclusive monopoly of the State, basic and key industries in the government controlled sphere, industries to be run by private enterprise but controlled and regulated by the State and residual industries to be run by the private enterprise.
- (b) Cottage and small scale industries are to play an important role and are to be developed in a co-operative and integrated manner.
- (c) Harmonious industrial relation are to be encouraged.

The policy of 1948 was dominated by the urge for nationalization of industries. There was no motivation for capital formation needed for industrial development. Rather the fear for nationalization has shaken the confidence of date industries. However, it formed the basis of the concept of mixed economy.

11.6 Industrial Policy of 1956

A change in industrial policy was needed following the adoption of our Constitution in 1950 which enshrined set of value in the directive principles of State Policy, Fundamental Rights and the acceptance of the socialistic pattern of society as the main plank of our social-economic planning and economic planning as a strategy for economic development. Hence, a new policy was announced in 1956 which had the following features-

- (a) Instead of 4 categories, 3 categories were made. Schedule A covered these industries which were the exclusive responsibility of State. Schedule B covered industries which were to be progressively State owned and which

State would generally setup new enterprises but in which private sector would be expected only to supplement the efforts of the State. Schedule C covered all the remaining industries to be run by private sector.

- (b) The State was to facilitate and encourage the development of industries in the private sector by insuring the development of transport, power and other measure. Appropriate fiscal measures and financial aid were also to be provided.
- (c) Every encouragement was to be given to village and small scale enterprise by constantly improving and modernizing the technique of production.
- (d) The resolution stressed the necessity if reusing regional disparities in levels of development in order to ensure that industrialization may benefits the country as a whole.
- (e) Adequate facilities for suitable technical and marginal training were to be provided.
- (f) Good industrial relations were to be ensured through joint consultation and participation of workers in management. The Resolution expected public sector undertaking to set an example in this respect.
- (g) This Policy Resolution firmly established the concept of a mixed economy. It may be described as our economic Constitution which provided motivation for investment in industries. The dominance of public sector was not of that character as we had noticed in the policy of 1948.

11.7 INDUSTRIAL POLICY OF 1973

It was announced on 2nd February, 1973 with the following features:

- (a) It popularized the concept of joint sector and made it clear that will this not be used to allow larger houses, dominant undertaking and foreign companies to enter fields from which they were otherwise precluded. The concept of joint sector financial assistance for private sector firms should be supplemented by a proper representation of the State in the management.
- (b) Larger houses were to be eligible to participate in basic, critical and strategic industries provided that the item of manufacturing was not one which was reserved for production in the public sector. This will be easier if the production is predominantly for exports. Foreign concerns and subsidiaries were also eligible to participate in such industries particularly when production was for export purpose.
- (c) The existing policy of reservation of the small sector was to be continued. The area of such reservation was to be extended consistent with potentialities and performance of small scale sector. State industrial sector was to be covered a wider field to promote growth with social justice, self-reliance,
- (d) The Industrial Licensing Policy of 1970 should be amended from time to time in order to great clarity in the investment climate that would facilitate the priority and production objectives in the Fifth Plan.
- (e) Larger houses were assured of liberalization in the grant of industrial licenses without much interference by monopolies and restrictive Trade Practices commission. The intention behind the idea of joint sector in the industrial policy of 1973 could not be translated into practice. The middle and small firms could not be associated in the joint sector to a large extent and the participation of large industrial houses was not entirely ruled out. In fact, it failed to identify the joint sector with a view to making use of private enterprises and resources in line with the govt. socio-economic objectives.

11.8 INDUSTRIAL POLICY OF 1977

It was announced in Dec.1977 with a view to doubling the growth rate of national income, to increase industrial production and to promoting the small scale, khadi and village industries. The salient features of the policy were as follow :

- (a) Stimulation of cottage and small scale industries in rural area and towns.
- (b) Promotion of khadi and village industries through special programmes.
- (c) It will be an integral part of govt. policy to ensure that the development and application of technology appropriate to country's socio-economic condition receive adequate attention
- (d) The Govt. will not fever large scale industries merely for demonstration of sophisticated skill or as monument of irrelevant foreign technology but its role will be to meet the basic needs of the population and to suit the social-economic needs of the country:
- (e) Growth of large houses will be proportionate to the size of the generated resources and they will not be permitted to assume monopolistic position in the market.
- (f) Public sector would not only be the producer of important and strategic goods of basic nature, but it would also be used effectively as a stabilizing force for maintaining essential supplies to the consumers.
- (g) As a rule, majority interest in ownership should be in Indian hands in case of foreign collaboration. However, in exclusively export oriented areas of industry, the govt. may consider even a fully owned foreign COMPANY.
- (h) Family control of business will gradually disappear and government will insist on professionalization of management.

- (i) The government shall be selected in taking over the sick units. It policy to shall be take quick and effective steps for rehabilitation and reconstruction of the units and to ensure professional management of sick units on a continuing basis.

The main focus of the 1977 Policy was to promote small scale, cottage and khadi industries in rural areas and towns. Large scale industries will not be permitted to dominate and retard the development of small units. Unfortunately the capacity of large scale industries remain unutilized for wants of funds as they were required to operate on their own managed funds. In the name of expert promotion and high power technology the role of multinational increased. However, the policy of 1977 operated within our existing socio-economic parameters.

11.9 Industrial Policy of 1980

It was announced in 1980 with the following features:

- (a) To ensure the rapid growth of small scale industries in this case, the investment limit has been increased from 10 Rs. 10 lacs to Rs. 20 laces.
- (b) The private sector shall be allowed to grow in consonance with the targets and objective of national plans and policies but shall not be permitted to develop monopolistic tendencies or result in concentrations of economic power and wealth in a few hands.
- (c) Govt. has decided to launch a drive to revive efficiency of public sector undertaking. For this, they will be closely examined on a unit by unit basis and corrective action will be terms of time bound programme, wherever necessary.
- (d) The licensing policy shall be liberalized and simplified and the application pending for industrial licensing shall be disposed off expeditiously.

- (e) Govt. would Endeavour to ensure that the process of modernization is percolated down to small units and the rural areas. For this purpose, the incentives available to the large scale sector might also be made available to this decentralized sector. Technologies will be the optimum utilization of the capacity of the industries and for this, finance will be made available on concessional terms.
- (f) Special motivation shall be given to industries which maintain ecological balance and avoid water and air pollution through their industrial activities.

The overall impression that one would get from Industrial policy of 1980 is that it believe in the working of mixed economy in which the private sector is destined to play more effective and active role.

In fact, the private sector and public sector should come to the aid of one another and should grow simultaneously and hand in hand.

11.10 RESENT DEVELOPMENTS

Following recent developments have been noticed-

- (a) In March 1985, the investment limit of small scale industries as increased from Rs. 20 lacs to Rs. 35 lacs. For ancillary unit this limit is now Rs. 45 lacs.
- (b) In March 1985, there has been delicensing of 25 industries like cycle, machine tools, agricultural equipment, drugs and surgical instruments, electrical equipments etc.
- (c) A system of taxation, which would be viable in the pricing of products, would be introduced to move away from the high cost and low efficiency economy toward low input cost.

- (d) Development of export through improved competitiveness would be initiated for lasting hold on the overseas market.
- (e) Capacity utilization will be encouraged and good performance shall be rewarded.
- (f) Greater emphasis will be on identification of areas whereas the country could have natural advantage of production with concurrent development of latest technology for modernization.

Various relaxation and libertilization and motivation to investment shall generate confidence and good climate for industrial development. It will relieve in the industrial society of numerous rules and regulation and all the constraint and implements in the process of development of industries shall be done away with. In the 21st century we shall move for better tomorrow and will improve the socio-economic conditions of general masses.

11.11 SUMMARY

The discussion in the foregoing pages proves that industrial policy resolution which has been announced from time to time were designed to ensure fast industrial development with a view to operating with in the framework of our socio-economic policy. The first industrial policy was announced in 1948 and some basic and important changes were introduced in the policy of 1956 in view of adoption of new constitution and acceptance of socialistic patterns of society as the main focus of our socio economic policy. Subsequently changes were simply modification to encourage development planning and to take care of everybody's interesting the society. The recent developments in the policy are intended to liberalize and simplify industrial licensing and also to promote the development of private and public sector together for the help of one another.

11.12 SELF-ASSESSMENT TEST

Answer the following questions so that you may know how much you have understood the subject discussed in this unit-

1. Explain the meaning and needs of industrial policy. What are its aims ?
2. Give a brief account of various industrial Policy Resolution adopted from time to time.
3. Point out the particular industrial Policy Resolution where the following the following points are stressed-
 - a) More and more industries a public sector.
 - b) Development of small scale industries .
 - c) Encouragement of private sector.
4. Write a short notes on the following-
 - a) Mixed Economy
 - b) Joint Sector
 - c) Public Sector

11.13 KEY WORDS

Industrial Policy

Means principles, procedure and rules to shape the pattern of industrialization

Mixed Economy

Means simultaneous growth of public and private sectors.

State Regulation

Means control of States through various rules and regulations, planning and other measures.

Public Sector

Means industries owned by the Govt.

Private Sector

Means industries owned by the private individuals.

Joint Sector

Means the state financial assistance be coupled with state partition in management.

11.14 FURTHER READINGS

1. Rudra Dutt and K.P.S. Sunderam, *Indian Economy*.
2. A.N. Agrawal, *Indian Economy – Problems of Development and Planning*
3. Alok Ghosh, *Indian Economy- Its Nature & Problems*
4. S.C. Kuchhal, *The Industrial Economy of India*.
5. J.L. Dholakia, *Industrial Labour and Economic Development of India*.
6. A. Das Gupta and Hitesh Sen Gupta, *Government and Business in India*

UNIT-12

Industrial Development

(HEAVY AND LARGE-SCALE INDUSTRIES)

OBJECTIVES

After going through this unit you should be able to :

- Understand the role of large scale industries in economic development of the country.
- Appreciate the process through which Industrialization has taken place in India during Post-Independence period.
- Identify the problems associated with growth of large scale industries
- Evolve suitable strategy for industrialization of the country.

STRUCTURE

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12.1 INTRODUCTION

This unit has been prepared to acquaint you with growth of heavy and large-scale industries in India during the plan period. Industrialization is

accelerated after a time lag following the setting up of the heavy industries for the production of means of production. When adequate industrial potential has been created, the entire economy is transferred to the industrial method of production. Industrialization is a process of economic development in which progressively larger parts of the national capable of assuring a high rate of growth for the economy as a whole and of overcoming and social backwardness. In the industrialization of our country, emphasis is being laid on all the three major groups of industries, namely, large- scale industries, small-scale industries and cottage industries. In India the criterion for differentiating these categories has differed from time. The criterion first adopted in 1955, and Implicit in the industrial Development and Regulation Act was the one that exempted certain types of industries from registration for purpose of this Act. The industries exempted were those employing less than 50 workers with power, and less than 100 workers without power. The exempted sector came to be known as the small-scale of factory units. By the process of exclusion of these industries, the rest came to be described as large-scale industries. i.e. those which employ 100 or more workers without power.

The criterion in the since 1960 and modified in 1966, 1980 and 1985, distinguishes industries in terms of capital investment. As per classification of this criterion, all industrial units with a capital investment of not more than Rs. 35 lakhs are treated as small-scale units. For ancillary units (i.e. those supplying components, etc. to large scale industries) the limit of capital investment is higher to the tune of Rs. 45 lakhs. Capital investment in plant and machinery. Land and factory buildings are excluded of the wide variation in the prices of land at different places. As per this classification all industries with capital investment higher than that specified for small-scale industries are large scale industries.

The largeness in the scale of production of large scale industries is inevitably associated with certain other feature. Since capital requirement are large, the financing is done through organization like joint- stock company. These organization make it possible for them to draw upon the sources of many such organization through the sale of share , debenture etc. These industries use power-driven machine and modern method of production. Further , these industries employ labour on wages. The entire production of these industries is for sale, and

for market widely scattered within a country or even outside the country. Large scale industries are essentially urban industries. They cluster around urban areas. Even when setup initially in non-urban areas, urbanization takes place around these industries to provide many facilities for the large number of men working in them. To handle their large-scale operation of outside/sale inputs etc., large-scale have been given a key role in the developing strategy of the less developed countries. Large-scale industries are needed to set up certain basic and capital goods industries.

These industries belong to many fields of the economy. For eg. Infrastructural facilities required the setting up of the transport, communication power etc. investment in these industries are not only large but also lumpy, and characterized by indivisibilities, so that these can neither be set up in small unit, nor spread over many areas. In other words, the minimum size of investment is very big, and also has to be concentrated without which the industrial set-up can not be activated. Their output scale is very big indeed. With massive investments in large scale industries, the scale to pay high, the capital per head is very large. This raises wages, making it possible to pay high wages.

This levels up wages and other returns in the other sectors of the economy. With modernization of agriculture made easy with through the supply of implements, fertilizers etc., the production per head in the farming sector.

The process initiated by industrialization mutually reinforces each other, raising the general level of productivity. Large Scale Industries enable goods to be produced on a mass scale and at a reduced cost, putting the goods within the reach of many as also strengthening the competitive power of export market. These industries can create their own market with millions of workers in the different industries buying one another's products. In the "*Big Push*" theories of economic development a strong case is made out for substantial investment in a number of industries at one and the same time. Setting up of a single industry or factories will be no avail.

12.2 PROGRESS UNDER PLANS

1. Industrial Evolution of India

Before the arrival of the Britishers, India was industrially more advanced as compare to the economies of West European countries. Britishers systematically destroyed the industrial base of India. As a result, India inherited a weak industrial base, under developed in structural facilities and a stagnant economy at the time of independence.

Through modern industrial enterprises had taken root in India during 19th Century, there was a slow progress. The rate of growth stepped up steadily in the year after 1900. India emerged from its century of industrialization with a disappointingly limited industrial sector. During the era of industrial development the major emphasis had been on consumer goods industries, while the development of basic and capital goods industries had lagged behind. In the case of capital goods industries and industries manufacturing-intermediate products, the available capacity in the country was in most cases inadequate. A high rate of industrial development could not be achieved without increasing substantially the production of iron and steel and of aluminum, Ferro-alloy, caustic soda, and soda ash, fertilizers and petroleum products for all of which demand was much in excess of domestic supply. In respect of manufacture of plant and machinery required by various industries only a small beginning had been made with textile machinery industry only. The large development in power generation had to depend on generating equipment from abroad. In the manufacture of synthetic drugs and antibiotics, dyestuffs and organic chemicals, only small beginning had been made. The growth rate of industrial output for the period 1900-01 to 1945-46 was a meager 2.0 percent.

Thus prior to independence, industrial efforts were not sufficient to accomplish a transition through by industrialization. Modernization of agriculture and traditional activities, comparable to that achieved in sovereign nations began at about the same time. Under these circumstances 5 Year Plans began to make good these deficiency and defect as much as possible and to initiate development which could become the basis for the cumulative expansion of this sector.

2. Objectives and Strategy

(a) First Five Year Plan :

During the First Plan, an attempt was made to give practical shape to the concept of mixed economy by providing for the development of both, the public sector and private sector, in a complementary manner. The following was the general order of priorities in the industrial sphere :

- (i) Fuller utilization of existing capacity in producer goods industries and consumer goods industries like cotton textiles, sugar, soap, vanaspati, paint and varnishers.
- (ii) Expansion of capacity in capital and producer goods industries like iron and steel, aluminum, cement, fertilizers, heavy chemicals , machine tools etc.
- (iii) Completion of industrial unit on which a part of the capital expenditure had already been incurred, and
- (iv) Establishment new plants which would lend strength to the industrial structure by rectifying, as far as resources permitted, the existing lacunae and drawbacks, eg. Manufacture of sulphur from gypsum, chemical pulp for rayon.

The average annual rate of growth at current prices for consumer goods, intermediate goods and capital goods industries during the First Plan was 6.1%, 0.3% and 13.0% respectively. For all industries taken together, the annual rate of growth worked out at 6.5%.

Second Five Year Plan

The Second Five year Plan accorded a high priority to industrialization. A large expansion of public enterprises was envisaged in the sphere of industrial and mineral development. Based on the Mahalanobis model, this plan set out the task for establishing basic and capital goods industries and mineral developments in the future could be built.

Within the framework of the industrial Policy Resolution of 1956, the expansion of the industrial capacity was conceived by the planning commission in the terms of following priorities :

- (i) Increased production of iron and steel and of heavy chemicals including nitrogenous fertilizers, and development of the heavy engineering and machine industries;
- (ii) Expansion of capacity in respect of other developmental commodities and producer goods, i.e. aluminum, cement, chemical pulp, dyestuff and phosphates fertilizers and essential drugs.
- (iii) Modernization and re-equipment of important national industries which have already come into existence such as jute, cotton textile and sugar;
- (iv) Fuller utilization of existing installed capacity in industries where there are wide gaps between capacity and production.
- (v) Expansion of capacity for consumer goods, keeping in view the requirements of common production programmes and the production targets for the decentralized sector of industry.

The average annual rate of growth at current prices works out as under: 11.8 per cent for consumer goods industries, 15.6 per cent for intermediate goods industries, and 21.3 per cent for capital goods industries.

Third Five Year Plan

The overall objective of the industrial sector during the Third Plan was to lay the foundation for further rapid industrialization over the next 15 years. The emphasis to be assigned to industrial programmes and projects was in accordance with the following priorities:

(i) Completion of projects implemented under the Second Plan or which were deferred during 1957-58 owing to foreign exchange difficulties

(ii) Expansion and diversification of capacity of the heavy engineering and machine building industries, alloy tool and special steels, iron and steel and ferrous-alloys, and step up of output of fertilizers and petroleum products

(iii) Increased production of major basic raw materials and produce goods like aluminum, mineral oils, basic organic and inorganic chemicals and intermediates;

(iv) Increased production from domestic industries of commodities required to meet essential needs like essential drugs, paper, cloth, sugar, vegetable oils and housing material.

For all industries taken together the average annual rate of growth works out at 6.8 per cent against the target of 11.0 per cent. The reasons for inadequate growth during the Third Plan usually given are as follows:

- (a) droughts for three years which diverted resources for the import of foodstuffs;
- (b) wars with China (1962) and Pakistan (1965) which diverted funds towards defense expenditure and
- (c) suspension of foreign credit in 1966.

However, real growth of more than 15 per cent per annum was recorded by a number of industrial branches like aluminum, automobiles, electrical transformers, machine tools, engines, textile machinery, ball bearings and roller bearings.

Fourth Five Year Plan

Fourth Five Year Plan The Fourth Plan, covering the period from April 1969 to March 1974, was an integral part of the 12 years perspective programme. The broad approach to industrial development was to ensure :

- (i) Rapid increase in non-farm employment opportunities by increasing the tempo of industrialization;
- (ii) Speedy self reliance, investments growing at a higher rate than aggregate income with particular emphasis on rapid expansion of manufactured inputs going into agriculture, capital equipment, metals, petroleum products and chemicals, i.e. areas where dependence on imports is specially large; and
- (iii) Avoidance of technological unemployment under the impact of unregulated spread of capital intensive modern technology during the period of transition, taking care not to "freeze the existing technological situation", for avoiding unemployment or increasing employment.

The target for increase in industrial production was kept in the range of 8 to 10 per cent. The actual progress of industrialization was, however, much slower and many industries experienced considerable shortfalls. As a result, industrial production could increase only by 3.9 per cent per annum. Particularly disappointing was the performance of basic and capital goods industries. Against the target of 9.9 per cent basic industries grew only at the rate of 4.9 per cent per annum. The growth in capital goods industries was a meagre 5.9 per cent against the target of 17.1 per cent per annum.

Fifth Five Year Plan

The industrial programmes in the Fifth Plan were conceived in such a way as to realize the twin objectives of self-reliance and growth with social justice. The following pattern of investment and production was envisaged :

- (i) Rapid growth sector industries since they were vital for sustained growth on a long-term basis; accordingly high priority was attached to expansion in steel, non-ferrous metals, fertilizers, mineral oils, coal and machine building;
- (ii) Rapid diversification and growth of export producing industries;
- (iii) Substantial expansion of production of essential consumer goods like cloth, edible oils and vanaspati, sugar, drugs, bicycles etc.; and
- (iv) Restraint on the production of non-essential goods.

As against the projected overall rate of increase in industrial output of 7.0 per cent, the actual rate of growth was 5.2 per cent. The overall performance of the industrial sector was unsatisfactory.

Sixth Five Year Plan

The following objectives were laid down for industrial development in the Sixth Plan :

- (i) Optimum utilization of existing capacities and improvement in productivity;
- (ii) Substantial enhancement of manufacturing capacity in public and private sector covering a wide range of industries for providing not only consumer goods and consumer durables. but also for supporting agricultural and industrial growth through supply of intermediate and capital goods;
- (iii) The capital goods industries in general and electronics industry in particular would attract special attention because these support the growth of a wide range of economic activities.
- (iv) Augmentation of manufacturing capacity of those industrial products (like engineering goods) which are vital for export.
- (v) Promotion of industrial research and development efforts;

- (vi) Initiation of measures to improve energy efficiency; and
- (vii) Dispersal of industries with a view to developing the backward regions

The target growth rate for industrial production in the Sixth Plan was 7 per cent per annum. However the growth rate achieved was 5.5%, which is some what lower than the trend growth rate of 6% witnessed in the earlier three decades. Production target were exceeded in a few industries like machines tools, passengers cars, motor cycles, scooters, consumer electronics and communication equipment. However some basic industries such as steel, cement, non-ferrous metals, fertilizers and certain other industries including textiles jute manufactures, sugar, drugs and pharmaceuticals, commercial vehicles and railway wagon faced shortfalls in production. Domestic imbalance resulting from shortfalls in production had to be corrected through import of essential commodities like steel, cement, fertilizers and sugar. The most important constraint on industrial production in the Sixth plan was the shortage of power other factors were prolonged labour unrest and insufficient demand in the case of textiles raw material shortage in of jute manufacturing scarcity of cooking coal in case of steel and inadequate availability of appropriate quality of steel in case of a number of steel using industries.

Seventh Five Year Plan

The Seventh Plan aims at an overall annual average growth rate of 8% in the industrial sector, selected segments of it having been projected to grow at much higher rates. The objectives for the industrial sector have been kept as follows :

- (i) To ensure adequate supply of wage goods and consumer articles of mass consumption at reasonable prices and acceptable quality;
- (ii) To maximize the utilization of the existing facilities through restructuring improved productivity and up gradation of technology
- (iii) To concentrate on the development of industries with a large domestic market and export potential to emerge as world leaders in them;

- (iv) To usher in 'sunrise' industries with the high growth potential and relevance to our needs; and
- (v) To evolve an integrated policy towards self reliance in strategic fields and Up of avenues for employment of skilled trained man Power

Strategies for the Seventh Plan

(a) Restructuring of Industry

The Plan envisages to continue the trend of shift from traditional industries to basic metals, fertilizers, and industrial manufactures with an increasing share for the emerging technology intensive industries. "sunrise" industries have been assigned a special role. These industries are associated with high technology, high value-added and knowledge-based industries like electronics, advance machine tools and telecommunications.

(b) Efficient Use of Capital

The focus will be on the efficient use of the investments so that surplus could be generated by fuller utilization of installed capacity and improvement in maintenance.

(c) Improving Infrastructural Facilities

Emphasis has been placed on, additional availability of power through more efficient management of the existing capacity as well as the establishment of new power stations including super-thermal and nuclear plants. Energy saving techniques will be used and energy intensive industries will have to be de-emphasized unless there is adequate improvement in the availability of power.

(d) Modernization and Up gradation of Technology

New technologies are a major instrument for maximizing value added potential of the industries sector. Investment will be encouraged in modernization with a view to stimulating a substantial degree of competition within the industrial sector. Such need is urgent in industries like textile and sugar which were set up in

the early part of the 20th century. Encouraging modernization and technological up gradation together with injecting a substantial degree of competition would bring about a reduction in cost and improvement in quality.

(e) Product Development

The index of technological strength of an industry is its ability to introduce viable new products in the market. All major public sector organizations should have time bound goals for new product development. In this regard they should associate research establishments and academic institutions. Strengthening or product development debarments in engineering industries and introduction of computer aided design and manufacture will be given to the development of the electronic industry because of its versatility, easy adaptability and impact on the quality of performance of other sectors.

(f) Productivity

Stress has been laid on increasing product Specific productivity targets for major industries like fertilizers, non-ferrous metals, petro-chemicals. pap cement will be set up for the plan. Selective applicant automation, micro-processors, fibre optics. flu manufacturing system and application of computer design and manufacturing operations should this process. To support such measures of technology improvement, fiscal incentives may also have considered. However, no effort in this direction c successful without the co-operation of the work force institutional relationships have, therefore, to be evolved consultation with the trade unions.

(g) Thrust Areas for Export

A special effort is proposed to be made selected industries in which the country has comparative advantage and has already reached a degree of industrial maturity. Selective approach will have to be followed area of project exports so as to achieve specialization few chosen fields of activity and secure orders for turn key projects abroad.

(2) Trends of Industrial Growth

The overall industrial growth in India since independence appear impressive. Following are the salient features of industrial growth during Plan period :

(i) High Overall Growth Rate

The industrial output (large and medium scale industries) has grown at a rate of around 6 per cent per annum since 1950-51. The growth rate has far exceeded the population increases at around 2.5 per cent. It is also higher than that of agricultural growth at 2.7 per cent and is much above the growth in national income, at 3.5 per cent. Compared to pre-independence trend in industrial production is remarkable. The growth rate of industrial output for the period 1900-01 to 1945-46 was meagre 2.0 per cent.

(ii) Industrial Deceleration

The rate of annual growth of output, in large-scale sector has always been less than the targeted rate of growth.

Plan	Targeted Rate Rate of Growth	Rate of Growth Achieved
First	7.00	6.00
Second	10.50	7.25
Third	10.75	8.00
Fourth	8.10	3.90
Fifth	8.21	5.60
Sixth	6.90	3.70

As shown by the data, there occurred a noticeable acceleration in the annual growth rate over the first three plan periods up to 1965 from 6.00 per cent in the First Plan to 7.25 per cent in the Second Plan and further to 8.00 per cent in the Third Plan. Thereafter it fell to 3.90 per cent in the Fourth Plan. The rate of growth

stood at 5.6 per cent during the Fifth Plan and 3.7 per cent during the Sixth Plan. This shows that while the first fifteen years of growth of the industrial sector were characterized by a continuously increasing rate of growth, the period after 1965 saw a considerable decline in it. Thus, the period after 1965 was characterized by industrial deceleration. The growth rate in successive plans has fallen short of the targets so that the value added by manufacture, when related to the net domestic product has remained virtually stagnant (13.8%) during the sixties and the ratio improved only marginally during the seventies (15.3%). However, this ratio again remained constant at 15.4 per cent during the period 1980-84. Not only this, the growth of basic and capital goods industries suffered a steep decline. Capital goods industries registered a consistent and considerable growth from 9.8 per cent per annum in the First Plan to 13.1 per cent in the Second Plan, and to a phenomenal 19.6 per cent per annum in the Third Plan. However, in the next decade as a whole it was merely 2.6 per cent per annum and was only 5.7 per cent in the Fifth Plan and 5.1 per cent in the Sixth Plan. The same story is found in the case of basic industries where the growth rate fell from 10.5 per cent, in the middle of sixties, to 5.3 per cent in the middle of seventies. During the first three years of the Seventh Plan annual growth rate in the manufacturing sector has been 9.7, 9.3 and 8.2 per cent respectively.

(iii) Expansion of Basic and Capital Goods Industries

The growth rate of industries producing basic goods (Iron & Steel, Aluminum, Copper, Zinc, Lead, Steel Casting, Cement, Caustic Soda, Soda Ash, Calcium Carbide, Fertilizers etc.) and capital goods (Industrial Machinery, Construction Machinery, Transport Equipment, Mining Equipment, Electric Power Equipment etc.) was relatively faster since the mid-fifties (Table-1). As a result, the basic and capital goods industries have come to acquire a high position in the industrial set up of the country. At the beginning of the planning their output constituted a very small and insignificant proportion of the total industrial production. At present these industries account for around 50 per cent of total value added by the industries. The share of capital goods industries in total industrial output and in gross value added rose consistently while that of consumer goods industries declined as would be clear from Table-2.

Table-1

Annual Compound Growth Rate in Index Number of Industrial Production.

Functional Classification	1951 to 1955	1955 to 1960	1960 to 1965	1965 to 1975	1974 to 1979	1980 to 1985
General Index	5.7	7.2	9.0	4.1	6.1	5.5
Basic Industries	4.7	12.1	10.4	6.5	8.4	8.5
Capital Goods	9.8	13.1	19.6	2.6	5.7	5.1
Intermediate Goods Industries	7.8	6.3	6.9	3.0	4.3	3.6
Consumer Goods Industries	4.8	4.4	4.9	6.4	5.5	3.6

Source : Mishra and Puri. Indian Economy, 1988, p.670.

Table-2

Percentage Share of Different Sectors in Industrial Output and in Value Added.

Year	Consumer Goods		Intermediate Goods		Capital Goods	
	In output	In value added	In output	In value added	In output	In value added
1950	66.3	57.3	16.4	17.8	17.3	24.9
1960	57.1	54.1	12.2	11.6	30.6	34.3
1970	40.1	32.7	30.2	35.9	29.7	31.4
1978	32.4	28.9	32.7	35.7	34.7	35.4

Source : Bhagwan. M.R. Capital Goods Sector in India, Economic and Political Weekly. March 9, 1985

(vi) Diversification of Industrial Structure

At the time of independence, there was few large-scale industries, with a very small variety of products. Textile and Sugar had the prominent place. All this has changed during the past 40 years. Now, India has a large variety of industries producing goods of varied nature, and from the most simple goods to the most complicated wares. Iron and Steel. Aluminium, Copper, Zinc, Lead. Engineering goods, Ship Building, Fertilizers, Pesticides, Petro-chemicals, Chemicals, Electronics, Atomic Energy are the new industries developed during the plan period.

(v) Building up of Infrastructure

Massive efforts have been directed towards the creation of basic facilities like power, transport and communication in the five year plans. Industries associated with this effort have naturally been accorded a high priority. These includes heavy electrical equipment like transformers, switch gears. circuit breakers, boilers etc.

(vi) Structural Changes within Capital Goods

In 1960. the transport equipment industry accounted for about 70 percent of total value added in the capital goods industries sector. In 1978, its share had gone down to around 34 per cent. The share of chemical equipment, mechanical machinery, heavy electrical and all other electrical machinery recorded significant increases. For instance the share of heavy electrical rose from 5.2 per cent in 1960 to 17.6 per cent in 1978. While the share of all other electrical machinery rose from 10 per cent in 1960 to 28 per cent in 1978, the share of mechanical machinery rose from 13.3 per cent in 1960 to 26.2 per cent in 1978.

(vii) **Emergence of Public Sector**

In the pre-independence period the entire range of activities in the industrial sector was controlled by the private sector. The post-independence period saw the emergence and massive expansion of the public sector in heavy and large-scale industries. The number of public sector units at the commencement of the First Plan was 5 with a total capital of only Rs.29 crores. The number of public enterprises shot up to 228 as on March 31, 1987, with the total capital employed of Rs. 51931 crores. Public sector controls 100 per cent of the national production in respect of petroleum, lignite, copper and lead. About 75 per cent of the national production of steel is from public sector. The public sector has come to occupy a key position in national economy in several sectors especially in the production of fuel, basic metal industries, non-ferrous metal industries, fertilizers, engineering, chemicals, pharmaceuticals and communication equipment. While quality-wise the industrial scene is fairly satisfactory, quantity-wise the status of large-scale industries is not high. They are not big enough for the vast Indian economy. The overall share of value added by registered manufacturing in NDP remains at a low level of 12.73 per cent in 1985-86 (New series). The overall rate of expansion of manufacturing in India is significantly lower than that achieved by the other leading newly industrial countries of the third world. India's share in the third world's manufacturing production (excluding China) declined from 13 per cent in 1963 to only 8.27 per cent in 1983.

12.3 Finance

Capital requirements of large-scale industries are large. Production activities involve financing of construction of buildings, purchase of machines, purchase of raw materials, engagement of laborers etc. For the performance of these activities, three types of finance are needed: long-term, medium-term and short-term. Long-term finance is meant to be repaid over a long period. It is used for such purposes as construction of buildings, purchase of machines etc. Medium-

term finance is repayable over a shorter period. This is employed for such activities as repair, replacement and maintenance of machine etc. Short-term finance, to be returned over a short period of one year or a little more, is spent on the purchase of raw materials, making wage-payments to workers and building of inventories. In case of large-scale industries, not even a few organizers can afford to supply their own finance. There is thus the need for a money market and leading institutions for the supply of finance.

The sources of finance of the large-scale industries are as under :

(i) Shares :-

Most of the industrial undertakings are set up as joint stock companies. These companies have the right of issuing shares for building up fixed capital. Companies can issue two types of shares

(a) preference shares, and

(b) ordinary shares.

The latest trend is to issue ordinary shares in small denominations of ten rupees so as to enable the largest number of people to participate in providing finance. Shareholders are entitled to receive dividend from the profit of the company.

(ii) Debentures :-

Industrial companies also get long-term finance through the issue of debentures. The buyers of debentures are creditors to the companies. They get a fixed rate of interest on the money invested in debentures. It is meant to attract those investors who are not willing to risk their capital and also feel satisfied with a regular income.

(iii) Public Deposits:-

Under this system, people keep their money as deposit with companies for a period of six months and above. Depositors receive interest at a fixed rate. This money is used by companies to meet at their needs of working capital. In the early years of development a substantial portion of capital in the cotton textile industry of Ahmedabad, Bombay and Sholapur was obtained through public deposits. The importance of this source in providing finance has declined. Investors are more attracted towards debentures. Debentures are transferable and can be sold on the stock exchange market. These facilities are not available on public deposits.

(iv) Commercial Banks

If Commercial Banks provide funds for working capital to industries. The share of industrial advances (medium and large-scale industries) in total bank credit was 36 per cent in 1987.

(v) Ploughing Back of Profits

The main source of capital formation in the private sector has been ploughing back of profits earned by the private sector in industries. This source of finance was duly emphasized in the five d year plans and made extensive use of.

(vi) Institutional Finance

After independence a number of specific institutions have come up to meet the credit requirements of the industries. The important institutions developed in India for the purpose of granting industrial finance are the following :

- (a) Industrial Finance Corporation of India (1948) is
- (b) Industrial Credit and Investment Corporation of India (1955)
- (c) State Financial Corporations
- (d) Industrial Development Bank of India (1964)

(e) The Industrial Reconstruction Bank of India (1971)

(f) Unit Trust of India

Industrial Finance Corporation of India provides financial assistance to private, public and joint sector industries for new projects, as well as for the expansion, renovation, modernization or diversification of the existing ones. Industrial Credit and Investment Corporation of India provides financial.

12.4 INDUSTRIAL LOCATION

The concept of decentralized development of industries has assured great significance in current economic thinking and planning. This approach is claimed to have particular importance for countries having a vast area. The aims and objectives of regional distribution of industrial activity may be enumerated as follows :

- (i) More even development of the local resources of the country as a whole:
- (ii) Optimum industrial activity based on broader, economic, social and strategically considerations;
- (iii) Conservation of limited and exhaustible resources for the benefit of posterity:
- (iv) Equitable distribution of employment opportunities which remain confined to a few States leading to a wide disparity in per capita income among different regions. The purchasing power is envisaged to be increased uniformly as far as possible.
- (v) Attainment of certain social objectives like avoidance of emigration of labour, prevention of the occurrence of depressed areas, and equalization of per capita income in different parts of the country: and
- (vi) Relief from the increasing pressure on land, civic facilities and transport in industrial urban centers.

Planning Commission in its revised draft of the Sixth Five Year Plan has drawn attention to inter-state disparities in the levels of industrial development. The dispersal of industries and balanced regional growth have been accepted as important objectives of planned development in India. In the earlier plan periods, a variety of measures were taken to achieve this end, namely

- (a) location of public sector projects in backward areas:
- (b) industrial licensing policy particularly in the case of sugar and textile industries;
- (c) fiscal incentives to set up new undertakings in backward areas under the Income Tax Act;
- (d) subsidy by the Central Government for industrial investment in specified backward districts/areas;
- (e) concessional finance or refinance for industrial projects in specified backward districts/areas by term-lending institutions;
- (f) several schemes of the States for channelling investments to backward areas; and
- (g) financial assistance for creating necessary infrastructure in backward areas.

On the basis of level of industrial development, States of India can be grouped in to three categories:

- (i) Old established industrial States -Gujarat. Maharashtra, West Bengal and Tamilnadu. These States have 44 per cent of the total factories in their boundaries and contribute 53 per cent to the Net Value-Added by production.

- (ii) States that recorded significant industrial growth mainly after independence -Andhra Pradesh, Kerala, Karnataka, Punjab and Haryana. Out of total factories, 35 per cent are situated in these five States. The States contribute about 21 per cent to Net-Value-Added by manufacturing.
- (iii) Others which are still industrially least developed -Assam, Bihar, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and others.

The share of licenses going to backward areas in total licenses issued was about 46 per cent during April-November, 1988. So far Rs. 672 crores have been disbursed as central investment subsidy to units located in backward areas up to 1987-88. Andhra Pradesh, Madhya Pradesh, Rajasthan, Tamil Nadu and Uttar Pradesh have been the most active in availing of this subsidy since the inception, accounting for about 46 per cent of the total subsidy. However, four States viz. Assam, Bihar, Orissa and West Bengal have been able to absorb only about 8 per cent of this subsidy since its inception. The total amount of central investment subsidy disbursed during 1987-88 was Rs. 154 crores.

Recognizing that one of the impediments blocking the industrialization of backward areas is the absence of infrastructural facilities, the government has announced 100 growth centers throughout the country over the next five years or so. It is intended that these growth centers should serve as gravity centers for attracting industries to backward areas through adequate development of infrastructure in the growth centers. Each growth centre would be provided with funds to the order of Rs. 25 crores to Rs. 30 crores in order to create infrastructural facilities of a high order (at par with the best available in the country). These growth centers can not be located within 50 kms from cities with a population above 25 lakhs, 30 km from the boundaries of cities with a population of 15 lakhs but below 25 lakhs, and 15 km from the boundaries of cities with a population of 7.5 lakh but below 15 lakh.

12.5 ROLE IN NATIONAL ECONOMY

It is almost three decades since the Industrial Policy Resolution of 1956 conceptualized and articulated the basic framework underlying our industrial policies. Planning was directed not only at accelerating growth of output and employment but also at achieving certain socio-economic objectives, such as regional disposal of growth, prevention of monopolies and concentration of economic power. The public sector was to provide a leading role, partly as a catalyst, in molding and accelerating the process of industrialization within the framework of a '***mixed economy***'. The objective of self-reliance was supported by a policy that to protect industry from foreign competition.

The fruit of these efforts have been significant in many respects. There has been a substantial diversification of the industrial base over the last three decades with the consequent ability to produce a very broad range of industrial products. Substantial self reliance has been achieved in basic and capital goods industries which now account for as much as one half of the total value added in manufacturing. Indigenous capacities have been established to the point to virtual self-sufficiency so that further expansion in various sectors, such as mining, irrigation, power, transport and communication can be based primarily on indigenous equipment.

Industrial production in 1985 was 6 times more than what was in 1951. The share of industry in Net Domestic Product increased from 12.4 per cent in 1956-57 to 20.02 per cent in 1985-86. Of particular importance is the growth of registered manufacturing sector which increased its share in Net Domestic Production from 6.3 per cent in 1956-57 to 12.6 per cent in 1985-86 (New Series). During the post-independence period basic and capital goods industries received the major attention of the planners. As a result share of basic and capital goods industries in value-added by manufacturing rose from 38 per cent in 1960-61 to 49 per cent in 1979-80.

The major thrust for the development of heavy industries has been provided by the public sector. In critical areas such as power, railways, coal, petroleum, steel and fertilizers the public sector has been intensely involved in setting the pace of development.

Industrialization has helped in accelerating the pace of agricultural growth in a number of ways. Industries have provided fertilizers, pesticides, agricultural machinery, improved tools etc. for modernization of agriculture. Consumption of chemical fertilizers was a meagre 66,000 tones in 1952-53, which increased to 9.01 million tones in 1987-88. It has increased the demand For wage goods, of which initially food is the most important. This has resulted in more favorable market for agricultural products. Industrialization also takes a wider range of consumer goods available to agricultural workers, raises their level of wants and encourages greater productive efforts. By encouraging the reorganization of agriculture on a more efficiency-oriented large-scale mechanized basis, industrialization has created conditions which are highly favorable to enhance productivity in agriculture.

Industrialization has changed the pattern of foreign trade of India. From a major importer of primary products, the country slowly and gradually became a major exporter of manufactured or finished products. The process of industrialization opened new vistas for export diversification and a number of manufactured products have entered into the export basket. Export of engineering goods rose from Rs. 13.4 crores in 1960-61 to Rs. 875 crores in 1986-87. Export of chemicals and allied products increased from Rs. 5.4 crores in 1960-61 to Rs 475 crores in 1986-87. The share of these two groups of commodities in total export was only 1.8 per cent in 1960-61, which increased 10.7 per cent in 1986-87.

The most important impact of industrialization is that the social outlook of the people has undergone drastic change. The narrow caste boundaries have lost their significance in the industrial society. Better chances of progress, more earnings and new progressive ideas have changed the very outlook of new industrial workers towards life. A new entrepreneurial class has been born, and capital formation has increased. Technical innovations have taken place and new skills have emerged. All these developments have a far reaching effects on social relationships and this change is, in fact, the precursor of a new, modern and vibrant society.

The process of industrialization has also fostered entrepreneurship and the development of technical, managerial and operative skills. The less visible but

critical investment in knowledge and know how places India as a country with one of the largest pool of skilled manpower in the developing world. Today, the country is in a position to provide consultancy services as well as managers, technicians and skilled workers for setting up industrial projects abroad.

Despite many achievements, the industrial sector, particularly large-scale industries, has not yet acquired a position of eminence in the Indian economy. Registered manufacturing currently contributes only about 12 per cent in Net Domestic Product of India (at a current prices). The corresponding contribution was 8 per cent in 1960-61. India's share in the third world's manufacturing production (excluding China) declined from 13 per cent in 1963 to only 8.27 per cent in 1983. Moreover because of the relatively slow long-term rate of growth of the Indian economy, the structural transformation of the economy has also been much less than that of the other leading semi-industrial countries. In 1980 manufacturing only accounted for 18 per cent of GDP in India, as compared to 28 per cent in the Republic of Korea, 27 per cent in Brazil and 24 per cent in Mexico.

Large-scale industries do not figure much in the employment profile of the country. The total number of employed persons in the organized sector of manufacturing was 61.8 lakhs in March, 1985, which was only 3 per cent of the total employment in organized and decentralized sectors and 25 per cent of the total employment in the organized sector.

12.6 PROBLEMS OF LARGE-SCALE INDUSTRIES

Evolution of the industrial economy discussed in preceding sections reveal that the industrial structure of India was mostly agro based on the eve of Independence; now it is fairly broad based and is capable of producing many technically complex and sophisticated industrial goods. However, there are certain problems which large-scale industries have had to face over the years and require adequate immediate attention. The problems are enumerated below :

(i) Under-utilization of Capacity

A large number of industries suffer from substantial under-utilization of capacity. According to R.H. Patel, capacity utilization in manufacturing industries declined from 85.2 per cent in 1970 to 73.1 per cent in 1975 and remained almost around the same level (73.2%) in 1980. Since 1981 there has been some improvement in the capacity utilization rate which rose to 78.8 per cent in 1985. In 1986, the capacity utilization rate has been estimated at 79.1 per cent. Capacity utilization was 64 per cent in Rourkela Steel Plant, 62 per cent in Indian Iron and Steel Company and less than fifty per cent in Bharat Aluminium, Hindustan Zinc, Pyrites, FFP, REC. HMTP, MAMC and number of other units. The causes of this state of affairs are multifarious and range from technical to raw material shortage, frequent power failures, government policies and demand factor etc. Since most of these industries are capital intensive, under-utilization of capacity, it implies gross wastage of precious capital resources.

(ii) Obsolete Machines and Technology

Number of large-scale industries, particularly old industries like cotton textiles, continue to use obsolete machinery and old technology. This handicaps them in their production and marketing. In export too difficulties on this count have cropped up. This factor is an important one in making quite a number of industrial units sick, i.e. units making losses. Capital goods industries also suffer from outdated technology. The solution lies in the modernization of these industries through development and introduction of the latest technology.

(iii) Unsatisfactory Industrial Relations

In large-scale industries the relations between labour and management are far from satisfactory. It is evident from huge wastage of manpower that results from strikes, lock-outs etc., and the consequent loss of production, surpluses etc. These relations need to be set right by taking action in both, the public and the private sector undertakings.

The total number of work stoppages in 1951 was 1071 involving 6.91 lakh workers and resulting in a loss of 39.2 lakh man days. The number

of work stoppages rose to the high figure of develop large industries in backward areas were directed towards developing the backward areas of developed States and the demand of backward States were glossed over. Effective steps to reverse this process are called for urgently.

(vii) Relations with Small and Cottage Industries

Policy of the government towards large-scale industries in the private sector has not been certain. Having earmarked the areas for the public sector, as also of small sector, the residual was treated as meant for large-scale industries in the private sector. Even this attitude was neither consistent nor sure. For example the products reserved for small/cottage sectors have often been changed, largely increased without taking account of its repercussions on large-scale industries. Very often these reservations for small/cottage sector have been motivated less by economic efficiency considerations, and more by other considerations like employment, disposal of industries, etc. These relations and the relative roles need to be placed on some rational scientific basis, if these industries are to develop on a secure basis.

(viii) Expansion in Critical Areas

The inadequacies of power, transport etc. have hampered the growth of large-scale industries in the past few years. Unless these are expanded fast, these will act as constraints on the future growth of the economy. It is therefore, necessary to speed up the investment in this field. Another critical area is the wage-goods industries. The shortage of wage-goods has created many problems with regards to their availability and their prices. While substantial increases have been recorded in the output of air conditioning and refrigeration plants. domestic refrigerators man-made fibers, beverage, commercial and office equipment etc., the output of mass consumption goods has increased at a very slow rate. This has placed limits on the future expansion of the economy as also on the employment generation capacity of industries. Therefore, there is a need for larger expansion in the critical areas of infrastructure and wage-goods.

12.7 SUMMARY

The industrial economy of India has made rapid strides during the planning era. From a state of total dependence on imports for her requirements of manufactures. India has rapidly moved towards the desired objective of self-reliance. The overall growth rate has been around 6 per cent per annum with periodic fluctuations. The rate of growth of basic and capital goods industries as well as industries producing consumer durables are observed to be relatively faster than the general rate of growth. The establishment and fast expansion of such industries as steel, cement, engineering, petroleum, chemicals, fertilizers etc. strengthen the supply-capacity of the economy. There is a large variety of industries, including also some of the very new industries which are coming up in the most advanced countries, such as petrochemicals, electronics, synthetics, computers etc. A very significant number of industries produce goods for mass consumption and exports. India is now not only a producer and exporter of many types of capital goods, but is also a significant exporter of technology. Industries have also forged a number of significant links with agriculture. The industrial development has also fostered entrepreneurship, and a variety of managerial and operative skills. This big and growing stock of knowledge and know-how has placed India in the world context as one of the countries with the largest pool of skilled manpower. In terms of quality, breadth and depth of industrial development the Indian performance has been very impressive. However, quantity-wise the status of the large-scale industries is not high. The amount of capital employed, the total output and the employment are yet small in quantities. A good number of financial institutions have been established to provide financial and technical assistance for the establishment and expansion of industries. A large number of industries suffer from substantial under-utilization of capacity. Growing incidence of industrial sickness across a wide range of manufacturing industries has become a vexing problem. An equally significant phenomenon is the skewed distribution of organized industries across the States. The relations between labour and management are far from satisfactory. A matter of serious concern is the emergence of monopoly power in case of large-scale industries in the private sector. There is still need for larger expansion of these

industries in the critical areas of infrastructure and wage-goods. These problems require immediate and adequate attention to accelerate the pace of economic development.

12.8 Self-Assessment Test

Answer the following questions in not more than one page each, so that you may know how much you have understood the subjects discussed in this unit :

- (a) Enumerate recent developments in the industrial economy of India.
 - (b) Discuss the major problems which are being faced by large-scale industries in India.
 - (c) What are the major sources of finance for large-scale industries in India ?
2. Which of the following statements are true ?
- (a) Industries are getting more and more export-oriented.
 - (b) The production of consumer goods has expanded much faster than that of basic industries.
 - (c) Production is getting diversified.
 - (d) Cottage and small scale industries through reservation of indilgtrii for them.
 - (e) Rapid industrialization has solved the unemployment problem.
 - (f) The industrial output has grown at a rate higher than the growth rate of Net Domestic Product during the post-independence period.
 - (g) India has achieved substantial self-reliance in basic and capital goods industries

12.9 Key Words

Capital Goods

Capital goods comprise all goods not wanted for their own sake but only because they assist in the production of other goods.

Wage Goods

A term used for the goods, the prices of which determine the value of real wages as distinct from money wages.

Intermediate Goods

A term sometimes used to describe partly-finished goods.

Sunrise Industries

Newly emerging technology intensive industries, like electronics, advance machine tools, telecommunication etc.

Diversification

The provision of greater variety of industry to an area.

Company

Company is an artificial person created by law having a separate entity with perpetual succession and a common seal.

12.10 Further Readings

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UNIT-13

Industrial Development

(Small Scale and Cottage Industries)

OBJECTIVE

Through this unit you should be able to :

- Understand the role of cottage and small-scale industries in economic development of the country.
- Assess the progress made by small scale and cottage industries during the post-independence period
- Identify the problems associated with small-scale and cottage industries.
- Appreciate the place that these industries occupy in the Indian economy.

STRUCTURE

- 13.1 Introduction
- 13.2 Role in National Economy
- 13.3 Progress under the plans
- 13.4 Finance
- 13.5 Location
- 13.6 Problems
- 13.7 Summary
- 13.8 Self-Assessment Test
- 13.9 Key Words
- 13.10 Further Readings

13.1 INTRODUCTION

Our discussion on industrial development in the preceding unit, has made it clear that for a predominant agricultural country like India development of industries is must. In the industrialization of the country, emphasis is being laid on all the three groups of industries, namely large-scale, small-scale and cottage industries. For some special reasons, extra efforts are also being made to promote all small scale industries. This unit will be devoted to the study progress made by these industries during the post independence period and an assessment of the same. We also examine the problems of these industries pros and cons of these industries being specially treated This criterion in India since 1960 and modified in 1966, 1975, 1980 and distinguishes classification of this criterion, all industrial unit with a capital investment of not more than Rs. 35 lakhs are treated as small-scale unit. For ancillary units (i.e. those supplying components, etc to large scale industries) the limit of capital investment higher Rs. 45 lakhs. In 1982, it was decided that all services oriented Enterprises would also be eligible to be registered as small-scale enterprises provided these are to be set up in rural areas and town with a population of 5 lakhs or less and subject to a ceiling on investment in plant machinery to the extent of Rs. 2 lakhs. In addition, tiny sector has also been defined. At present this includes industrial units having fixed capital investment of less than Rs. 2 lakhs.

Industrial unit included under the small-scale and cottage industries by virtue of fulfilling the above capital investment requirement are a hybrid of units of various types ranging from the age-old household industries to 'modernized small-scale units. Broadly speaking, we can divide them into two categories

- (i) Modern Small-scale Industries
- (ii) Traditional industries

Modern Small-scale Industries

This category differs from large-scale industries largely in respect of the scale of output. These industries generally use power-driven machine. Like large-scale industries, they also employ modern production methods, engage labour on wages, produce for expanded market or if ancillary industries, sell to large industries. Their work-pattern is also on a permanent basis. The capital used is

supplied by the proprietor or through means like partnership or in part from financing agencies set up for this purpose, etc. This categories includes the artisans workshops engaged in activities such as repairing of various implements, machinery, vehicles etc.

Traditional industries

These are based on traditional skills and techniques. They are organized by individuals with privet resource and with the help of members of the household, and arc pursued as full-time or part-time occupation. The capital investment is small and the equipment used is simple. These industries generally use local resources and local skills. The output produce in each industrial unit is generally sold in the local market. Cottage industries are mostly to be found in village. These industries arc also called household industries, as they are organized with the help of members of the household.

The cottage industries can be further sub-divided into two categories:

- (i) Handicrafts: producing highly selective goods of high-skill workmanship (wood and ivory carving, carpet making, metal works, etc.).
- (ii) Village and household industries, producing common consumer goods and other utilitarian products predominantly by hand or using simple tools (pottery, leather products, hand-woven textiles, silk materials etc.). These village industries arc highly labour intensive.

The modern small-scale sector comes under Jurisdiction of Development Commissioner for Small Scale Industries, Village Industries mostly come under the jurisdiction of Jurisdiction of the Khadi and Village Industries Commission. The handicrafts industries fall within the Jurisdiction of All India handicrafts Board.

13.2 The Role of Cottage & Small Scale Industries in the National Economy

1. Role in Development

These industries occupy an important position in the national economy. Despite this, controversy has raged regarding their placement in the country's development profile, as also their future status. To have a correct perspective, we should analyse the arguments of those who advocate and those who oppose these industries.

(i) Employment Generation

Large-scale industries, in particular heavy industries and infrastructure, & capital intensive. Against this, the small scale-industries are generally labour intensive. Accordingly, they have substantially higher employment potential as compared to large scale industries. Since capital is scarce and labour abundant in India. The employment argument is the strongest argument in that can be Put forward for the support of Small-scale Industries and cottage industries in India. From the employment angle, it is further pointed out that these industries Can be established every where and anywhere in the country. Besides, they can be set up at the very doorstep of the workers mostly living in villages. These workers can combine the work in agriculture with that in industries. The Work in these industries can be switched-off and on as & when necessary. In this way seasonal unemployment can be very greatly eliminated. Thus, work for the employed more work for the underemployed, and supplementary work for the seasonal unemployed can be made available mainly through the medium of these industries.

(iii) Equitable Distribution

Large scale – industries generally promote. Monopolistic trends and unequal distribution of incomes. Against this, sma1l enterprises tend to create a situation of more equitable distribution of incomes. This is accomplished, because of the following three considerations :

(a) the ownership of small-scale industries is more widespread than the

Ownership of large-scale industries;

- (b) they possess much larger employment potential as compared to the large-scale industries; and
- (c) these can be set up anywhere and everywhere in the country. These industries enable vast number of people, earn income and share the fruits of economic development. In their absence, the only option before these people would be to remain unemployed or seek still less remunerative jobs

(iv) Capital Formation

Large-scale industries can not utilize the large of entrepreneurs spread over all towns and villages of the country. They can not mobilize the savings by people in areas far-flung from the urban centre. These tasks can be effectively accomplished by setting up a network of small-scale and cottage industries. In addition, a large number of other resources spread over the country can be put to effective use by the small-scale and cottage industries. Given necessary credit, power and technical knowledge a large quantity of latent resources of the economy can be mobilized for the purpose of industrial development. In addition, as and when these industries start getting facilities which are available to large scale industries in respect of credit, raw materials, transport, marketing etc. the labour productivity will increase and these industries will provide surpluses at an increasing rate

(v) Decentralization

While discussing of the growth of large scale industries in the preceding unit, it was pointed out that the growth tendency of massive concentration of large-scale industries. In the States of Maharashtra, West Bengal, Gujarat and Tamil Nadu was marked. Even in these States growth of large industries has tended to be

centralized in a few big cities like Bombay, Ahmedabad, Nagpur, Calcutta etc. Such a concentration of industries in a small number of places has led to many evil consequences; overcrowding of cities; pollution of air injurious to health and efficiency; other social evils that result from over-concentration of population in cities, etc. such a centralization is dangerous to the security of the country. Therefore, spreading industries throughout the country is of vital importance. Small-scale industries can be dispersed over the states easily. Besides using local resources, these industries will reduce the imbalance among regions and between urban and rural areas. By providing employment and incomes to people throughout the country, these industries will reduce tension among people of different states, and promote national integration.

(v) Industrial Peace

Large scale industries are ridden with more industrial disputes than the small-scale industries. Such industries frequently face strikes and lock-outs. Against this, small-scale industries are free from such hazards and there is consequently less loss of output. The workers of small-scale industries are not organized and have no way of expressing their resentment. In the case of cottage industries, the question of disputes does not arise at all since the main form of labour in these industries is family labour.

(vi) Consumer Goods

Industrialization with emphasis on heavy industries requires large capital investment leaving little for large consumer goods industries. Besides, capital goods industries have long gestation periods. During the long interval of time, income gets generated without a corresponding increase in goods. Further, the goods produced by these industries are producer goods which can help in the production of consumer goods only at a much later stage. In the meantime consumer goods need to be increased to match rising income in the modern industrial sector. If this is not done,

there result will be a rise in prices, leading to a rise in the cost of production. Small-scale, and cottage industries can be set up with small investment and with local resources and are capable of producing the much needed. consumer goods within a short period or time. It is precisely for this reason that India's strategy of industrialization based in favour of heavy industries, lays great emphasis on small-scale and cottage industries.

(vii) Foreign Exchange

Small-scale and cottage industries do not require much foreign exchange resources for their establishment and to that extent, place almost no burden on the balance of payment position. In addition, these industries can contribute to the, foreign exchange kitty of the country through adding to exports. In 1984-85 the share of small-scale and cottage industries in total export earnings of India was about 39 per cent.

(viii) Political and social Benefits

Small-scale and cottage industries can help in awakening the powerful dormant forces among masses for use in constructive activities. The freedom of work, self-reliance, self-confidence, enthusiasm to achieve, and all such traits of a healthy nation can be built around the material activities performed by these industries. These industries are helpful in the preservation of the inherited skill of our- artisan, which would otherwise languish and disappear. Many people will be saved from the mechanical, monotonous and robot like life associated with big industrial units.

Thus, small-scale and cottage industries are of great importance in India's economic life and development. They provide immediate large-scale employment, they offer a method of ensuring a more equitable distribution of national income and they facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilized. Some of the problems that unplanned

urbanization tends to create will be avoided by the establishment of small centers of production all over the country

(2) Position in the Economy

According to the latest estimate (Economic survey 1988-89), the value of production in small scale industries amounted to Rs. 85,700 corers in 1987-88, as compared to Rs. 12,400 crores in 1976-77 (at current prices). The number of small scale units increased from 5.86 lakhs in 1976-77 to 15.92 lakhs in 1987-88. Over the same period, employment in this sector increased from 55 lakhs to 107 lakhs. The share of these industries in the total output of the manufacturing sector is around 50 per cent. The growth rate of the production in the small-scale sector have been significantly higher than the growth rates in the median und large scale sectors.

Next to agriculture, small scales and cottage industries provide employment to the largest number of people. These industries employed about 3.15 corer persons in 1984-85. This is about 80% of the total industrial employment. There has been. progressive diversification in this sector. Beginning with simple consumer goods like soap, detergents, leather goods the sector has now entered into many sophisticated fields like microprocessors, mini-computers electronic appliances & watches, colour TV and electronic devices. In recent ears, significant effort have been made towards, progressive diversification and updating technology.

These industries are also earners of the much needed foreign exchange for the country. These earnings are considerable. Exports from the small-scale sector during the year 1986-87 amounted to Rs.3648 Crores and accounted for a share of about 29% in the total direct exports form the country during the year.

Production of most of these goods depends on local material and local manpower. As such these do not involve dependence on foreign sources. Their goods cater mostly to the local and domestic markets. These are widely

dispersed industries. These are found scattered in every nook and corner of the country in rural and urban & area. Thus, small-scale and cottage industries are very important for the country's economy.

13.3 PROGRESS DURING THE PLANS

In India, small scale and cottage industries have been assigned distinctive role in the development process. The industrial Policy Resolution of 1956 envisaged that small scale industries should develop as ancillaries to large-scale industries and suggested the under mentioned measures for dealing with their problems :

- (i) The growth of industries should be decentralised.
- (ii) Entrepreneurs engaged in small-scale industries should be given assistance in a positive form to enable them to improve their productivity.
- (iii) The artisans and craftsmen should be organized on cooperative lines.

Accordingly, with the objective of encouraging the development of small-scale and cottage industries, the following measures have been adopted by the Govt :

(1) Protection Through Systems of Licensing & Reservation

Govt. has restrained large scale industries from expanding unduly by introducing the system of licensing. In addition, the Government has adopted a policy of reserving products for exclusive production in the small sector. These are mostly in lines which offer maximum growth and employment. The policy also seeks efficiency in this sector by reserving products in whose case efficient production can be secured on a small-scale basis. The total number of items reserved for

exclusive manufacture in the small-scale sector stood as 835 at the end of January, 1989.

(2) Institutional Arrangements

Govt. has set up a number of institutions to provide most of the financial help and support to these industries. These institutions are of various types rendering diverse sorts of facilities to meet the various and peculiar needs of these industries. In this way the development of these industries has become a continuing process. Some of the important organizations are:

- The National Small Industries Corporation;
- Small Industries Development Organization;
- District Industries ,Centres;
- State Financial Corporations
- All India Handloom and Handicrafts Board;
- the Coir Board;
- the Central, silk Board;
- the Khadi and Village Industries Commission
- the State:Khadi and Village Industries Boards; etc.

All these agencies constitutes a sort of infrastructure for the promotion of these industries. Assistance in marketing has been provided through Small Industries Development Corporations of the-States. Regional Training Centres have also been established.

(3) Improving Skill and Technology

To improve infrastructural support Govt. has provided facilities for skill-formation and technological up gradation. To this end, an extensive institutional \$support network has been crated. These include provision of consultancy services, training, common facility services, entrepreneurship training etc. Measures are also adopted to evolve and propagate appropriate technologies which can achieve better utilization of local abundant' resources, substitution of raw materials available in

plentiful supply in place of scarce and imported once; development of simple processes to reduce drudgery, and fatigue of the workers, etc. Efforts are also made to develop different prototypes and transfer the same to the small-scale units for commercial production.

(4) Purchase Preference

Government has also pursued a policy of purchase preference to the small scale sector. Under the Govt. stores purchase programme, 409 items have been reserved for exclusive purchase from small-scale sector, while 13 items are reserved for purchase up to 75 % and 28 items for purchase up to 50 per cent.

(5) Facilitative Measures

Land is allotted on easy terms to the small units. Assistance is provided in processing of them, this orders from government departments and offices. There is liberalization of the import of certain critical raw materials for them. There is simplification and dispensing with some procedural formalities for obtaining import licence. Duty exemption is granted to the manufacturers of intermediate products where such products are used for export production. Machinery for small scale manufacturers are produced on a hire-purchase basis on concessional terms. There are services for the marketing of the products of small units.

(6) Credit Facilities

Credit facilities are provided to these industries for the purchase of fixed assets and working capital on liberal terms by several agencies like the commercial banks, co-operative banks, Regional Rural Banks, State Finance Corporations and the Industrial Development Bank of India. Much of the credit is at concessional interest. These industries are also included in the priority sector for commercial bank lending. In May, 1988 the Industrial Development Bank of India has introduced a single window for financing of fixed assets and working capital to tiny and small scale units. A

National Equity Fund was set up in 1987-88 with the object of providing special attention to the needs of the smaller amongst small scale units. Under the scheme, assistance is provided by way of seed capital in the form of soft loan to

eligible small and tiny 'industries with project cost not exceeding Rs. 5 lakhs and located in villages or towns with population not exceed 5 lakhs.

The number of facilities available to small industries may sound impressive; however, there have been certain limitations which need to be mentioned. Technical assistance, by and large, is limited both in range and quality. Raw materials supplies often do not measure up to demand or specifications. Provision of machinery through hire-purchase has in recent years not been satisfactory. Marketing strategy is at times only in name.

In respect of institutional finance most of the beneficiaries have been larger units among the small-scale industries. Tiny units and artisan type units have gained very little. Very small units, therefore; have been forced to depend substantially on the middlemen for the supply of their inputs and marketing outlets. In the light of weaknesses mentioned above it is necessary that the policy is fully implemented, so that the units are made efficient, viable and self-reliant.

Substantial progress has been registered by these industries during the period of Fifth and Sixth Five Year Plans as would be clear from Table-1. This table shows that production in small-scale and cottage industries increased from Rs. 13,600 crores in 1973-74 to Rs. 33,538 crores in 1979-80 and further to Rs. 65,730 crores in 1984-85. Exports also increased significantly from Rs. 852 crores to Rs. 4558 crores over the same period. Employment increased from 176 lakh persons in 1973-74 to 234 lakh persons in 1979-90 and further to 315 lakh persons in 1984-85. Within the manufacturing sector, this represents about 80 per cent of the total industrial employment

Table-1

Achievements-Village and Small Industries

S.N.	Production (Rs. in Crores)			Exports (Rs. in Crores)			Employment		
	1973-74	1979-80	1984-85	1973-74	1979-80	1984-85	1973-74	1979-80	1984-85
Traditional Industries	2183	4447	7726	314	1231	2208	102	131	165

Mode rn Industrie s	918 0	2488 5	5694 3	538	1050	2350	50	78	122
Other s	223 7	4206	1061	---	---	---	24	25	28
Total	13600	33538	65730	852	2281	4558	176	234	315

Source : Government of India, Planning Commission, Seventh Five Year Plan, 1985, Page-90,

VILLAGE AND SMALL ENTERPRISES DIVISION:

The definitions of given in MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006 are as under:

	Investment in plant and machinery/equipment (excluding land and building)	
	Manufacturing Enterprises	Service Enterprises
Micro Industry	Up to Rs. 25 lakh	Up to Rs. 10 lakh
Small Industry	More than Rs. 25 lakh and up to Rs. 5 crore	More than Rs. 10 lakh and up to Rs. 2 crore
Medium Industry	More than Rs. 5 crore and up to Rs. 10 crore	More than Rs. 2 crore and up to Rs. 5 crore

Village & Small Enterprises Division covers micro, small and medium industries under Ministry of Micro, Small and Medium Enterprises (MSME) including Khadi & Coir sector. This Division also covers Handloom & Handicraft sector under Ministry of Textiles and Food Processing sector under Ministry of Food Processing Industries.

This Division finalized the schematic Annual Plan outlay for the year 2013-14 after an in-depth examination and discussion with the Ministries/Departments. It attended various State Annual Plan meetings and other important meetings of the Ministries/Departments. EFC/ SFC notes were examined from techno economic angle and comments were given for incorporation in the EFC/SFC note.

The developmental schemes/ Programs under implementation in the VSE Sector by various Ministries were examined considering needs of women, Scheduled Castes, Scheduled Tribes, minorities, etc.

New Scheme namely Promotion of ICT Tools in MSME under NMCP has been given an "In Principal" approval to extend benefit to MSME sector. An Evaluation Study on PMEGP scheme implemented by Ministry of MSME has been assigned to an independent consultancy firm to assess the impact of the scheme for employment generation and the study recommended measures for more visible impact and the same has been conveyed to the concerned Ministry for necessary action. Progress of KRDP has been reviewed to assess the impact of benefit to Khadi Artisans loom and improve competitiveness.

With a view to lay greater emphasis on decentralized implementation and involve the States, approval has been accorded for launching a Centrally Sponsored Scheme (CSS) titled National Mission of Food Processing. The mission will subsume a number of initiatives/schemes like Scheme for Technology Upgradation Scheme for cold chain, Scheme for modernization of Abattoirs etc. It is being implemented by Ministry of Food Processing Industries (MFPI). In addition, MFPI is implementing a major scheme titled Mega Food Park.

Major Programmes under the purview of Village & Small Enterprises Sector with outlay during 2013-14.

S.No.	Programs	Outlay Rs. In Crores
1	MSME Clusters Development Programs	53.00
2	Credit Linked Capital Subsidy Scheme	387.75
3	Credit Guarantee Fund Scheme for MSEs	75.00
4	Prime Minister's Employment Generation Programme(PMEGP)	1418.28
5	Khadi Reform Programme	50.00
6	Scheme of Fund for Regeneration of Traditional Industries (SFURTI)	55.46
7	Handloom Weavers Comprehensive Welfare	95.00
8	Comprehensive Handloom Development Scheme (CHDS). It includes following two components – i. Marketing & Export Promotion for Handloom	117.00

	ii. Integrated Handloom Development Scheme	
9	Handicrafts Artisans Comprehensive Welfare Scheme	39.00
10	Infrastructure & Technology Development Scheme	38.00
11	Catalytic Development Programme(CDP) in Sericulture	291.00
12	Mega Clusters Scheme	77.00
13	Rejuvenation, Modernization and Technology Up gradation of Coir Industry	16.00
14	Infrastructure Development Scheme for Food Processing Industry	247.00
15	National Mission on Food Processing Industry	187.00

District Industries Centers: The concept of District Industries Centers (DICs) was enunciated in the industrial policy statement of December 1977, It was envisaged that agency in each district called the District Industries Centre would be established mainly to provide and arrange a package of assistance and facilities for credit guidance, raw materials, training, marketing etc. including the necessary help to unemployed educated young entrepreneurs in general and custom services. The government also initiated the 'nucleus industry' programme, the idea being that there should be an emphasis on the development of a core unit around which a nucleus of small units can grow in each area, hitherto deprived of industrial activity. The core units were to off load at least 50 per cent of the total manufacturing programme to ancillaries, to be developed in the area. At present, 397 DICs are operating in the country. They cover 410 districts out of the total 415 districts in the country (except Bombay, Calcutta, Delhi and Madras).

The Seventh Plan kept an outlay of Rs. 2753 crores for the small-scale and cottage industries. The production is expected to increase from Rs. 65730 Crores in 1984-85 to Rs. 100,100 crores in 1989-90 and exports from: Rs. 4558 crores to Rs. 7444 crores over the same period: Employment is targeted to increase from 315 lakh persons in 1984-85 to 400 lakh persons in 1989-90.

This short review shows that the small-scale and cottage industries have registered a phenomenal growth in the post-independence period, particularly during the last 15 years or so. In an appraisal of government policies regarding small-scale industries, Arun Ghosh finds that a great deal of government support has in the past been directed with some success, in favor of modern small-scale industries, while similar efforts to aid village industries have not succeeded in the same measure. While there has been a phenomenal growth in the units, investment and output of modern small-scale sector, this development has been concentrated in a few metropolitan areas and large towns, and only a few of these units account for a substantial part of the total output of this sector. Institutional credit has generally gone to a small percentage of small scale units. This is considerable under-utilization and sickness in the small scale sector. While modern small-sector does show a fairly high overall rate of growth the same cannot be said of the traditional crafts and village industries in the unorganized sector. In any case, support by way of raw material supply, easy credit and marketing has not been available in any significant manner to traditional village industries. As a result, though employment in the modern small-scale sector has been rising, it is totally inadequate to solve the problems of unemployment in the rural areas. Even in urban areas, the employment opportunities in small-scale industry have risen mainly in metropolitan areas and a few other large towns and selected areas.

13.4 Finance

Like large-scale industries small-scale and cottage industries also need finance for fixed assets and working capital. Their sources are both traditional and modern, and both are important. However, these industries are faced with certain difficulties which are peculiar to them. We describe their sources of finance and their difficulties.

1. Traditional Sources

Money-lender and Indigenous Bankers: Money-lender predominates in the rural areas and one of some significance, in the urban areas also. However,

in the urban areas it is indigenous Banker who does much of the financing of small industries. Considerable finance flows from these sources. These sources are also, important because these often come to the aid of these industries at very critical times and that too with little fuss. But the financing from these sources has not been of much help in ensuring a proper use of funds or in promoting productive activities along healthy lines. Interest charges too have been quite high. Repayment conditions too are stiff. New and risky ventures get very little from these sources

2. Modern Sources

(i) Commercial Banks

Banks offer mostly short-term credit. They have also been helpful in setting up of industrial estates. Since these banks are largely urban-oriented in their working, government established regional rural banks to meet the credit needs of the village industries and craftsmen. By the end of June 1987, 1988 Regional Rural Banks have been established, which cover 34th district of the country.

(ii) Financial Institutions:

The State Finance Corporations have been set up to extend long-term finance to small and medium-scale industrial undertaking organized as public or private companies co-operatives, partnerships or proprietary concern.

They render assistance in the following forms:

- (a) Grant of loans and advance industrial concerns for period not exceeding 20 years;
- (b) Subscription to debentures repayable within a period of 20 years;
- (c) Guarantee of loans raised in the market or from scheduled or co-operative banks by the industrial concern and repayable within 20 years;
- (d) Guarantee of deferred payments for purchase of plant, machinery, etc. within India;

- (e) Under-writing the issue of stocks, share, bonds and debentures by Industrial undertakings.

The Industrial Development Bank of India has shown particular interest in the small sector. From the very beginning it has been operating a scheme under which the small-scale industry receives financial assistance at concessional terms. The IDBI also provides indirect financial assistance to such entrepreneurs who possess adequate technical skill and have viable project in hand but lack adequate capital. Of particular importance is the setting up of Small Industries Development Fund in May 1986 to facilitate the development and expansion of small industries. In May, 1988 the IDBI had introduced a Single Window Scheme for financing of fixed assets and working capital to small-scale units. This refinance scheme enables State Financial Corporations and twin-function Small Industries Development Corporations to provide, through a single window, both term loan for fixed assets, and working capital to new small scale units whose project cost does not exceed Rs. 5 lakhs. Besides, providing term loans for fixed assets, SFCs/SIDCs will also now simultaneously provide working capital loans up to Rs. 2.5 lakhs. Other all India Institution which provides finance to the small industries are the industries-cum-Finance Corporation, and industrial Credit and investment Corporation. Self-employment scheme is also in operation. Under the scheme the loan limit for industrial ventures is Rs. 35,000. In the modified schemes, the beneficiaries for industrial and service ventures will also include those who have passed out from the Industrial Training Institutes apart from the matriculates and above. During 1987-88, 1.2 lakhs cases were sanctioned by the banks involving an amount of Rs. 259 crores.

1.	Karnataka	7062	4.4	42359	5.0
2.	Kerala	6903	4.3	29630	3.5
3.	Madhya Pradesh	8727	5.5	93798	11.0
4.	Maharashtra	1733	10.	40944	4.8
		8	9		

5.	Orissa	2163	1.4	13319	1.6
6.	Punjab	1482 7	9.3	69753	8.2
7.	Rajasthan	8055	5.0 1	47127	5.5
8.	Tamil-Nadu	1845 7	11. 6	59750	7.0
9.	Uttar Pradesh	1383 9	8.7	88126	10.4
10.	West-Bengal	1690 4	10. 6	120692	14.2
11.	Delhi	5327	3.3	18904	2.4
	All India (including others)	1593 21	100 .0	757006	100.0

Source : Small Industries Development Organization , Annual Report

About 46 % of the total addition in small-scale industries had been in four State, viz. West Bengal, Madhya Pradesh, Uttar Pradesh and Punjab.

Recognizing that one of the impediments blocking the industrialization of backward areas is the absence of infrastructural facilities, the Government has announced a decision to set up 100 growth centre throughout the country over the next five years or so. It is intended that these growth centres should serve as gravity centre for attracting industries to backward areas through adequate development of infrastructure in these growth centres. The growth centres will be located close to District/ Sub-division/ Block/ Tehsil Headquarter or developing urban centres. The growth centres would be endowed with infrastructural facilities at per with the best available in the country. Each growth centre, would be provided with funds to the order of Rs. 25 crores to Rs.30 crores in order to create infrastructural facilities of a high order such as proximity/access to rail-heads, national or state highways, water supply, Power, communication facilities and educational health facilities

13.5 Problem of small-scale And cottage Industries

The Cottage and Small-scale Industries sector has played a vital role in the development of the economy and still there is scope for increase in production and Productivity. The product of this sector have been accepted on an increasing scale in the foreign market and as ancillary items to the large scale units in the country. More and more sophisticated items of consumption are being produce by this sector. However, the growth and development of this sector has been constrained by several factors, major once are following :

An apex bank is being set up for small-scale industries, a bill regarding which has been enacted during the current parliamentary session (July-August, '89). This bank is supposed to streamline and channelize funds for the small scale industries.

13.6 Location

The Industrial Policy Resolution 1956 called for reduction in regional imbalances and inequalities. Spreading industries throughout the country is therefore, of vital importance. Besides using local resources, these industries will reduce he imbalance among regions and between urban and rural areas. By providing employment and income to people throughout the country, these industries will reduce the tension among people of different states, and promote national integration.

Planning Commission in its revised draft of Sixth Five Year Plan has drawn attention to inter-state disparities in levels of industrial development, though these disparities seem to have narrowed over the past 15 years. Promotion of cottage and small-scale industries is one of the several measures adopted during the different plans for the dispersal of industries and balanced regional growth. However, this long term objective set for the village and small industries sector has not been achieved. The modern small industries including power looms have not been

dispersed widely. Most of them are concentrated in developed States and within these stars also, a few areas which are either large cities, developed urban concentrations or industrial complexes account for most of the activity. Table-2 shows that in 1973, about 40 per cent of the small scale industries were located in four major industrially developed States, viz Gujarat, Maharashtra, Tamilnadu and West Bengal. During the period 1973-1985, the share of these four States come down to 32 per cent. However, among the industrially backward States only Madhya Pradesh, Uttar Pradesh and Haryana have shown significant improvement in the relative share .

Table- 2
State Distribution of Registered Small Scale Industries

S. No.	STATE/ U.T.	1973		1985	
		NUMBER	PERCENT AGE	NUMBER	PERCENT AGE
1.	Andhra Pradesh	8999	5.6	49142	5.8
2.	Assam	1735	1.1	6543	0.8
3.	Bihar	6368	4.0	40222	4.7
4.	Gujarat	11599	7.3	48733	5.7
6.	Haryana	5361	3.4	44204	5.2
7.	Himachal Pradesh	1729	1.1	7486	0.8
8.	Jammu & Kashmir	1232	0.8	13367	1.5

(1) Finance and Credit

The scarcity of finance and credit is the main obstacle in the development of small scale industries. The position of cottage industries in this regard is even

worse. The capital base of small industrial units is usually very weak since they generally have partnership or single ownership. The artisans and craftsmen running cottage, industries either run their business with whatever little capital they possess or take credit from the Mahajans or the traders who supply raw material to them. In many cases such credit is obtained on a very high rate of interest and is thus exploitative in character. The small scale industries are somewhat better placed. Availability of institutional credit is increasing at a rapid pace. However, medium and long term capital requirements continue to pose problems. The criterion of 'credit worthiness' still weighs heavily with the commercial banks. This has adversely affected their production and marketing activities.

(2) Raw Material Availability

The raw material available to the units of this sector is neither adequate nor of high quality. The competing mill-sector, through its better buying capacity and arrangements, corners material of good quality and at a cheaper rates. As against this, the small sector unable to undertake bulk buying, is forced to take whatever quantity is available at high prices and of whatever quality. Often small industries do not get raw material on time. As a result these industries fail to produce goods in requisite quantities of good quality and at cheap rates. The situation is worse in cases of cottage industries. For example in handlooms industry weaver depend for raw material requirements of local traders. These traders often supply cotton yarn on the condition that the weavers would sell the cloth only to them when it is ready. The traders sell cotton yarn to them at high prices and purchase the ready cloth at low prices. Thus they are subjected to double exploitation at the hands of traders.

(3) Old Methods and Inferior Techniques

Machinery and other equipment in many small scale and cottage industries have grown obsolete. Modern methods and techniques which have revolutionized industrial production have not as yet become an integral part of the set up of India's small-scale and cottage industries. Moreover, the small-scale units often do not care about the changing taste and fashion of the people. Accordingly, modernization and rationalization are urgently required in small-scale industries.

(4) Problems of Marketing

The small-scale and cottage industries continue to face a multiplicity of problems in the field of marketing. These units often do not possess any marketing organization and consequently their products compare unfavorably with the quality of the products of large-scale industries. Therefore, they suffer from a competitive disadvantage vis-à-vis Large-scale units. Because of shortage of capital and financial resources these units do not have adequate staying capacity and are often forced to sell their products at unremunerative prices. Artisans have to waste their time in marketing which could be better used for production. Thus, they get into a vicious circle, inadequate marketing results in low prices and wastage of time, which in turn lead to little production and of low quality.

(5) Under-utilization of Capacity

This problem has become serious in recent times. Despite efforts to activate the idle capacities the magnitudes of unused capacity remains larger ranging from 45 to 60 per cent in many cases.

(6) Sickness

The growing incidence of sickness is one of the more serious problems, being faced by industrial units of the small-scale sector in India. As at the end of June, 1987, the total number of sick units in the portfolio of scheduled commercial banks stood at 1,58,226 involving an outstanding bank credit of about Rs. 1542 crores. These units are 7.8 per cent of the total units provided with bank credit and outstanding credit is 15.7 per cent of the total credit provided to this sector by the banks.

(7) Other Problems

In addition to the problems enumerated above, the small-scale industries face a number of other problems, like unorganized nature of operations, constraints of infrastructural facilities including power deficient managerial and technical skill, imperfect knowledge of market conditions, burden of local taxes, competition from large-scale industries, and lack of research. Quality consciousness has not been generated to the desired level despite the various measures taken in this regard. Some of the fiscal policies pursued have resulted in unintended splitting up

of the capacities into uneconomic operations and have inhibited their smooth transfer to the medium sector. All these constraints have resulted in a skewed cost structure placing this sector at a disadvantage vis-à-vis the large industries, both in the domestic and export markets.

13.7 Summary

In this unit we have discussed the role of small-scale and cottage Industries in the development process. The present position of the sector in the Indian economy has been discussed with the help of available data. Progress during the Five Year Plans has been reviewed. We have learnt that govt. efforts include protection through licensing and reservation institutional framework to help and support facilities for skill-formation Technological up gradation, purchase preference, credit and other infrastructural facilities and some fiscal measures Financial institutors and commercial banks are providing credit for the purchase of fixed assets as well as for work capital. We have seen that product of this sector have been accepted on the increasing, scale in the foreign markets and as an ancillary items to the large-scale units. More and more sophisticated items are produced by this sector. However, some of long term objectives set for this sector are still to be achieved. The modern small-scale industries have not dispersed widely. The smaller among the small scale units have not benefited adequately. We have also got an idea of the constraint on the growth and development of this sector. Technological obsolescence inadequate and irregular supply of raw material, lack of organized marketing channels, imperfect knowledge of market conditions, inadequate availability of credit, deficient managerial and technical skills, power cut is the major constraints. On the basis of discussion in this unit we can conclude that all these constraints have resulted in a skewed cost structure placing this sector at a disadvantage vis-à-vis large Industries both in the domestic and export markets. It has resulted in growing incident sickness. To enable small and cottage industries to play their role well in the development of the country, it is necessary

to remove their difficulties and make them healthy, competitive and sound. These problems of the sector have been discussed in detail.

13.8 Self-Assessment Test

Answer the following question is not more than one page each, so that you know how much you have understood the subject discussed in this unit:

1. Distinguish between cottage and small-scale industry
2. Briefly mention the present position of small-scale and cottage industries with respect to income generation, employment, and foreign exchange earnings.
3. Discuss the measures which have been adopted by the government encouraging development of cottage and small-scale industries during the Plan Period.
4. Mention the constraint in the growth and development of cottage and small-scale industries in India.

13.9 KEY WORDS

Tiny Sector : Industrial units having fixed capital investment (excluding land) of less than Rs. 2 lakhs.

Handicrafts : Cottage industries which produce highly selective product of high skills workmanship such as wood and ivory carving, carpet making, metal work etc.

Consumer Goods : Consumer goods compromise all durable and non-durable goods wanted or direct satisfaction of human wants.

UNIT-14

Conceptual Aspects of Labour Statistics

OBJECTIVES:

After going through this Unit, you should be able to understand:

- the meaning and nature of Labour Statistics in India.
- historical growth of Labour Statistics in India.
- significance, scope, limitations of Labour Statistics in India and
- gaps in the field of Labour Statistics in India.

STRUCTURE:

- 14.1 Meaning of Labour Statistics
- 14.2 Nature of Labour Statistics
- 14.3 Significance of Labour Statistics
- 14.4 Scope of Labour Statistics
- 14.5 Historical Growth
- 14.6 Limitation of Labor Statistics
- 14.7 Gaps in Labour Statistics
- 14.8 Summary
- 14.9 Self-Assessment Test
- 14.10 Further Readings

14.1 MEANING OF LABOUR STATISTICS

The term 'labour' is very wide and has Extensive connotations. It covers all types of workers engaged in trade, commerce, industry and agriculture. An attempt has been made here to discuss chiefly statistics related to industrial labour because other forms of labour are not organized and adequate statistics and figures are not available about them

Labour statistics, are collected mainly to meet the needs of administration. In some cases the furnishing of such statistics, is a statutory obligation on the employers or trade unions, in other, they are gathered in the course of routine administration.

Statistics, relating to labour are required to serve as a barometer of labour conditions prevailing in a country and to help for formulate steps that needs to be taken, by the Govt. and employers towards labour welfare. In simple words the collection, presentation, analysis and interpretation of the facts relating to various aspects of labour may be called as Labour Statistics.

The term statistics, is used to mean either statistical data or statistical methods. When it means statistical data it refers to numerical descriptions, of quantitative aspects of things. These descriptions may take the forms of count or measurement. Hence statistics pertaining to employment in Mines will include number of person employed in Mines wage earners, salaried employees, foremen and apprentices, average daily number of persons employed their sex etc. The information, collected in this regard is an example of Statistical data.

The Statistical approach to any labour problem may broadly be the following four heads:

1. Collection of facts
 2. Organization of facts
 3. Analysis of facts; and
 4. Interpretation of facts.
-
1. Collection of facts is the first step in the statistical treatment of a problem. Numerical facts are the raw materials upon which the statistician is to work. Collection of information is a very important process. There are many methods of collecting the data. The validity of the statistical conclusion is governed by the reliability and dependability of the data. Data should be collected in planned manner.

2. The data so collected will more often than not be a huge mass of facts running into hundreds and thousands of figures. For the proper understanding of data their irregularities must be brushed off and their bulk be reduced, i.e., some condensation must take place. Condensation implies the organization, classification, tabulation and presentation of the data in suitable forms.
3. The process of statistical analysis is a method of abstracting significant facts from the collected mass of numerical data. This process includes such things as 'measure of central tendency' - the determination of Mean, Median and Mode - 'measures of dispersion' and the determination of trends and tendencies, etc. This is more or less a mechanical process involving the use of elementary mathematics.
4. The interpretation of the various statistical constants obtained through a process of statistical analysis is the final phase or the finishing process of the statistical techniques. It involves a study of those methods by which judgments are formed and inferences obtained. To make estimates of the population parameters on the basis of sample statistics is an example of the problem of interpretation.

14.2 NATURE OF LABOUR STATISTICS

Labour statistics are compiled primarily for national purposes and it would be quite idle to expect the national statistical services to reduce the domestic utility of the statistics in the interest of international comparison. Any modification made with a view to improving the international comparability must be such as will improve the national utility of statistics. Regional Approach: Though the experience of advanced countries may lend a helping hand, it is primarily the task of the countries concerned to consider what concrete steps should be taken, in the light of local conditions, to reach the level of international standards. A huge body of statistical data is collected in the United States by the Bureau of Labour Statistics through voluntary co-operation and the need for legal compulsion has not been felt. Experience in India during the last three decades shows that voluntary

methods in the collection of statistics are not satisfactory. The majorities of employers are not yet well organized and are not convinced of the utility of statistics. The only way of getting reliable and complete statistics at the present stage is by legal enforcement and that is the reason for enacting the Industrial Statistics Act for collection of statistics relating to factories and labour.

14.3 SIGNIFICANCE OF LABOUR STATISTICS

Labour statistics and Labour research have been widely used in recent years for over-all economic planning. They are considered as vital economic indicators. In a country embarking upon planning, the importance of labour statistics cannot be overemphasized. Framing of Labour policies, planning of production implementation of social welfare activities etc. would not be possible without statistics. The proper function of labour statistics is to enlarge our knowledge about the various aspects of labour and to lend precision to our ideas that would otherwise remain vague and indeterminate. The facts collected as labour statistics are now in a shape when they can be used for the purpose of comparisons and contrasts. Certain facts, by themselves, may be meaningless unless they are capable of being compared with similar facts at other places or at other periods of time. Thus the data collected on all the subjects relating to labour in India may be compared with those of other countries. The data collected on all aspects of labour have importance. For example, the data on employment and labour force had assumed great importance during war time on account of the acute shortage of manpower shortage and the consequent need for effective correlation of manpower demands with supply. Besides, employment data are a valued adjunct in the operation of almost all state and Central Government Policies. For example, social security and full employment measures cannot be operated without comprehensive information on the structure of labour force.

A statistical approach to any problem related labour field not only leads to its correct description but also indicate Lines along which it is to be tackled, labour statistics supplement our knowledge with more precise facts than were hitherto

available labour statistics thus help in the planning and formulation of future policies.

Quantities data will, have to be collected and analyzed, if a workable personnel plan is to be carried out. The only route for a personnel officer or labour officer is to get acquainted with the labour force numbering hundreds or thousands or even lakhs, to know its members through statistical analysis the wage standards. This type of statistical study is required for different jobs.

In a labour dispute it is the official of the union that generally represents the workers. It is through statistical data that a man, representing the workers, knows about the working condition, rates of wages, frequency of lockouts, monthly earnings and other matters in the industry where the dispute may arise. Again, in negotiation Conferences, proper data competently collect honestly analyzed may lead to an early and just solution of the differences.

14.4 SCOPE OF LABOUR STATISTICS

The field of the labour statistics is one of the most extensive fields in official statistics. According to the International Labour Office (I.L.O.), statistics of labour cover the following items:

1. Major economic classification
 - (a) Classification of industries
 - (b) Classification by status
2. Labour force, employment, unemployment and under employment.
3. Wages, hours of work and labour, income.
4. Consumer Price Indices
5. Family Living Studies
6. International comparison of real wages
7. Social Security
8. Industrial injuries of occupational diseases

- 9. Industrial Disputes
- 10. Collective Agreements
- 11. Migration

These statistics are required to serve as a barometer of the labour conditions prevailing in a country and also the steps taken by the Governments and employers towards labour welfare.

EMPLOYMENT

Overall employment data for the country were collected under the decennial population census conducted in 1961, 1971 and 1981. Here it is intended to discuss several statistics of employment for the organized sectors of economy.

Employment in factories:

Statistics of Employment in factories are collected under the Factories Act, 1948. The information is compiled from the annual returns submitted by the factories to the Chief Inspector of Factories. The Chief Inspector of Factories furnishes to the Labour Bureau returns showing industry-wise classification of the employed in his State. The Labour Bureau compiles the information on an All-India basis and publishes it in the Indian Labour Year Book. The annual returns filed under the Factories Act give information relating to :

- (i) Average number of workers employed (men, women, children separately);
- (ii) days worked;
- (iii) number of hours worked; and
- (iv) intervals.

Employment in Mines :

Annual statistics relating to average number of persons (including wage-earners, salaried employees, foremen and apprentices) employed in mines and quarries, covered by the Mines Act, are collected by the Chief Inspector of Mines under the statutory provision, and published in his annual reports on the working of the Mines. For 1951 these statistics relate to the whole Indian union. The total number of persons employed are classified according to 'minerals produced', The total employed in each type of mineral production are classified according to State. There is a further classification as 'underground', 'open-working', and 'surface'

workers. The last two categories are classified according to 'sex'. A monthly series of average daily number of workers employed in coal mines is also published by the Chief Inspector of Mines.

Employment in Plantations:

Annual statistics relating to employment in plantations are compiled and published by the Directorate of Economics and Statistics, Ministry of Food and Agriculture, in its publications entitled 'The Indian Tea Statistics', 'The Indian Coffee Statistics' and 'The Indian Rubber-Statistics'. The returns from individual estates are collected through the State Govt. agencies. The figure of average daily employment is obtained by dividing total attendances during a year by a standard figure of 300 working days. Information with regard to the extent of employment of women and children in plantations is available only for tea estates in Assam from the figures published by the Controller of Emigrant Labour in his annual reports. Besides this, information with regard to employment in 'Post and Telegraphs', 'Railways', 'State Motor Transports', 'Seamen', 'Municipalities', 'Building and Construction (CPWD)' and 'Central Government Establishments' is also available in the Indian Labour Year Book.

Statistics of Unemployment:

Statistics of unemployment are practically non-existent in our country. There is no statutory obligation for the registration of the unemployed. There is no unemployment insurance and the trade unions also, which could provide another source for unemployment statistics, have not taken any initiative in this regard. In the absence of anything better the series showing the number of applicants on Live Registers of Employment Exchanges at the end of each month is taken to be an indicator on unemployment situation in the country. But there are the following defects in this series:

- (a) Registration is purely voluntary and is not subject to any incentive except that persons desirous of jobs (other than highly technical, professional, scientific and administrative in nature) under the Central Govt. cannot be considered, unless they are recommended by an Employment Exchange,

- (b) The rural population is generally under-represented because of the distance of the Employment Exchange from their places of residence.
- (c) Persons seeking alternative employment while on some jobs are also allowed to register themselves at Employment Exchanges.
- (d) A number of registered persons do not inform the Exchange on getting a job through their own efforts.

Statistics of Absenteeism :

Absenteeism is statistically measured by the percentage of man-shifts lost due to absence to the corresponding total man-shifts scheduled to work. Such statistics for selected industries at important centers are maintained and published by the Bureau, some of the State Governments and the office of the Inspector of Mines. The Employers' Association of Northern India also compiles statistics of absenteeism in regard to certain industries at Kanpur. The methods followed by the different agencies, however, are not uniform. These statistics, except those relating to absenteeism in Mines, are based on voluntary returns furnished by selected large concerns.

Monthly statistics of absenteeism covering all workers in coal mines are compiled and published by the Chief Inspector of Mines.

Statistics of Labour turnover:

Labour turnover measures the extent to which the old employees leave and new employees enter into service of an organization in a given period. There are, therefore, two aspects of the problem, viz, the proportion of workers who enter into employment in a given period of time relative to those who leave it. A monthly series of statistics of labour turnover is available in respect of the Cotton Industry in Bombay from 1950 onwards. This is compiled by the Government of Maharashtra.

Trade Union Statistics:

Trade Union Statistics are collected as a result of the administration of the Indian Trade Unions Act, 1926. Under this Act registered trade unions are required to submit annual returns which are compiled by state Governments and supplied to the Government of India. The data, thus, received from the States are published annually by the Government of India in the form of a brochure. It is not compulsory for all trade unions to get themselves registered under the Act, and a number of trade unions function without being registered. The data with regard to such unions are not available. Besides, some of the registered trade unions do not submit returns.

Statistics are available about the number of trade unions registered under the Act, the number of unions that have furnished the returns, membership of unions (classified according to sex). Information is also available about :

- (i) Number and membership of trade unions classified according to States;
- (ii) Number and membership of trade unions according to industries and sex;
- (iii) Distribution of trade unions according to size (membership)
- (iv) In the statutory returns that are submitted by the registered trade unions information is given about their finances.

Statistics of Industrial Injuries:

Statistics of injuries are based on the number of persons (skilled or disabled) involved in industrial or work accidents. For statistical purposes the number of injuries is the number of persons receiving injuries as a result of accidents. Such statistics are collected under the provisions of the Factories Act, Mines Act, Indian Railways Act and the Indian Dock Laborers' Act. There are two important measures of injuries viz. (Frequency rate, and ii) Severity rate.

The standard methods of calculating these are as follows :

- (a) The frequency rate should, if possible, be calculated dividing the number of injuries (multiplied by 1,000,000) by the number of hours of working time of all persons covered, and

- (b) The severity rate should be calculated by dividing the number of working days lost (multiplied by 2,000) by the number of hours of working time of all persons covered.

Statistics of Industrial Disputes:

Statistics of industrial disputes are compiled by the labour Bureau on the basis of the reports received from the State Labour Departments. All India statistics are published every month in the Indian Labour Gazette. Such statistics are collected through voluntary submission of returns by the employers, but official agencies are also utilized to trace the occurrence of disputes and to collect fuller details relating to them. These relate to industrial disputes (both strikes and lockouts) resulting in work stoppage involving ten or more workers in all Sectors of employment including mines, trade, transport, plantations etc. The data available refer to :

- (i) Number of disputes
- (ii) Number of workers involved
- (iii) Duration of disputes and
- (iv) Number of worker involved.

All this information is available with regard to each State and each industry. The disputes have also been classified according to causes, e.g., wages and allowances Bonus, Personnel Leave and Hours of work etc.

Statistics of Social Security and Labour Welfare:

Statistics relating to Social Security measures are published by the Labour Bureau in the Labour Year Book and Indian Labour Statistics. Social security measures are provided under the various labour laws e.g. Workmen's Compensation Act, Employees State Insurance Act, Maternity Benefits Act and the Employees r Provident Fund Act. Statistics are available on various aspects, as the number of workers getting benefits or compensation the amount of benefits given, the rates at which given and the coverage of above Acts.

Statistics of Wages:

Statistical data with regard to wages emerge mainly from two sources, viz.

- (i) The reports of various committees or commissions, and the reports of the wage-census conducted by different State Governments at different times
- (ii) The administration of the various labour laws, e.g. the Factories Act,--the Payment of Wages Act, etc.

In the matter of collecting wage-statistics the Govt. of Bombay took a lead by conducting a comprehensive wages census covering all manufacturing industries in 1954. Similar surveys have been conducted in Bihar, U.P. and Madras. The Labour Bureau also conducts from time to time wage enquiries. The reports of the Labour Investigation committee (known as Rege Committee) provides statistics of wages with regard to certain industrial, centers. Besides these ad hoc census and reports of the commission, valuable statistical information regarding wages is available in the Annual Report of the Working of Factories Act, and the Annual Report of the Chief Inspector of Mines. The report on the annual census of manufactures also provides statistics of wages in different industries covered by the census. Information on earning of factory workers emerges also in the returns under the Payment of wages Act. This Act applies only to persons employed in factories including Railways who receive wages and salaries below Rs. 200 per menses. According to this Act the term 'wages' means all remuneration capable of being expressed in terms of money. It does not include the value of any house accommodation, supply of light, water and other things, employers' contribution to Provident Fund and Pension Funds, etc. Recently the provisions of the Act have been extended to other sectors also, e.g. mines, plantations, tramways, etc. The returns submitted under this Act contain figures in regard to average daily employment and total wages paid during the year. For obtaining statistics of Agricultural Wages, on a uniform and regular basis, the Directorate of Economics and Statistics prepared a scheme in 1960 envisaging the collection of wages data regarding various types of agricultural labour on a monthly basis from each district, consolidation of district returns at state headquarters, and their compilation on an all India basis by the Directorate. The information is published in the 'Indian Agricultural Wages Statistics'. Besides this the Agricultural Labour Enquiry Committee also collected wage statistics in different parts of the country.

LABOUR BUREAU INDEX OF EARNINGS OF FACTORY WORKERS

With a view to making a study of the trends of the earnings of the industrial workers, the Labour Bureau started constructing an All-India Index- of Earnings of Factory workers. This was an annual index and had the following three parts :

- (a) A State index of Earnings,
- (b) An Industry Index, and
- (c) an All-India Index.

The base year was 1939 and the Index numbers are available from the year 1944, though it was published for the first time in_1953. The data regarding earnings used for the purpose of the construction of this index were those obtained by the Labour Bureau under the payment of Wages Act. In order to facilitate comparison of the index of earning and the index of cost of living a new-series of earnings index was computed by shifting the base of the Earnings Index to the year 1944, the year which is used as the base for constructing Cost of Living Index. A series of real earnings was compiled by deflating Earnings Index (1944 base) for changes in cost of living. Later the base year of this index was stinted to 1961 for compiling the series of net earnings. Presently 1984 is being taken as a base year for the purpose. The above index is arrived at by the following formula :

In the hole, statistics relating to various aspects of industrial labour are available. But statistics on labour productivity are scanty. Labour Bureau is publishing data relating to productivity of workers employed in Coal Mines in terms of output per man shift in tones for different classes of workers. Such data also need to be compiled and published for other industries.

14.5 HISTORICAL GROWTH

Labour statistics may be said to have originated in India when the first national census was taken in 1872. This census gave not only the count of number or persons, but also the number of gainfully employed. The Government of India,

with a view to promote and improve statistical organization of the country, announced the appointment of an Industrial Commission in 1916. The Industrial Commission recommended the appointment of a Director of commercial and industrial Intelligence to deal with

- (i) Statistics of foreign trade,
- (ii) Production and industrial statistics and
- (iii) Statistics of trade of India and foreign countries, tariff and industrial policy. It is disappointing to note that the recommendations of the commission in this respect could not be accepted by the Government due to technical difficulties.

Prior to the thirties statistical development in the country, including that in the field of labour, was confined to the requirements of administration. Outside administrative routine, no organization specially for statistical information was built up in any field, although expert committees had examined the needs and made recommendations. The importance of statistics for the administration of labour policies was recognized in India as early as 1930 when the Royal Commission headed by Whitlay on Labour observed that it is on facts that policy must be built and so long as there is uncertainty as to facts, there would be confusion and conflict regarding the aim. The commission stressed in particular the need for collection of reliable and representative data on income and expenditure of the workers through the use of trained investigators and sound statistical methods. It also recommended enactment of a Statistics Act for the collection of data from employers, merchants, etc. and for enabling the competent authority to collect and collate information regarding the living, working and economic conditions of industrial labour.

The importance of a Coordinated approach to the wider area of other statistics was recognized in 1934 when the Bowley - Robertson Committee reported on the possibility of an 'Economic Census of India'. That Committee made a series of recommendations with regard to statistics of production, prices, wages and profits. The creation of the economic Adviser's office by the Government of India in 1938 gave a further fillip to the implementation of the recommendations of

the Bowley-Robertson Committee. The inquiries referred to above served as useful supplement to statistics and research on local labour problems; they did not, however, add to the regular flow of labour statistics on an all-India basis. The Rau Court of Inquiry (1940) was set up by the Government of India to settle the demands of railway employees but found itself handicapped for want of data and recommended inter-alia conducting of family budget inquiries and compilation of cost of living index numbers of important centres in the country on a uniform basis.

The Industrial Statistics Act was passed in 1942 to facilitate collection of statistics

- (a) matters relating to factories, and
- (b) certain specified areas of welfare and conditions of labour. This act gave powers to the state Governments to collect statistics relating to various labour matters under the directions of the central Government. A statistical branch was created in the department of labour to co-ordinate the statistical activities of the states, compile the available statistics and plan for the implementation of the Act.

Directorate of Cost of Living Index Scheme was set up by the Government of India in 1942 to hold family budget inquiries and compile cost of living index numbers (working class) for 'important industrial centres on a uniform basis. These inquiries were undertaken during 1943-45. The demand made by the employees of the Directorate General of Posts and Telegraph wet,; in the mean-time investigated by Mr. Justice G.S.Rajadhyak Sha.

The entry of Government in the field of industrial relations in the war years (1939-45) necessitated & more systematic compilation of labour information of somewhat different type. One of the important tams of reference of the Rege Committee (1944) was "to collect data relating inter alia to wages and earnings, employment, housing and social conditions of labour and in particular, of industrial labour, in India.

In the related field of other statistics apart from the publications of the Director General of Commercial Intelligence and Statistics, compilation of systematic information of food and agriculture attracted attention following the experience of the Bengal Famine in 1943. To secure a coordinated view of statistical information the Government of India set up in 1945 an Inter-Departmental Committee to consider the material available and to make recommendation for filling up the gaps on available statistics and if or effecting organizational improvement in the collection and collation of data. Attempts to consolidate the gains in the field of statistics and research and to explore further avenues of information continued in the years that followed.

In 1946, the Government of India created the Labour Bureau. Its activities were enlarged in the years following its inception. The creating of the Labour Bureau was a significant step towards enlarging the field of labour statistics, widening the avenues of labour research and disseminating information for a better appreciation of labour problems in the country.

The Labour Bureau is acting as a store house for all labour statistics and intelligence and as a Channel for feeding labour statistics into the general stream of statistics. The Labour Bureau is called a storehouse because it collects, compiles and publishes the labour statistics on all-India basis; construct and maintains the working class consumer price index number for related centres and all-India series of Consumer Price Index Numbers; Consumer Price Index numbers for agricultural workers; keeps the up-to-date factual data relating to working conditions of industrial workers collected by the Labour Investigation Committee; it also conducts the research into specific problems with a view to supplying data required for the formulation of labour policy; publishes "Indian Labour Journal" (Monthly) 'Indian Labour Statistics' (Annual) and 'Indian Labour Year Book' which give authoritative and up-to-date statistics and reports on labour affairs in the country. Activities in all fields of research, and statistics receive a further impetus in 1950. New types of statistics were sought through benchmark surveys of different aspects of economic development. Repeat surveys provided information as much for assessing plan progress as for introducing new techniques of planning.

Some aspects of labour were covered in the process. While these meant more of statistics, the twin aspects of quality and comparability of statistic within the national frame work came into sharp focus, with the increasing demand for scientific time series and improved economic indicators. On the basis of the results of the fresh family living surveys conducted during 1958-59, new series of consumer price index numbers for industrial workers are now compiled for 46 out of 50 centers selected for the purpose by the Labour Bureau. It was decided by the Technical Advisory Committee to adopt the calendar year 1960 as the base period for all these new series of index numbers.

The Labour Bureau, Shimla, has published new series of Consumer Price Indices for industrial workers in all the centers, except Tamil Nadu Factory Centers, Madras, Madurai and Coimbatore and Plantation Centre, Coonoor.

Since August 1968, the Labour Bureau started publishing the All India Average Consumer Price Index Numbers for Industrial Workers with the base 1960 = 100, simultaneously discontinuing the Interim Series with the base 1949 = 100. Presently, the All India Average Consumer Price Index Number for industrial Workers is calculated with the 1984 = 100 as base replacing the earlier base years.

All these developments added up to an integrated statistical system when collection of Statistics Act, 1953 (Act No. xxxii of 1953) and collection of Statistics (Central) Rules, 1953 were enforced. The Act came into force with effect from 10 November 1956, replacing the Industrial Statistics Act of 1942. The Act was further amended by Act 4 of 1986, where a minor amendment was made therein. Thus, the Act provides for the collection of statistics of any matter relating to any industry or class of industries in a commercial or industrial concern, welfare of labour and conditions of labour, including price of commodities and attendance, living conditions including housing, water supply and sanitation, indebtedness, rented-out dwelling houses, wages and other earnings, benefits and amenities provided for labour, hours of work, employment and unemployment, industrial labour disputes, labour turnover and trade unions.

14.6 LIMITATION OF LABOUR STATISTICS

The official labour statistics suffer from some serious defects due to which it becomes difficult to analyze them properly and to take policy actions based on them. These defects are as follows:

- (1) The scope and coverage of different labour statistics are not uniform. The main reason for this lack of uniformity is that they have been collected through different systems of collection and extend to varying geographical areas on account of political changes.
- (2) The Data are based on incomplete census. This makes it necessary to treat them specially and refine them. The reason is that at first the collection starts on a census basis, i.e. enumeration of all the Primary units, But because Of non-response ultimately an incomplete census results. The technique of data processing in such cases is different.
- (3) A large part of these data are not amenable to calculation of the degree of statistical error involved. In such cases, the technique of probability cannot be applied. Data processing and their analysis is not easy and it becomes necessary to measure the magnitude of error as nearly as possible.
- (4) Some statistics are collected by the Central and State agencies, purely to fulfill the statutory and administrative requirements, never see the light of the day nor are they used by policy matters.
- (5) Lastly, the statutory returns are mostly annual and the statistics get compiled on an All-India basis with a time-lag of 2 to 3 years. Though the returns are statutory there is usually a large degree of non-response which goes on varying from year to year.

14.7 GAPS IN LABOUR STATISTICS IN INDIA

However, there are certain gaps to be filled up and in certain important aspects our statistics are wanting. The main reason accounting for our deficiency in this regard is that our statistical organizations as a whole are still in a process of evolution. The following are the chief deficiencies to be removed.

- (i) Availability of Employment statistics is poor. It is necessary to extend their coverage and scope and their frequency and quality needs to be upgraded. No statistics worth the name exist in respect of unemployment. Except for factories, mines and certain Govt. undertakings, no statistics of employment are available. There are several small-scale establishments in India. They also need to be brought within the scope of statistical organizations. In addition the frequency of publication is poor and the time lag, unduly long.
- (ii) Similarly, data on wages are highly inadequate. Laborers receive other emoluments also besides wages, and no information is available in that respect. A region-wise and industry-wise classification of wages is available in a very inadequate form and it is necessary to improve conditions in that direction.
- (iii) Another important gap in the labour statistics of India concerns productivity. Very little data are being compiled. In this respect we are far behind other countries.
- (iv) Labour turnover measures the extent to which old employees leave employment and new employees enter into service or an organization during a given period. The statistics of labour turnover are of considerable interest. As a measure of stability of labour, which is of primary concern for efficiency and higher productivity, the labour turnover rate is of profound significance.
- (v) At present, most of the establishments do not maintain proper registers and the staff engaged in furnishing the statistics do not consider it to be

important. The inspecting officers, like Labour Officers are much too busy with their own administrative functions.

The collection and compilation of labour statistics in India are still in their infancy. To recount the more important lacunae, employment statistics in India are at present limited in scope. They should be extended to other sectors and improve in quality and frequency. Statistics on earnings and conditions of work are nowhere near the expected standards, except perhaps in the case of coal mines. Data on occupational wages need to be properly classified and analyzed to enable correct appreciation of the wage structure in different industries and areas and their changes through time. Statistics on productivity and labour turnover should be compiled in a systematic manner. Last but not least there are practically no reliable data on unemployment in the country as a whole. In an era of planning, with emphasis on fuller employment, this is a very important gap which should be filled up immediately.

14.8 SUMMARY

The importance of accurate, complete and up to date labour statistics at a time when India is on the threshold of far-reaching changes in the matter of social and economic advancement needs no emphasis. The main objective is to raise the standard of living of the masses, a majority of whom are primary producers or workers in plantations, mines and other industries. This requires statistical data not only on production earnings, but also on what he spends and on the conditions of his working and living. It is impossible to promote social security measures without comprehensive data regarding the strength and distribution, of the entire labour force and wage data. It is essential to ensure that the existing gaps in the collection and compilation of labour statistics in India are filled as early as possible.

14.9 SELF ASSESSMENT TEST

Answer the following questions in one page each, so that you may know how much you have understood the subject discussed in this unit:

1. Discuss the meaning of Labour statistics.
2. What is the significance of Labour Statistics?
3. Discuss the scope of Labour Statistics.
4. What do you know about the Labour Bureau Index of Earnings of Factory Workers?
5. What are the major gaps in Labour Statistics in India?
6. What are the limitations of Labour Statistics in India?

14.10 FURTHER READINGS

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UNIT-15

Labour Statistics Legislation

(Indian Labour Statistics Act, 1953)

OBJECTIVES :

After going through this book you should be able to understand:

- the purpose for Labour Legislation on Labour Statistics.
- various Definition given in Indian Labour Statistics Act,1953.
- and collection of Statistics, powers of statistical authority and power of central govt.

STRUCTURE :

- 15.1 Purpose of the Legislation
- 15.2 Definitions
- 15.3 Collection Statistics
- 15.4 Power of Statistical Authority
- 15.5 Penalties Provided
- 15.6 Power of Central Government
- 15.7 Collection of Statistics (Central) Rules, 1953
- 15.8 Summary
- 15.9 Self-Assessment Test
- 15.10 Further Readings

15.1 PURPOSE OF THE LEGISLATION

The importance of statistics for the administration was recognized in India as early as 1930 when the Royal Commission on Labour observed that it is on facts that policy must be built and long as there is uncertainty regarding the facts,

there would be confusion and conflict regarding the aims. Later also, the Lay Commission recommended enactment of a Statistics Act for collection of data from employers, merchants, etc. and to enable the competent authority to collect and collate information regarding the living, working and economic condition of industrial labour.

In India the data on Labour statistics have developed as a result of various labour laws because a major part of labour statistics is collected through statutory returns prescribed under different labour legislations. The Factories Act, 1948 provides for submission of employment in registered factories, the Mines Act, 1952, for Mines and state shops and Establishment Acts/weekly Holidays Act, 1942 for employment covered by them. Earnings of workers employed in registered factories are available in returns under the Payment of Wages Act, 1936, and for mining workers under the Mines Act, 1952. Statistics of industrial accidents in factories and Mines are compiled from returns the Factories Act, 1948 and the Mines Act, 1952, respectively; the Workmen's Compensation Act, 1923, provides statistics on compensation paid to workers or their families on account of death or injuries caused by accidents or occupational diseases. The Employees' State Insurance Act, 1948 is also used for securing statistics of units covered by it. The Employees' Provident Fund Act, 1952 helps in providing a range of statistics on the number of units covered, number of subscribers and the amount of provident fund contribution. Statistics of the number of registered trade unions, their finances are compiled from returns available under the Trade Unions Act, 1926.

All these developments added to integrated statistical system when collection of Statistics Act, 1953 (Act No. XXXII of 1953) and Collection of Statistics (central) Rules, 1953 were enforced. The Act came into force with effect from 10 November, 1956 replacing the Industrial Statistics Act, 1942. The later Act widened the scope of the earlier legislation. The Act was further amended by 4 of 1986 where a minor amendment was made therein. Thus the Act presently provides for the collection of statistics of any matter relating to any industries or class of industries in a commercial or industrial concern. Welfare of labour, including price of commodities and attendance, living conditions including housing, water supply and sanitation; indebtedness, rented-out dwelling houses,

wages and other earnings, provident and other fund provided for labour, benefits and amenities provided for labour, hours of work, employment and unemployment, industrial labour disputes, labour turnover and trade unions.

15.2 DEFINITIONS

This Act, unless the context is otherwise, require:-

- (a) “appropriate Government” means –
 - (i) the Central Government, in relation to the Collection of statistics under a direction issued by the under Section 3, and
 - (ii) the State Government, in relation to the Collection of statistics under a direction issued by the under Section:
- (b) “commercial concern” means a public limited Company or a co-operative societies or a firm or any other person or body of persons engaged in trade or commerce, and includes:-
 - (i) a concern engaged in banking or insurance;
 - (ii) a financial corporation;
 - (iii) a concern engaged in shipping and navigation;
 - (iv) a concern engaged in the business of brokers in shares, stock and securities and commodities;
 - (v) a concern engaged in the business of advertising consultants;
 - (vi) a light railway;
 - (vii) a concern engaged in road transport service;
 - (viii) a concern engaged in air transport service;
 - (ix) a rubber, tea coffee or cinchona plantation;
 - (x) a concern engaged in the business of forwarding and clearing agents;

- (xi) any other concern which, in the opinion of the Central Government, is a commercial by notification in the official Gazette, but does not include an industrial concern;
- (c) “factory” means a factory as defined in clause (m) of section 2 of the Factories Act, 1948.
- (d) “industrial concern” means a public limited company or co-operative society or a firm or a any other persons engaged in the manufacturing, assembling, packing, preservation or processing of goods or in mining or in the generation or distribution of electricity or any other form of power;
- (e) “owner”, in relation to a commercial or an industrial concern, means the person who or the authority which has the ultimate control over the affairs of the concern, and where the said affairs are entrusted to a manager, managing director or managing agent shall be deemed to be the owner of the concern;
- (f) “prescribed” means prescribed by the rules made under this Act or in any form laid down by such rules.

15.3 COLLECTION OF STATISTICS

The appropriate government may, by notification in the Official Gazette, direct that statistics shall be collected relating to any of the following matters, namely:-

- (a) any matter relating to any industries or class of industries;

- (b) any matter relating to any commercial or industrial concern or class of commercial or industrial concerns, and, in particular any matter relating to factories;
- (c) any of the following matters so far as they relate to welfare of labour and conditions of labour, namely:-
 - i. Price of commodities;
 - ii. Attendance;
 - iii. Living condition including housing, water supply and sanitation;
 - iv. Indebtedness;
 - v. Rents and dwelling houses;
 - vi. Wages and other earning houses;
 - vii. Provident and other funds provided for labour;
 - viii. Hours of work;
 - ix. Employment and unemployment;
 - x. Industrial and labour disputes;
 - xi. Labour turnover;
 - xii. Trade unions;

And there upon the provision of this Act shall apply in relation to those testis:

Provided that:

- (a) nothing contended in this section shall be deemed to authorized a State Government to issues any direction under this Act with respect to the collection of statistics relating to any matter falling under any of the entries specified in the List I in the Seventh schedule to the Constitution
- (b) where the Central Government issued any direction under this section for the collection of statistics relating to the any matter on State Government shall, except with the previous approval of the Central Government, issues

any similar direction as so long as the collection of statistics by the Central Government remains to be completed; or

- (c) where a State Government has issued a direction under this section for the collection of statistics relating to any matter, the Central Government shall not issue any similar direction for so long as the collection of statistics by the State Government remains to be completed, except in cases where statistics have to be collected with reference to two or more States.

15.4 POWER OF STATISTICS AUTHORITY

1. The statistics authority may serve or cause to be served on the owner of an industrial or commercial concern or on any other person a notice requiring him to furnish such information to returns as may be prescribed relating to any matter in respect of which statistics are to be collected.
2. The form in which, and the persons to whom or the authorities to which, such information or returns should be furnished, the particulars which they should contain and the intervals within which such information or return should be such as may be prescribed.
3. The notice referred to in sub-section (1) may be served by post.
4. Rights of access to records or documents.
5. Restriction on the publication of information and returns.

15.5 PENALTIES PROVIDED (If any person)

Required to furnish any information or returns:

- (i) willfully refuses or without lawful excuse neglect to furnish such information or return as may be required under this Act; or
- (iii) wilfully furnishes or causes to furnished any information or return which he know to be false; or
- (iv) refuses to answer or willfully gives a false answer to any questions necessary for obtaining any information required to be furnished under this Act, or
- (v) impedes the rights of access to relevant records or documents or the right of entry conferred by Section 6;

He shall for each offence be punishable with fine which may extend to five hundred rupees and in the case of the continuing offence to a further fine which may extend to two hundred rupees for each day after the first during which the offence continues.

15.6 POWERS OF CENTRAL GOVERNMENT

The Central Government may give directions to State Government as to the carrying into execution of this Act in the State.

15.7 Collection of Statistics (Central) Rules, 1953

In exercise of the powers conferred by section 14 of the collection of Statistics Act 1953, the Central Government has made the rules accordingly. Thus rules are called the collection of Statistics (central) Rules 1953. Rules 3 provides that for the purpose of the collection of Statistics the Statistics authority shall serve upon the owner of any factory; industrial concern or plantation, a notice requiring the owner to furnish the Statistics authority the following before a date to be stated in the notice but the date shall not be earlier than three month after the end of the period to which the return-

- (a) one or more returns in such manner and containing such particular as may be specified in the notice;

- (b) If the factory or industrial concern is owned by a company, a copy of the annual balance sheet and profit and loss account and the director's reports

The statistics authority may demand more than one copy of a return or other document or different return of different dates. Rule 4 deals with the particulars to be furnished. The return which the owner has to send under the notice shall contain all or any of the following particular as indicated in the notice, namely:

- (1) identification particulars,
- (2) nature of ownership and management,
- (3) value of and expenditure on different component of fixed capital
- (4) value of and transaction on different component of working capital.
- (5) details of employment including numbers of persons employed, man-hours worked and payment made for different categories of employees,,
- (6) value of privileges or benefits accruing to different categories of employees
- (7) number of power of different kind of prime movers separately and the different type of motive force
- (8) number and strength of motors,
- (9) installed capacity
- (10) details of consumption of fuel, electricity and lubricants and their quantity and value,
- (11) other materials, and services consumed including raw-materials Chemicals, packing material and stores and services purchased,
- (12) value and quantity of products meant for, sale, including amount received for, work done by the factory for other concerns,
- (13) Sales to different types of customers
- (14) Stocks of fuels, materials and products,
- (15) inventory of equipment other than power equipment,
- (16) present age, condition and service life of buildings, plant and machinery, and
- (17) any other particulars on which information may be supplied at the discretion of the owner.

Rule - 5 - Objections

Rule - 5 provides certain relaxation to the owner for sending returns. This rule provides that if the returns and other documents required from the owner cannot be furnished by him in the manner in which or the period for which the notice requires for him to furnish, by reason of their not being capable of being compiled from his accounts or other records or for any other reasonable cause, he shall supply them in such manner and for such periods which correspond as nearly as possible to the manner and period referred to in the notice and shall apply to the statistics authority in writing within the period allowed in the notice to treat such compliance as full compliance with the notice.

Rule - 6

Deals with the alteration of returns and extension of time. The, rule says that on an application by the owner or otherwise, it shall be competent for the statistics authority to issue orders adding to or otherwise varying the heads under which the owner has been required to furnish the returns and other documents in any manner in which, he could have been asked to furnish in the original notice and the owner shall thereupon be required to furnish such revised returns and documents as if he had been required to furnish them in the original notice.

Provided that where the order has been made otherwise than on the application of the owner, the time-limit for the submission of the revised returns and other documents shall be deemed to have been extended to three months from the date of receipt of such order by the owner : Provided further that the statistics authority may extend the time limit mentioned in the notice, in his discretion, in any other case also. Rule 7 lays down provisions in case of interruption of ownership or working of factory, industrial concern or a plantation. This rule provides that

- (1) if at any time during the period in respect of which the returns or other documents are called for in the notice, the owner ceases to be the owner, he shall furnish to the statistics authority the returns and documents in respect of that part of the period for which he was the owner provided further that the statistics authority may extend the time limit mentioned in the notice, in his discretion, in any other case also.

- (2) If a factory, an industrial concern or a plantation discontinues to function during the period in respect of which returns and other documents relating to have been called for, the owner shall furnish to the statistics authority the returns and other documents for the period up to the date on which the factory, industrial concern or plantation discontinued to function.

How the notice will be served to the owner, in this regard Rule 8. provides that any notice or order required to be served on the owner under these rules may be served by transmission through the post under registered cover with acknowledgement due, or through a person authorized by the statistics authority to serve such notice by delivering it at the place of business of the owner and obtaining an acknowledgement for it.

Rule 9

Deals with the language in which information should be furnished. It says that all information required to be furnished under these rules shall be furnished in English or in such other language or languages as the Central Government may by order specify.

Rule 10

Provides that the statistics authority shall, before sanctioning a prosecution under section 11, give a reasonable opportunity to the person to show cause why such prosecution may not be sanctioned.

Statutory Returns

A major part of labour statistics is today collected through statutory returns prescribed under the Labour Laws. Factories Act, 1948 provides for submission of statistics of employment in registered factories, the Mines Act, 1952 for mines, and the State shops and Establishments Acts/Weekly Holidays Act, 1942 for employments covered by them. Earnings of workers employed in registered factories are available in returns under the Payment of Wages Act, 1952 Statistics of Industrial accidents in factories and mines are compiled from returns under the

Factory Act 1948, and the Mines Act, 1952-respectively; and the Workmen's compensation paid to workers or their families on account of death or injuries caused by accidents or occupational diseases. The Employee's State Insurance Act, 1948 is also used for securing statistics in respect of units covered by it. The Employee's Provident Fund and Miscellaneous Provisions Act 1952 helps in providing a range of statistics on the number of units covered, number of subscribers and the amount of provident fund contributions. Statistics of the number of registered trade unions, their membership and finances are compiled from returns available under the Trade Union Act, 1926.

The statutory returns are mostly annual and the statistics get compiled on all-India basis with a time lag of 2 to 3 years. Though the returns are statutory, there is usually a large degree of non-response which goes on varying from year to year.

The Central Statistical Organization has been collecting statistics through its scheme of Annual Survey of Industries under the collection of statistics Act, 1953. At the instance of the labour Bureau, a labour schedule was added to this scheme covering monthly data on absenteeism and labour turnover, quarterly data on working days, man hour worked and earnings for certain categories of employees, and annual data on wages and salaries paid, bonus and contribution by employers to social security benefits.

Periodic statistics collected on a voluntary basis, such as statistics of industrial disputes and absenteeism, suffer from limitation of a different type. Monthly statistics of work stoppages (strike and lock-outs) resulting from industrial disputes are obtained by the Labour Bureau from State Labour Departments, their inspectorates and the usual intelligence agencies available to them. Being voluntary returns, the coverage of these statistics is not adequate. In particular, statistics of loss in wages and loss in production due to work stoppages are incomplete and often not reliable.

15.8 SUMMARY

Indian Labour Statistics Act, 1953 (Act 32 of 1953) is a significant way of getting reliable and complete statistics by legal enforcement at present. The Act is very comprehensive, which clearly defines the coverage, authorities, powers, and different procedures to be adopted to obtain information intended therein. The Act along with the Labour Bureau attempts to collect and present information in an organized manner.

15.9 SELF ASSESSMENT TEST

Answer the following questions in one page, each to know how much you have understood the subject discussed in this unit :

1. Discuss the importance of Indian Labour Statistics Act of 1953.
2. Discuss the purpose of Indian Labour Statistics Act of 1953.
3. Define the term 'owner' under the Collection of Statistics Act, 1953.
4. What are the matters for which Statistics may be collected under the Collection of Statistics Act 1953 ?
5. Who is the statistics Authority appointed under the Collection of Statistics Act, 1953 ? What are his powers ?

15.10 FURTHER READINGS

- (1) *Asthana B.N., S.S.Srivastava, "Applied Statistics of India", 1962, Chaitanya Publishing House, 5-A, Chin Road, Allahabad. 2.*
- (2) *Gupta D.B., Premi Mahendra K., "Sources and Nature of the Official Statistics" of the Indian Union, Ranjeet printers and Publishers, Delhi- 1970.*
- (3) *Giri V.V., "Labour Problems in Indian Industry". New Delhi: Asia Pub. House, 1959.*
- (4) *"Report of the National Commission on Labour", New Delhi Government of India, Ministry of Labour and employment and Rehabilitation, 1969.*

UNIT-16

Collection of Labour Statistics

OBJECTIVES

After going through this Unit, you should be able to :

- Appreciate the importance and meaning of labour statistics.
- Know the way in which labour statistics are collected.
- Know the organizations connected with the collection of labour statistics.
- Know the deficiencies of present statistical system.

STRUCTURE

16.1 Meaning and Importance of Labour Statistics.

16.2 History

16.3 Collection of Labour Statistics - Procedure & Compilation -Collection of Statistics, Act - 1953.

16.4 Types of Labour Statistics

- (a) Statistics of Employment & Unemployment
- (b) Statistics of Wages & Earnings :
- (c) Statistics of Social Security
- (d) Statistics of Industrial Dispute
- (e) Statistics of Hours of Work
- (f) Statistics of labour Absenteeism & Turnover
- (g) Statistics relating to Trade Unions
- (h) Statistics relating to Standard of living

16.5 Organizations concerned with Collection of Labour Statistics - Labour Bureau.

16.6 Publication of Labour Statistics

- 16.7 Deficiencies in labour Statistics
- 16.8 Suggestions
- 16.9 Summary
- 16.10 Self Assessment Test , -
- 16.11 Keywords
- 16.12 Further Readings

16.1 MEANING AND IMPORTANCE OF LABOUR STATISTICS

The status of a country in the international world and its economic progress is determined by its industrial development. An industry is operated by labour. The term 'Labour' has a very wide meaning as it includes all types of workers engaged in commercial, agricultural and trade industry. For the development of any process statistics plays a vital role. In the same way for economies development, and industrializations, labour statistics plays an important role. By labour statistics we mean factual data on various aspects of labour such as employment and unemployment, skilled, unskilled and semiskilled workers, wages and salaries paid to them, data on labour absenteeism hours of work etc. Such statistics provide a basis for framing suitable labour policies. Labour Statistics express the conditions prevailing in a country and also those steps taken by the state in labour welfare. The utility of labour statistics increases in developing countries like India. When it is required to give proper attention on Industrial peace and labour Welfare for fast industrial growth.

Use of Labour Statistics: Labour Statistics are the sets of quantitative data used to describe and analyze the size and structure of labor markets and how these change overtime.

Labor Statistics are used: To monitor the dynamics of the labor market with respect to the size, distribution and characteristics of the labor force; To determine the changes in the labor demand and supply; To measure economic performance and to assess hardship of the population To analyze terms and conditions of work To formulate and review wage and price policies in collective negotiations between trade unions and management; To provide signals on undesirable

economic and social conditions such as child labor, gender biases in work places , etc. and To keep tab of the volatility of labor management relations.

16.2 HISTORICAL DEVELOPMENT OF LABOUR STATISTICS IN INDIA

First of all in 1931r Royal commission on labour expressed the need for systematic collection of labour statistics. The commission proposed the need of a suitable legislation enabling competent authority to collect and compile information regarding Industrial Labour. Consequently in 1942, the Industrial Statistics Act 1942 was passed which facilitated collection of statistics on certain matters related to labour. However the Act was not adequate so that in the year 1946, a labour Bureau was set up under the Ministry of Labour & Employment. The establishment of this Bureau gave a boost to the development of labour statistics in our country; Further in 1953 the collection of Statistics Act, 1953 was introduced for the collection of statistics adopted to worker under various Acts. Apart from this, few more acts were passed by the Govt. e.g. Payment of Wages Act, 1936 (Amended in 1976), Minimum Wages Act, 1948 Employee's State Insurance Act, 1948, Employee's Provident Fund Act, 1952 etc.

16.3 COLLECTION OF LABOUR STATISTICS: - PROCEDURE AND COMPILATION-COLLECTION OF STATISTICS ACT, 1953.

The Labour Bureau collects its data in three stages:

- (i) The primary data are collected by the State Governments or Agencies of the Central Government.
- (ii) The data received from individual units are consolidated at the State level according to the norms laid down by the Labour Bureau.
- (iii) Finally the collected data are collected and compiled by the Labour Bureau.

The Labour Bureau collects, compiles and disseminates labour statistics. The Bureau also conducts timely surveys dealing with working and economic conditions of Labour. On an international level, the International labour Organization (ILO) is established which collects and compiles uniform set of data on labour for all nations so that international comparison can be made easily. I.L.O. has laid down the following broad heads under which the labour statistics should be compiled in every country.

- (a) Classification of Labour - Industry wise and Occupation Wise.
- (b) Employment and Unemployment
- (c) Wages and Hours of Work
- (d) Living levels
- (e) Family living
- (f) Statistics of injuries and occupational diseases
- (g) Trade Unions, Industrial Disputes
- (h) Social Security
- (i) International Comparisons of real wages
- (j) Migration.

COLLECTION OF STATISTICS ACT, 1953

This Act was introduced for the collection of statistics related to workers. The Act has provided certain rules and heads under which different statistics are collected at Central and State level.

16.4 TYPES OF LABOUR STATISTICS

Labour given by I.L.O. is as under STAI1'S U'C.S Are collected under various heads as per the directions and certain Central Acts. A brief description of these statistics is under as :-

(a) STATISTICS OF EMPLOYMENT & UNEMPLOYMENT :

There are three important sources for employment statistics.

- (i) The Decennial Population Census
- (ii) National Sample Survey
- (iii) Employment Exchange Statistics

Apart from these major sources, the following sources relating to employment in special sectors are also available.

- (i) Employment in mines.
- (ii) Employment in Plantation.
- (iii) Employment in Railways, Post & Telegraphs.
- (iv) Employment in Shops and Commercial Establishments.

Employment in Factories are collected by the Chief Inspector of Factories on half yearly and yearly basis under the Provisions of Factories Act, 1948 and are consolidated by the Labour Bureau.

(b) STATISTICS OF WAGES AND EARNINGS :

Statistics of wages and earnings expresses the economic Situation of that particular section of the population. The statistics are collected under the Payment of Wages Act, 1936, and the Minimum Wages Act, 1948.

The Labour Bureau has been collecting data under the following heads :

- (i) Manufacturing industries
- (ii) Mines
- (iii) Plantation
- (iv) Transport
- (v) Employees covered under the Minimum Wages Act, 1948.

(c) STATISTICS OF SOCIAL SECURITY :

These data are useful in framing suitable policies in respect of social security. In 1964 a Department of Social Security was established in the Ministry of Legal & Social Security. The following data on social security is compiled and published through official agencies.

(i) STATISTICS OF CASH & OTHER BENEFITS :

The data are compiled in respect of cash and other benefits given under the Employee State Insurance Act, 1948 Benefits are Classified under the following heads :

- (A) Sickness
- (B) Maternity.
- (C) Disablement
- (D) Dependents

(ii) STATISTICS OF MATERNITY BENEFITS :

These data show :

- (A) The average number of women employed;
- (B) The number of women claiming maternity benefits;
- (C) The number of women who were paid the said benefit;
- (D) Total amount paid.

(iii) STATISTICS OF COMPENSATED INJURIES :

The Data of this nature are compiled under Workmen's Compensation Act, 1923. The required information is furnished as under:

- (A) Number of compensated injuries
- (B) Amount of compensation

The injuries are classified according to:

- (1) Death
- (2) Permanent disablement and

(3) Temporary Disablement.

(d) STATISTICS OF INDUSTRIAL DISPUTES :

The information relating to Industrial Dispute is collected by the state Labour Departments and Regional Labour Commissioners. This information is collected under the following heads :

- (i) Number of Workers involved in the disputes directly and indirectly
- (ii) Number of disputes
- (iii) Classification of disputes
 - (A) Cause wise
 - (B) Industry wise
 - (C) Term wise
 - (D) Period wise
- (iv) Result of disputes
- (v) Number of man days lost

Only such disputes between employer and employees are noted which cause work-stoppages due to strikes and lockouts. Figures are compiled in respect of those disputes which result in the stoppage of work and involve at least 10 workers.

(e) STATISTICS OF HOURS OF WORK :

Statistics of hours of man work is essential to calculate labour cost, and productivity. It also regulates the compulsory rest intervals, overtime and hours of work of different kinds of workers.

The Factories Act, 1948; The Mines Act, 1952; The Plantation Labour Act 1951. The Apprentices Act, 1961 regulates the hours of work for workers engaged in organized sectors in India. These Acts specified the over time in a day and in a week and weekly off. These Acts also specified daily weekly hours of work. The data of total man hours work during the year in each industry are published in the "Annual Survey of Industries".

For unorganized sector no data are available. Only N.S.S. collects such data in the household surveys.

(f) STATISTICS OF LABOUR ABSENTEEISM AND TURNOVER :

Labour Absenteeism is measured by the percentage of man shifts lost due to absence to the corresponding total man shifts scheduled to work. Statistics related to Absenteeism are collected statutorily from all the coal mines covered by the Mines Act. Data are also furnished on a voluntary basis by a few selected large units. Collection of Statistics Act, 1953 also provide rules for collecting absenteeism statistics from registered factories.

Statistics of labour turnover shows the extent to which the old employees leave & new employees join the services of organization in the given the given period. The labour turnover statistics are presently available with the absenteeism data

(g) STATISTICS RELATING TO TRADE UNIONS :

The registration of the unions is not obligatory under the Trade Union Act, 1926, so the scope & coverage of trade union statistics is limited only those union which are registered. Further out of the registered unions about one half of them fail to furnish the required returns to the State Governments. Under the Indian Trade Union Act 1926, the detailed information relating to labour trade union is compiled and published by the Govt. of India, Ministry of Labour. It is difficult to say as to how far the published data reveal a true picture of trade unions in the country.

There are two types of trade unions in India :

- (i) Workers Unions formed by the employees;
- (ii) Employer's Union formed by the employers;

Statistics relating to employers unions and workers union are given industry wise & State wise separately.

(h) STATISTICS RELATING TO STANDARD OF LIVING

Such statistics are collected in the form of family budget Enquiries and retail prices to consumption by workers. This work is done by the various State Governments and the Labour Bureau. The data so collected and compiled show categories of workers, average size of family, consumption unit per family, average monthly income and expenditure.

16.5 ORGANIZATION CONCERNED WITH COLLECTION AND PUBLICATION OF LABOUR STATISTICS

Industrial development of India gave Birth to various regulation acts and Acts and institution to collect and publish labour statistics regularly. At present the main organizations are :

- (1) Labour Bureau, Simla
- (2) Director General employment & Training New Delhi.
- (3) Director General of Mines Safety, Dhanbad
- (4) Employees Stat Insurance Corporation'

(1) LABOUR BUREAU SIMLA :

Labour Bureau was set up in 1946 under the Ministry of Labour & Employment. The establishment of this bureau gave boost to the development of labour statistics in our country. Following are the main functions of Bureau

- (a) Collection, compilation & publication of labour statistics on all India basis
- (b) Construction & maintenance working class consumer prices index numbers for selected centers & all India series of Consumer Price Index Numbers.
- (c) Recording the data relating to working conditions of industrial workers collected by the Labour Investigation Committee.

- (d) Conduction Agricultural/Rural Labour enquiries, wage censuses, contract labour survey and other research specified problems with a view to supplying data require for data formulation of labour Policy.
- (e) Publication of various aspects of labour legislation'
- (f) Publication of "Indian Labour Journal" (Monthly)' Indian Labour Year Book Labour Book (Yearly), Trade Unions in India.

The Labour bureau collect its data three stages :

- (i) Primary data are collected by State Govt. or agencies of the Central Govt.
- (ii) The information received from individual unit arc consolidated at the stat level or agency level according to the standard laid down by the Labour-Bureau.
- (iii) The returns received by the Labour Bureau are finally consolidated and published in the form of All India Statistics.

(2)DIRECTOR GENERAL OF EMPLOYMENT & TRAINING (DGET)

The D.G.E.T. has been collecting and analyzing data on employment and occupational pattern of employees in public & private sectors.

(3)DIRECTOR GENERAL OF MINES SAFETY

The Director General of Mines safety keeps an up-to-date picture of the various aspects of the industry eg. labour employment in collieries, their wages and hours of work, productivity, etc.

(4)EMPLOYEES STATE INSURANCE CORPORATION :

Under this corporation statistics are collected relating to diseases, disablement, dependence, maternity benefits for workers getting less than Rs. 500

1.6.6 PUBLICATION OF LABOUR STATISTICS

Publication of statistics in proper form is an important aspect of labour Statistics. The main organization is concerned with the publication of labour statistics with their respective publications are as follows :

(1) LABOUR BUREAU :

The regular important publications of the Labour Bureau:

- (A) Indian Labour Journal (Monthly)
- (B) Indian Labour Year Book (Yearly)
- (C) Indian Labour Statistics (Yearly)
- (D) Trade Unions of India (Yearly)

(A) INDIAN LABOUR JOURNAL:

It is a very useful publication. It contains statistics relating to all important aspects of labour. These are

- Employment
- Prices and Price Indices, Absenteeism, Wages & Earnings, Productivity etc.

(B) INDIAN LABOUR YEAR BOOK :

It provides very useful information on various aspects of labour. The main subjects under whom information is given are

- (i) Wage and Earning
- (ii) Cost & level of Living
- (iii) Employment
- (iv) Labour Welfare
- (v) Labour Administration and
- (vi) Labour Legislation.

(C) INDLAN LABOUR STATISTICS:

It provides to the public a view of large masses of coordinated facts that go into the making of labour policies.

(D) TRADE UNIONS IN INDIA:

This publication reviews the working of the Trade Unions Act, 1926. It depicts a picture about the growth, finances & activities of different trade unions in India.

Apart from these regular publications, Labour Bureau also publishes many other publications in the form of surveys & Studies on different aspects of labour.

(2) DIRECTORATE GENERAL OF EMPLOYMENT AND TRAINING (DGET) : NEW DELHI:

This institution was organized in the year 1952. It publishes Quarterly Employment Review, and analyses data in public & private sectors through the Employment Exchanges. Besides this, similar publications are brought out at the state level by the State Employment Directorates.

(3) DIRECTOR GENERAL OF MINES SAFETY – DHANBAD :

This institution publishes monthly coal bulletin relating to statistics of employment, wages, hours of work, productivity of workers in the industry.

16.7 DEFICIENCIES OR LIMITATIONS IN LABOUR STATISTICS

For the development of any process correct statistics plays a vital role. Framing of our labour policies is dependent on labour statistics. A wrong or imperfect data can culminate into a wrong decision. In our country labour statistics are collected to meet the needs of administration. The National Commission on Labour submitted its report to the Government in 1969, highlighting several inadequacies relating to labour statistics. A major part of labour statistics is today

collected through statutory returns prescribed under labour Laws. Though the returns are statutory there is usually a large degree of non-response.

Although after the establishment of Labour Bureau, labour statistics have improved and information is sufficiently accurate but still there are the following deficiencies:

(a) LACK OF UNIFORMITY :

Due to changes made in the various definitions relating to labour Statistics, the data are not on uniform pattern and cannot be compared.

(b) LACK OF COVERAGE:

Statistics relating to unorganized sector are not properly covered.

(c) LACK OF ACCURACY:

Negligence on the part of investigators and workers leads to Inaccuracy. Voluntary submission of statistics is not reliable.

(d) DISCREPANCY IN DATA :

As various agencies collecting statistics are on the different pattern so it leads to discrepancy.

(e) DELAY IN PUBLICATION:

Delay also affects the utility of statistics. Most of the people feel that the statistics given shall be used to their disadvantage so they do not supply correct information.

Limitations in Labour Statistics:

- Localization of some occupations so data are not found.
- Cost of office coding especially in census of data is high.
- Different languages used in different part of country.
- Unclear and tricky responses from Employer and Industries.
- Little technical support from labour related bodies like, ILO etc.

16.8 SUGGESTIONS or REMEDIAL MEASURES

The above deficiencies are Inter-related. For example delayed publication is the result of poor response and failure to get accurate reports. These deficiencies can be removed at different levels as some deficiencies can be remedied by the Governmental action while other like poor response can be cured through education and training. Apart from these some more suggestions are as under:

- (a) The matter of statistics should be taken very seriously. Strict action should be taken against those who do not fill up the statutory returns.
- (b) There should only be a limited time gap between collection and publication of statistics.
- (c) The method for collection should be made simple. Paper formalities should be reduced.
- (d) Various agencies collecting statistics should work on the same pattern, so the statistics collected by them can be compared.
- (e) The definitions given by the International labour Organization may be accepted as standard definitions.
- (f) Proper training should be given to the team related with the task of collection of data.
- (g) The coordination between Central, State and other agencies should be increased.
- (h) The rural areas should be provided greater emphasis.
- (i) Consciousness should be created in the public regarding the utility of statistics and they should be further convinced that the facts given by them shall not be used to their disadvantage.

So there should be some compulsory measures for submission of labour and industrial data and lack of submission of data should be punished. Habitual breach should be punished severely.

16.9 SUMMARY

In this unit, we have discussed importance and meaning of labour statistics. It is shown that how labour statistics are directly connected with the industrial development.

Further we have discussed the methods of collection of labour statistics. The statistics are collected at different levels viz. Central and State. People connected with the industries are now under legal obligation to complete statistical formalities under collection of Labour Statistics Act, 1953, Payment of Wages Act, 1936, Minimum Wages Act, 1948 and Workmen's Compensation Act, etc. Many organizations are concerned with collection and publication of labour statistics. The procedure of collection and number of publications have developed with the Industrial Development of India. Labour Bureau - Simla has played a vital role in the field of labour statistics. Publication of statistics in proper form is an important aspect of labour statistics. Many monthly and yearly journals and reports are now published in our country.

In India, labour statistics are not as accurate as they should be. We have discussed the main deficiencies in our system, Some of them are Lack of Uniformity, Lack of Coverage, Lack of Accuracy, Discrepancy in date etc. In the end, some suggestions have been made to eradicate the above deficiencies.

16.10 SELF ASSESSMENT TEST

1. Write a note on the nature and sources of labour statistics in India.
2. Discuss the sources, scope and limitations of statistics relating to Industrial Labour in India.
3. Describe the General shortcomings of labour statistics in India. How can the quality of these statistics be improved ?
4. Write short notes on :
 - (a) Meaning and importance of labour statistics
 - (b) Labour Bureau
 - (c) D.G.E.T.

- (d) Deficiencies in Labour statistics.
5. Describe the main organizations concerned with, the collection and publication of labour statistics.
 6. Describe the official statistics on Industrial Labour in India.

16.11 KEY WORDS

LABOUR: Includes all types of workers engaged in trade, industry, Commerce and agriculture.

LABOUR STATISTICS: Factual data on various aspects of labour.

NON GOVERNMENT STATISTICAL ORGANIZATION: Means the statistical cum-economics agencies outside Government constituted under statutory provisions.

DGET : Directorate General of Employment and Training.

16.12 FURTHER READINGS

- Indian Labour Journal.
- Indian Labour Year Book.
- V.V.Giri - Labour Problems in Indian Industry.
- Mamoria & Mamoria - Industrial Labour Social Security & Industrial Peace.
- S.C.Kuchhal - Industrial Economy of India.
- T.N.Bhagoliwal - Economics of Labour & Industrial Relations.
- R.N. Datar - Labour Economics
- Collection of Labour Statistics Act, 1953.