

CHAPTER-I

THE TERMS OF REFERENCE

The Resolution of the Government of India that announced the appointment of our Commission set two tasks before us: i) "to suggest rationalisation of existing laws relating to labour in the organised sector;" and ii) "to suggest an Umbrella Legislation for ensuring a minimum level of protection to the workers in the unorganised sector." It has also suggested that while conducting our studies, drawing conclusions and formulating our suggestions, we take into account various factors that contributed to the creation of the context in which the Government deemed it necessary to appoint the Commission.

1.2 The Resolution itself identified some of these factors as the emerging economic environment: the globalisation of the economy and liberalisation of trade and industry; the rapid changes in technology and their consequences and ramifications; the effects that these changes were likely to have on the nature and structure of industry, on methods and places of production, on employment and the skills necessary to retain employability and mobility; and the responses that are necessary to

acquire and retain economic efficiency and international competitiveness.

1.3 The Resolution also desires that while considering the demands of international competitiveness, the Commission takes into account the need to ensure a minimum level of protection and welfare to labour, to improve the effectiveness of measures relating to social security, safety at places of work and occupational health hazards; to pay special attention to the problems of women workers, minimum wages, evolving a healthy relation between wages and productivity; and to improve the efficiency of the basic institutional framework necessary to ensure the protection and welfare of labour.

1.4 Another set of factors sharpening the need for an urgent review of the existing laws in the organised sector and of the inadequacy of laws and structures in the unorganised sector, arises from the experiences that all social partners - entrepreneurs, workers and the State and Central Governments - have had, of the way the existing laws have worked during the last few

decades. All three partners have complained that the laws, as they exist, are unsatisfactory. All three wanted a comprehensive review, and a comprehensive reformulation of the legal framework, the administrative framework and the institutional structures in the field of social security. Demands for basic reforms have been voiced in the Labour Conferences for many years, and the Government had assured the tripartite conferences that it would take early steps for review and reform.

1.5 A look at the Terms of Reference that have been set before our Commission, and the terms with which the two earlier Commissions, the Royal Commission on Labour appointed in 1928, and the National Commission on Labour headed by Justice Gajendragadkar, were appointed, shows a high degree of similarity, as far as the core area of enquiry is concerned. The Royal Commission, now known better as the Whitley Commission, was asked to report and make recommendations on "the existing conditions of labour in industrial undertakings and plantations in British-India, on the health, efficiency and standard of living of the workers, and on the relations between employers and

employed." The first National Commission on Labour, referred to as the Gajendragadkar Commission, had more comprehensive and elaborate terms of reference, and different areas received specific mention. But, the core area related to conditions of labour; legislative and other provisions intended to protect the interest of labour, wages, standard of living, efficiency, safety, welfare, social security; relations between employers and workers; the role of trade unions and employers' organisations in promoting healthy industrial relations, and the conditions of rural and unorganised labour. However, the Gajendragadkar Commission had a specific mandate "to advise how far these provisions (labour laws etc.) serve to implement the Directive Principles of State Policy in the Constitution on labour matters and the national objectives of establishing a socialist society and achieving planned economic development."

1.6 The Terms of Reference given to our Commission have attracted some adverse criticism. They have been described by some, as too narrow and too limited, inadequate to cover all the crucial inter-related issues that have

to be considered together. Some have gone so far as to suggest that what they consider the inadequacies of the Terms of Reference reveal a tilt in favour of the demands and interests of one section. Some of them have openly expressed their apprehension that the Commission might not be impartial and unprejudiced, but might act as an instrument of partisan interests. They have, therefore, advocated and adopted a policy of non-cooperation. The Commission deeply regrets this unwarranted and unmerited prejudice, but it is happy and grateful that the overwhelmingly large majority of organisations has not shared this unfortunate view, but has, in fact, given the fullest and most cordial cooperation to the Commission. We once again, place on record, our deep gratitude to all of them.

1.7 However, in view of the apprehensions that have been voiced, we feel that it will be appropriate if we make a few observations on our understanding of the Terms of Reference.

1.8 We do not feel that the terms are too narrow for a comprehensive review of all the relevant crucial issues. We feel that the two specific instructions,

one about the existing laws in the organised sector, and the other about legislation and structures for workers in the unorganised sector, are only to give precision and focus to the area in which we have been asked to make recommendations, not to inhibit or restrict the area of study and review. We feel that the paragraphs of the Resolution that refer to the context of, and the reasons for the review, and the responses to the problems and the new situations that affect all the three 'partners,' give ample scope for a comprehensive survey and study of the field of enquiry. In fact, we feel that it is not possible or desirable to make specific recommendations related to laws and structures in the organised and unorganised sectors without a comprehensive study, to the extent that the time and resources given to us permit.

1.9 Two other points of criticism need to be mentioned and answered. One is that the Terms of Reference talk of 'rationalisation' of existing laws. Some critics have tried to create an impression that the word 'rationalisation' means the retrenchment of workers or cutting down the labour force engaged in an industry or plant, and, therefore, indicates an attempt to

sanctify 'retrenchment.' This is an unwarranted interpretation. In our understanding, rationalisation in this context, means only making laws more consistent with the context, more consistent with each other, less cumbersome, simpler and more transparent. In fact, the word 'rationalisation' of existing laws has been used by many organisations in this sense. The National Labour Laws Association, for instance, undertook a project (in 1989) styled "Simplification, Rationalisation and Consolidation of Labour Laws." The strenuous efforts of the Association resulted in the drafting of a 'Labour Code.' Eminent trade unionists, well-known entrepreneurs and employers, distinguished lawyers, retired members of the labour judiciary and retired judges of the High Courts and the Supreme Court participated in many seminars and workshops that led to the drafting of the 'Labour Code.' Not one of the participants objected to the word 'rationalisation' of labour laws in any of these discussions.

1.10 The second point of criticism is that the Resolution refers to the provision of "the minimum level of labour protection and welfare measures and basic institutional framework for ensuring

the same." The objection is that that only a 'minimum' is visualised and targeted. One does not know whether this caveat is put forward seriously. If it is, one has to point out that assuring a minimum level does not preclude the attainment of higher levels, but only commits the State to ensure at least the targeted or visualised minimum.

1.11 The paragraphs explaining the context and expectations refer to the "minimum level of labour protection and welfare measures." It is obvious, therefore, that the Commission is required to enquire into and define what constitutes the "minimum level of labour protection and welfare measures." It is equally obvious that the protection referred to is not only meant for workers who are in employment at any given moment. It cannot mean that one receives protection from the moment one enters active employment and forfeits it as soon as one retires or ceases to be employed for any other reason. Such a perception of protection will negate all the prerequisites of a continuum of social security upon which hinge the protection, preservation, enrichment, and judicious and beneficial use of the human resources that a community requires. We, therefore, understand that protection and welfare

measures are required for those who are employed, as well as those who are unemployed; those who are prospective entrants to the workforce, as well as those who have been rendered incapable by debilitating disease, accident or old age.

1.12 Protection includes protection of the ability to meet the essential requirements of life and a minimum standard and quality of life, as well as protection of the rights that are essential to 'protect' one's bargaining power and social status. The absence of bargaining power will pave the way to a life of deprivation, distress sale of one's work power, violation of human dignity, and exploitation.

1.13 We are aware that the degree of protection that a society or State is able to assure to the worker, or those who are preparing to enter the workforce, or who have been incapacitated, will depend on the resources available to the State/society and the contributions that citizens/beneficiaries themselves can make.

1.14 But, it is equally clear that a scheme of protection and welfare has to include assistance to meet

exigencies that arise as a result of unemployment, temporary unemployment, under-employment, accidents at places of work; the need for insurance cover against accidents and occupational health hazards; the demands of pensionary, domiciliary and other kinds of care in old age; the need for housing, education of children, medical and nutritional care of the family - particularly dependents - and the constant upgradation of the skills necessary for continued employment.

1.15 One of the two main tasks that have been entrusted to the Commission is to suggest Umbrella Legislation for ensuring a minimum level of protection to the workers in the unorganised sector. It is true that the Gajendragadkar Commission as well as the Commission on Rural Labour have given considerable attention to the problems and needs of rural labour, and labour in the unorganised sector. The Whitley Commission has also made some observations on the conditions of labour in rural areas and the relationship between rural and urban labour, rural unemployment, compulsions behind migration, and related questions. However, we realise that it is for the first time that

a National Commission has been asked to study the conditions of labour in the unorganised sector and to make recommendations for Umbrella Legislation to give protection to the workforce in this field. We also realise the vastness and the importance of a study of the problems in this field. It is well known that approximately 92% of our workforce is in the unorganised sector. When the Commission is asked to review legislation and structures that exist in the organised sector and also to make recommendations for legislation and structures in the unorganised sector, it means that the Commission is expected to suggest measures that will cover the problems and needs of the entire workforce in the country.

1.16 It is very difficult to make a list of all the employments and occupations that fall in the unorganised sector, but it is clear that the workforce in this sector covers a vast spectrum, extending from self-employed workers, part-time workers and domestic workers to workers in employments in the penumbra of the organised sector. It is not necessary here, to give an exhaustive list of all kinds of employments, crafts, etc. in which such workers are engaged. But, to point

out some of the more easily visible and recognisable categories, one may mention, agricultural workers, migrant workers, bonded labour, construction workers, weavers, spinners, cobblers, vendors, employees in Dhabas or wayside restaurants, domestic service, repair shops and so on.

1.17 When one surveys the problems and needs of workers in the organised and unorganised sectors, one has also to take special note of workers who are employed in small-scale industries and tiny industries. There are many minds in which the word 'Industry' invokes only the picture of big industry. But statistics reveal that a much larger section of the workforce is employed in small-scale industries than in large-scale industrial undertakings. In 1999, while the organised industry, both in public and private sectors together employed 67.4 lakh workers, the small-scale sector employed 171.6 lakh workers, almost thrice the number. The problems of the entrepreneurs and the workers in this field need special attention.

1.18 As we stated in an earlier paragraph, organisations of employers

as well as employees have been asking for a review of existing legislation. We have numerous Acts in this field. Some of them date back to the last decade of the 19th century or the early decades of the 20th century. Laws have been put in the Statute Book in a piecemeal manner, as and when the need for some kind of legislation was felt. So, it can be said that our labour laws have not flowed from any vision of a harmonious and just social order that takes into account the needs of an efficient and non-exploitative society, or a vision of the rights, duties and responsibilities of the different social partners to themselves, to each other, and to the totality of the community. They have been criticised as being ad hoc, complicated, mutually inconsistent, if not contradictory, lacking in uniformity of definitions and riddled with clauses that have become outdated and anachronistic, in view of the changes that have taken place after they were introduced many years ago. It has been pointed that the number of laws that are in the Statute Book in the Centre and the States, runs into many scores. Some have said that we have a plethora of legislation with laws that are unenforceable and self-defeating. The demand for simplification and

codification has, therefore, come from all sides. There is a growing volume of opinion which demands simple and transparent laws that are part of one comprehensive code, laws which can be easily understood by the common worker, as well as those who run small industries.

1.19 The paragraphs on context and expectations make a special mention of the need to attain and retain the degree of 'international competitiveness' that our economy - particularly industry - needs in the era of globalisation. The progress that any nation makes, depends on the efficiency of its industries and agriculture, and the quality and adequacy of the services it can offer to its citizens. The importance of efficiency and quality is crucial when one has to compete in the global arena with nations that have had a head start over us and are, therefore, in a position of vantage, countries that are far ahead of us in all the indices of economic development. To succeed in this competition, we need the highest degree of efficiency. Our industry must be able to compete in the excellence and variety of our products, and the cost at which they are produced. This is a national

imperative and, therefore, a matter of common concern to the entire nation. Competitiveness in the global arena should not, therefore, be regarded as the need of any single sector of our society or economy. It is a common need, of equal importance to every citizen.

1.20 Competitiveness depends not merely on technology, credit, inputs and managerial skills, but also on the contribution that labour makes. The commitment of the workforce to quality and productivity must therefore, be as high as that of any other partner in production. Such a high degree of commitment depends on a sense of belonging, partnership and commonness of purpose that we are able to impart to workers in every plant and industry. This commitment and the new work culture that it calls for, can be created only when workers feel that they are receiving fair wages, a fair share of profits and incentives, and the respect or consideration due to partners and fellow human beings.

1.21 The crucial link between productivity and industrial efficiency (the efficiency of industrial undertakings) cannot be denied. The level of wages depends on the economic efficiency of

an undertaking or industry. Workers have, therefore, to be as interested in productivity as the management is. In fact, genuine partnership in management may be the genuine guarantee of industrial harmony, efficiency and competitiveness.

1.22 The paragraphs of the Resolution that indicate expectations, want the Commission to give special attention to the problems and potential of women workers in the new circumstances that have been created by unforeseen advances in technology as well as globalisation. No one can overlook the fact that women constitute nearly 32% of the workers in the unorganised and self-employed sectors. Their individuality as workers should be inviolate. They are as much entitled to human dignity and equality as men. Any society that ignores the resources or potential that one half of it holds, which treats one half as 'less equal', will fail in mobilising its human resources to the full, and will fail to make the progress that it can make. The Commission, therefore, has given special attention to the problems and potential of women members of the workforce.

1.23 We have already referred to the impact that technological advances are

having on unemployment, on places and conditions of work, on the skills that will be necessary to acquire and retain eligibility for employment and mobility in employment. The future will require concurrent training in multiple skills, and the constant updating and upgradation of skills. A commensurate programme of technical education and the transmission of technical skill will, therefore, have to be visualised. The Commission has attempted to do this in a special Chapter on Skills and Training.

1.24 Both the specific Terms of Reference of the Commission ask us to make proposals that relate to legislation or revision of existing legislation. Laws are enacted to confer and sanctify rights, or to prescribe duties, and to provide for procedures that relate to the resolution of problems that arise between individuals and communities. It is one organ or the other of the State that lays down the law, interprets it, and enforces it.

1.25 At least one of the witnesses, who appeared before us, put forward the view that the State should have no role in regulating industrial relations. He wanted the State to withdraw totally from the field of industrial

relations, leaving it to the two parties to arrive at settlements on all matters, through bilateral negotiations and contracts. The Commission cannot accept this extreme view. The witness who took this extreme view was not a believer in the philosophy of anarchism. Nor was he in favour of the State withering away. He believed in the responsibility and the role of the State in protecting private property, law and order and so on. Where the State disappears or there is no State to promulgate or enforce laws (including laws that protect private property), perhaps altruism or compassion or self-restraint is expected to take the place of the State, or external restraints and the laws promulgated and enforced by external forces.

1.26 Leaving these theoretical issues aside, it has to be recorded that there were quite a few witnesses who held the view that the role of the State in regulating industrial relations should be limited and minimal, and should, in fact, be based on bilateralism and the laws of supply and demand. It is, therefore, necessary to examine some aspects of this view in some depth.

1.27 It is one thing to hold that the role of the State should be minimal,

and quite another to hold that industrial relations should be based only on bilateralism. We have no doubt that bilateralism is an essential ingredient of industrial relations, and that both parties should rely on it as far as possible. But occasions may arise when negotiations between the two parties reach a deadlock or stalemate, because either party or both the parties have taken an inflexible view, and are unwilling to budge. Occasions may arise when disparity in the strength of the two parties may make it difficult for us to hope that the parity or balance of interests of the two parties, or the interests of the society as a whole can be safeguarded merely through bilateral negotiations and the exclusion of third parties, even in the role of mediators or arbitrators. Such situations can lead to violent conflicts, lockouts and closures; the use of tactics like '*Gheraos*' that precipitate violent conflict; State intervention in the name of law and order; misuse of the strength that comes from the preponderance of numbers; and the countervailing threats of reducing large numbers to starvation. In such circumstances, it cannot be denied that there is a role that mediation, arbitration, adjudication or third party intervention can play to ensure industrial peace with justice to both sides and to society.

1.28 In fact, the history of the Industrial Revolution and the subsequent growth of trade unionism show the benefits that have accrued from the intervention of the State to both sides, and to society itself. In the initial days of industrialism, the State protected machinery and capital from irate workers who had been dispossessed of their means of production and livelihood. In later days, the State protected factory workers from inhuman and barbarous conditions of work and the compulsions that led to the distress sale of labour power. The State protected the right of the worker to form associations or unions to protect themselves against cruelty, below subsistence level wages, and exploitation. Whether society would have been able to reap the benefits of technology if the State had not intervened to protect the entrepreneur as well as the employees or wage earners, and to create and maintain a climate conducive to investment and economic activity, is a moot question that is worth pondering over.

1.29 This takes us to the question of the laws, that the State promulgates and enforces to promote fair bilateralism, to regulate third party assistance in the settlement of

disputes, and to ensure the rights of association, safety, security and the like. The laws that the State formulates have to be relevant to the context of social life in the country, and have to be such as are estimated to be effective in dealing with both current and anticipated problems of the immediate or foreseeable future. But, the State conceives or formulates these laws on the basis of the fundamental beliefs on which it has come into being, beliefs in relation to the responsibilities of the State to the individual and the constituent units of the State, the responsibilities of the individual to the State, the individual to other individuals and so on. This bedrock of beliefs may have taken shape from an 'ideology' or from perceptions and axiomatic beliefs and norms that have determined the tradition and ethos of the country. It is not our contention that these are mutually exclusive sources, or sources that do not influence each other. Thus, a totalitarian State cannot be expected to promulgate laws to protect and promote individual liberty or the rights of individuals. A communist State cannot be expected to promulgate laws to protect private property. A socialist State cannot be expected to legislate for the protection of cartels and monopolies.

1.30 It, therefore, becomes necessary for us to look at the bedrock of beliefs on which our State is based. Our State and the Constitution under which we work, reflect the universal aspiration of our people to live in a society that is free, democratic, equalitarian, and non-exploitative. We have described our State as a Sovereign, Secular, Democratic and Socialist Republic. We believe in a regime of Fundamental Rights and adult franchise, a Government that is responsible to freely and democratically elected representatives of the people, a non-partisan bureaucracy, and an independent judiciary that can uphold Fundamental Rights and processes, and the checks and balances prescribed by the Constitution. Such a state, therefore, cannot act in a manner in which a one party State can act, a state with no regime of Fundamental Rights (including the rights of free association), or a judicial system that can enforce these rights; a state in which the state is the sole employer or the only party that controls the organisations of both employers and employees.

1.31 It is, perhaps, necessary to remind ourselves that the Fundamental Rights guaranteed by the Constitution

include: Right to Equality (Article 14-18); Right to Freedom (Article 19-22); Right against Exploitation (Article 23-24); and the Directive Principles of State Policy enshrined in the Constitution include: the State should aim to secure a Social Order for the promotion of welfare of people (Article 28); Principles of the Policies to be followed by the States (Article 39 which includes the issues relating to equal pay and child labour); Equal Justice and Free Legal Aid (Article 39A); Right to Work; to Education and to public assistance in cases of unemployment, old age, sickness, disablement and undeserved want (Article 41); Provision of Just and Humane Conditions of Work and Maternity Relief (Article 43); Living Wage etc. for workers (Article 43); Participation of workers in Management of Industry (Article 43A). The Directive Principles are not justiceable in a court of law, but they have been conceived as signboards that will remind us of the direction in which the policies of the State are expected to take us. In that sense, therefore, they are both Directive Principles for the guidance of the State and a covenant with the people.

1.32 It cannot be gainsaid that our Constitution could not have been what

it is, but for the values and fundamental beliefs and aspirations that sank into our national consciousness during the struggle for Independence, and the identifiable consensus that it produced.

1.33 One of the unique characteristics of our struggle for freedom was the fact that while demanding freedom, our leaders also made intense efforts to educate our unlettered masses both on the value and the meaning of freedom. Our leaders lost no opportunity to explain that the objective of the struggle was to enable the common man to come into his own, to ensure that he enjoyed freedom and equality, and the fruits of freedom and equal opportunities. In fact, they succeeded in creating the belief that the test of Freedom or Independence lay in what it brought to the common man. From the last decade of the 19th century, leaders like Dadabhai Naoroji, S. N. Banerjee, R. C. Dutt, Justice Ranade, Gopal Krishna Gokhale, Bal Gangadhar Tilak and Mahatma Gandhi talked of the causes of poverty and deprivation, and the benefits, rights and security that freedom would bring to the common man.

1.34 With the end of the First World War and the return of Mahatma Gandhi

to India, the Indian National Congress underwent a transformation. It became the spearhead of a mass struggle for Independence. Gandhiji returned to India after leading unique and successful struggles of indentured labourers in South Africa. It is often forgotten that Gandhiji first entered public life and took to the path of non-violent struggle, in defence of the working class, to fight for the rights and human dignity of the lowliest workers. He gladly identified himself with the 'coolie,' as the Indian labourer was called in South Africa. He identified himself with the 'porter and unskilled manual labourer.' When he returned to India, his first struggle was for the rights and interests of the textile workers in Ahmedabad, and of the bonded workers in the Indigo Plantations of Bihar. Both the Whitley Commission and the Gajendragadkar Commission have referred to the role that Gandhiji played in organising workers and leading workers' struggles. We may have more to say about this subject in later paragraphs when we refer to the trade union movement in India. But here, we are pointing out the role that leaders like Gandhiji and Nehru played in creating national awareness about the rights of the workers or the toilers, and forging a national commitment to the protection and welfare of the working class.

1.35 It may not be inappropriate to cite some of the landmarks in the history of the growing commitment of the Freedom Struggle to the cause of the workers or toilers. The leaders of the national struggle were, of course, deeply devoted to the revitalisation and resurgence of indigenous industry as well. But, during the days of the struggle (and the years immediately following the accession to Independence), the Congress, which was the spearhead of the national struggle, never lost an opportunity to explain that the freedom that it was seeking, was for the benefit of the 'teeming' and toiling millions. To cite a spectacular instance, one can quote the declaration that Mahatma Gandhi made at the Round Table Conference that the British Government convened in London in 1931. He was attending the Conference as the only representative of the Indian National Congress, and used the occasion to declare that when India became free, there would be a scrutiny of all interests and privileges, and whatever was found to be in conflict with the interests of the masses, would have to go, with or without compensation¹.

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¹ See speeches at the Round Table Conference, 1931.

1.36 Another declaration of policy and commitment can be found in the Resolution on Fundamental Rights which was passed by the Indian National Congress at its session in Karachi in 1930. It may not be out of place to quote a few paragraphs from this Resolution ".....The State shall safeguard the interest of industrial workers, and shall secure for them, by suitable legislation and in other ways, a living wage, healthy conditions of work, limited hours of labour, suitable machinery for the settlement of disputes between employers and workmen, and protection against the economic consequences of old age, sickness and unemployment [highly reminiscent of the Directive Principles that were later incorporated in the Constitution]... Labour to be freed from serfdom and conditions bordering on serfdom... Protection of women workers... Peasants and workers shall have the right to form unions to protect their interests... The State shall also protect other indigenous industries when necessary against foreign competition... The State shall own or control key industries and services, mineral resources, railways, waterways, shipping and other means of public transport." Subsequently, after the Government of India Act that provided for Provincial

Autonomy was enacted in 1935, the Congress contested elections with a massive campaign in 1936. The manifesto with which the Congress went to the electorate, reiterated the commitments of the Resolution on Fundamental Rights, in the following words "to secure to industrial workers, decent standard of living, hours of work and conditions of labour, in conformity, as far as the new economic conditions in the country permitted, with international standards; suitable machinery for settlement of disputes between employers and workmen, protection against economic consequences of old age, sickness and unemployment; and the right of workers to strive for the protection of their interests."

1.37 A further landmark came when the Indian National Congress accepted the responsibility to form Governments in the States. The first Congress Ministry that took office in Bombay in 1938, issued a declaration which reiterated the commitment to the working class: "The Government are aware that they are in a special sense, responsible for the welfare of the industrial worker... Government will try to adjust the social and economic mechanism in such a way

as to assure to the worker the satisfaction of at least his minimum human needs, security of services, provision of alternative occupations in periods of inevitable unemployment, and maintenance during the period of unavoidable incapacity of work ...To ensure him opportunities for the advancement of his status and a full measure of freedom of action consistently with his obligation to industry and society...The pace at which a programme to achieve these ends can be prosecuted will depend on various factors, foremost among them being the cooperation of the working classes and the employers, the state of the industries concerned and economic conditions generally ...With regard to industries and industrial centres which fail to provide a living wage to the employees, Government have decided to institute an exhaustive enquiry with a view to determining how far wages for these cases are short of the minimum budgetary needs of the workers, to discover what circumstances are responsible for the inadequacy, and to ascertain the ways and means of improving wages to a satisfactory level...For the protection of the industrial population, Government visualise the development of a comprehensive system of social insurance... With

regard to the trade disputes Government are determined to pursue an active policy with a view to maintaining industrial peace in the Presidency, endeavouring all the time to see that the workers obtain a fair deal. It is the intention of the Government to promote legislation aiming at the prevention of strikes and lockouts as far as possible. The basis of this legislation would be the requirement that no reduction in wages or other change in conditions of employment to the disadvantage of the worker should take effect till they have had sufficient time and opportunity for having the facts and merits of the proposed change examined, and all avenues of peaceful settlement of disputes explored either through the channel of voluntary negotiation, conciliation, arbitration, or by the machinery of the law. A corresponding obligation would rest on the workers in respect of demands on their behalf."

1.38 A further landmark came when the Indian National Congress, under the Presidentship of Pandit Jawaharlal Nehru, appointed a National Planning Committee in 1938. Elections had been held under the Government of India

Act of 1935. The Act provided for Provincial Autonomy, and Ministries responsible to elected Assemblies. Popularly elected Ministries, therefore, took office in the Provinces. It was felt that Independence was round the corner, and adequate and detailed efforts had to be made to prepare blueprints or lay down the principles that should govern growth in the different sectors of economic development. Pandit Nehru himself functioned as the Chairman of the National Planning Committee. The Committee set up sub-Committees to deal with different areas of economic activity. The sub-Committee that was entrusted with the task of working out an outline for the labour sector was chaired by a well-known labour leader and Member of the Central Assembly, Shri N. M. Joshi. The Committee consisted of prominent men and women connected with the field of industry and labour. Shri Gulzarilal Nanda, who later served as the Union Minister of Labour, was a member. The Report of the Committee, with the proposals and recommendations of the sub-Committees was edited and presented by Shri K.T. Shah, Honorary General Secretary of the National Planning Committee.

1.39 The views and proposals of this Committee went much further than the earlier pronouncements and promises to which we have referred. In his introduction, Shri K. T. Shah held that labour was the prime or principal factor of production; "and the worker is therefore, entitled to a commensurate share in the wealth, that is produced; ("even more important than nature since the gifts of nature would be unavailable for human consumption unless they were worked up by the labour, knowledge and ingenuity of man") (page: 53); "any share in the distribution of such wealth, which may be reserved for 'capital' would be so much deduction from the share given to labour. The share assigned to 'capital' is justified, if at all, only on the ground that it makes provision for maintaining the apparatus for continued production." The Committee identified some of the primary goals of planning as 'achieving full employment,' 'security of full employment,' 'a guaranteed national minimum wage,' 'a compulsory universal contributory system of social security' to cover all. On the question of the determination of wages and the worker's share of profits Shri Shah's introduction said "the regulation of the worker's share in the national wealth, his wages, is accordingly, not a matter

of individual bargaining, exploiting the need of the workers, but a question of equitable distribution of the National Dividend. Primarily, it must correspond to the cost of living, and next to that, it must bear some relation to the national wealth produced." (page 66). This view flowed from the contention "that labours' share in the sum total of national wealth should be all the wealth produced for the workers, minus such portion as may be necessary" for maintenance and replenishing of machinery, resources, raw material, etc., wear and tear, and investment in the education and training of 'rising generations,' 'upkeep of the disabled' and 'arrangements for the social security of all workers' (page 53). Shri Shah's introduction further declared, "enterprise cannot be left to profit making individuals; employment cannot be left to be the plaything of demand and supply; national economy, social justice and public welfare cannot be entrusted to laissez faire." "They must be the concern of the State" (page 56). Industrial disputes should be avoided or minimised, and the means for doing so would include compulsory unionisation, conciliation through Whitley Councils or similar bodies, mediation, adjudication by the organs

of the State or special judiciary, and if necessary, compulsory arbitration.

1.40 The work of the National Planning Committee was interrupted by the Second World War, the Quit India Movement and the arrest and detention of its Chairman, Pandit Jawaharlal Nehru as well as quite a few of its leading members. It must also be pointed out that the deliberations of the Committee and sub-Committees were attended by the official representatives of quite a few of the provincial Governments of the time (except when the popular Governments were out of office).

1.41 As the Second World War was drawing to a close, there was an increasing feeling that the end of the War would see major constitutional changes, that India would acquire dominion status or some kind of Independence soon. The pattern of political and economic development that India needed and the principles, on which it should be based, were therefore, engaging the attention of many interest groups and leaders of public opinion. We have referred to the vision that the Indian National Congress placed before the people,

and the views that the National Planning Committee formulated. We must now refer to the views put forth by the leading industrialists of the country.

1.42 They also prepared a plan, 'Plan of economic development for India.' Distinguished leaders of industry like Sir Purshotam Das Thakurdas, J. R. D. Tata, G.D. Birla, Sir Shriram, Kasturbhai Lalbhai, A. D. Shroff, John Matthai, were members of the team that formulated the Plan. So was, Sir Ardshir Dalal till he joined the Government of India as Member for Planning in the Viceroy's Executive Council. Dr. John Matthai also became a member of the Central Cabinet and was in charge of the finance portfolio after Independence. Their first memorandum dealt chiefly with the problem of production. The second part dealt with goals and the principles on which the Plan (Bombay Plan as it was called then) was based.

1.43 They saw the primary objective of the Plan as improvement of the 'standard of living of the masses.' This could be achieved only by ensuring 'both increased production and equitable distribution.' The measures that they visualised to achieve these objectives included "i) provision of full employment, ii) increase in

efficiency, iii) improvement in urban and rural wages, iv) security of agricultural prices and development of multipurpose cooperative societies and, v) reforms of the land system." (page-6)

1.44 They recognised "the individual's right to work," and believed that "this could be ensured only with full employment. Provision of full employment would, no doubt, present formidable difficulties, but without it, the establishment of a decent standard of living would remain merely a pious hope."

1.45 "The large increase in production which is postulated in the Plan will be difficult to achieve, if the present disparities in income are allowed to persist" (page-3). For "gross inequality in incomes tends to retard the development of a country's economic resources. They prevent the needs of the vast majority of the population from exercising any influence on the volume of production, which has naturally to be restricted, and lead to social cleavages and disharmony." To this extent, therefore, equitable distribution is necessarily implied in a plan for increased production. A policy which specifically aims at securing

this objective, should have a double purpose: "i) to secure to every person, a minimum income essential for a reasonable standard of living and ii) to prevent gross inequities in the incomes of different classes and individuals." "Concentration of the means of production in the hands of a small group of people has been considered one of the potent causes of the inequalities in income which prevail in the world" (page 3). "To secure an equitable distribution of income, it is, therefore, necessary gradually to reduce the existing inequalities of wealth and property and to decentralise the ownership of the means of production" (page 3-4). The Plan then deals with the means to achieve these objectives and suggests death duties and similar measures, reforms of the system of land tenure and "in the sphere of industry... the fullest possible scope should be provided for small scale and cottage industries, particularly in the production of consumption goods." "The process of decentralisation would be further advanced by encouraging the wide-spread distribution of shares in joint-stock companies by regional distribution of industries, and through the development of cooperative enterprises. Control by the State, accompanied in appropriate cases by

State ownership or management of public utility, basic industries, etc. will also tend to diminish inequalities of income." (page 4)

1.46 The Plan makes it clear "that although gross inequalities are undesirable, total abolition of inequalities, even if feasible, would not be in the interest of the country." It refers to the experience of the Soviet Union, and points out to the role that incentives to increase personal income can play in the growth of the economy.

1.47 The Plan refers to unemployment and under-employment, including seasonal unemployment in the agricultural and rural sector, and advocates the following steps as part of a policy to promote full employment: i) "introduction of mixed farming, i.e. cultivation accompanied by dairying, farming, market gardening, etc. ii) cultivation of more than one crop in a year with the help of better irrigation facilities and increased use of manures, and iii) provision of subsidiary industries which the cultivator can take up when he has no work on the farm. Among such subsidiary industries may be mentioned the following: spinning and weaving, shoe making, paper making, tanning, gur making, soap

making, oil crushing, fruit preserving, basket weaving, flour and starch making etc." (page 8)

1.48 It then speaks of 'gaps in employment policy' caused by the seasonal nature of certain trades and occupations, changes in the techniques of production, variations in demand, etc, and says "it ought to be possible to devise schemes of relief like unemployment insurance for workers subject to unexpected and prolonged periods of unemployment" (page 10). On wages, the Plan holds that "although the establishment of a basic minimum wage for all occupations cannot be considered at this stage, a beginning may be made in certain well-established industries like, cotton textile, sugar, cement, engineering, jute, mining etc." "The minimum should be revised from time to time till it corresponds with a reasonable standard of living. The fixation of a minimum wage and its subsequent revision should be entrusted to a Standing Committee constituted for each industry" (with representatives of employers, workers and a few independent persons). (page 12)

1.49 The Plan takes note of the disparity between the wage rates of

industrial and agricultural labour, wants them to "be gradually adjusted so that the present disparity is reduced." It cites figures to point out that a number of workers lived below the 'subsistence level.'

1.50 The Plan then, advocates the establishment of multi - purpose cooperatives to protect agriculturists and the agricultural worker. It considers "the reform of the land system" as a fundamental reform that is required to improve agricultural production and the conditions of those who depended on agriculture. (page 14)

1.51 The standard of living of a worker depends on incomes or wages as well as the cost of living. Even as wages have to be "gradually raised to approximate to a fair wage which assures a fair standard of living, the cost of living has to be controlled or brought down." "The measures which we propose for reducing the cost of living fall into two categories: i) provision of free social services, e.g. primary and middle school education, adult education and medical treatment; and ii) provision of essential utility services, e.g. electricity and transport at low cost" (page 18). "In order that every person, whatever his means, should be able to secure the benefits

of education and medical relief, we have suggested that primary, middle school and adult education and medical treatment, both in rural dispensaries and in hospitals, should be provided free of charge. This would mean a considerable relief in the cost of living" (page 18).

1.52 The Plan proposed "a large increase in the supply of these utility services such as electricity, gas, transport etc." and said "it is an essential part of our Plan that their cost to the consumer, both for domestic use and for cottage and rural industries, should be as low as possible and within the means of the bulk of the population. In order to achieve this objective, we propose that these services should be subsidised by the State to such extent as may be necessary and that the margin of profit in such services should be subjected to control." (page 19)

1.53 The Plan held that the ultimate objective of economic policy should be to provide "security of income or freedom from want," to provide for "several contingencies such as sickness, old age, technological unemployment, etc." "These contingencies cannot be met except by

a comprehensive scheme of social insurance." "The need for such a scheme is urgently felt in India. But, it will not be possible to introduce it until i) "a policy of full employment has had time to work itself out and some approximation is made to a position of stable employment for the greater part of the population i.e. until the risks insurable are reduced to manageable proportions, and until, ii) the average individual income has risen sufficiently to meet the contributions necessary under a scheme of insurance." (page 20)

1.54 Even as the attempt should be to fix a minimum wage, interest rates should be controlled to ensure full employment. "As a general rule, these rewards namely wages, interests and profits, should continue to be determined on the basis of demand and efficiency... subject to the overriding consideration that wages should not fall below a certain minimum and that interest rates should be controlled with a view to maintaining full employment. Profits should be kept within limits through fixation of prices, restriction of dividend, taxation, etc. But, care should be taken to leave sufficient incentive for improvement in efficiency and expansion of production." (page 5)

1.55 Before concluding these references to the suggestions of the Bombay Plan, prepared by the industrialists, we must briefly refer to the attitude they formulated to the role of the State in the promotion of the economy.

1.56 "As the introduction to the Plan itself clarifies, our approach to these problems is two-fold. On the one hand, we recognise that the existing economic organisation, based on private enterprise and ownership has failed to bring about a satisfactory distribution of the national income. On the other hand, we feel that in spite of its admitted shortcomings, it possesses certain features which have stood the test of time and have enduring achievements to their credit" (page 1). As the introduction further explains "it is our firm belief that if the future economic structure of the country is to function effectively, it must be based on these twin foundations. It must provide for free enterprise, but enterprise, which is principally enterprising, and not a mere cloak for sluggish acquisitiveness. It must ensure at the same time that the fruits of enterprise and labour are fairly apportioned among all who contribute to them and not unjustly withheld by a few from the many." (page 1)

1.57 Let us now turn to what the document thinks of planning itself. "Since planning is primarily a matter of organising the human and material resources of a country, our aim should be to devise a system which would help to utilise them to the maximum advantage. The Plan must fit in with the general outlook and traditions of our people, and the cost of efficiency in terms of human suffering and loss of individual freedom must not be unduly heavy." (page 23)

1.58 On the question of the role of State control, ownership and management, the Plan said, "we believe that planning is not inconsistent with a democratic organisation of society" (page 25). We have already referred to the fact that the Plan believed that there was a role for "control by the State, accompanied in appropriate cases by State ownership or management of public utilities, basic industries, etc."

1.59 The Plan further states that "it is inevitable that in executing a comprehensive plan of economic development, especially in a country where the beginnings of such development have yet to be laid, the State should exercise, in the

interest of the community, a considerable measure of intervention and control. That this would be an indispensable feature of planning, was recognised by us in our first memorandum" (page 23-24).

1.60 The framers of the Plan then pointed out that "the distinction which is generally drawn between capitalism and socialism is somewhat overdone. The principle of laissez faire, which is regarded as the dominant note of capitalism has, during the last hundred years, been so largely modified in the direction of State intervention in various spheres of economic activity that in many of its characteristic aspects, capitalism has been transformed almost beyond recognition. Similarly, countries which, in recent years, set out to organise their economic life on orthodox socialistic lines have found it necessary in several important respects to accept capitalistic ideas in their effort to evolve a workable form of society. As a result of these developments, the distinction between capitalism and socialism has lost much of its significance from the practical standpoint. In many respects, there is now a large ground common to both, and the gulf between the

two is being steadily narrowed further as each shows signs of modifying itself in the direction of the other. In our view, no economic organisation can function effectively or possess lasting qualities unless it accepts as its basis, a judicious combination of the principles associated with each school of thought." (page 25)

1.61 The Plan proceeds to discuss the methods of State intervention and talks of the relative merits and role of ownership, control and management. "Of all the three factors mentioned above, from the point of view of maximum social welfare, state control appears to be more important than ownership or management" (page 27).

1.62 On monopoly and private property, the authors of the Plan say, "we believe that capitalism, in so far as it affords scope for individual enterprise and the exercise of individual initiative, has a very important contribution to make to the economic development of India. We believe at the same time that unless the community is endowed with powers for restraining the activities of individuals seeking their own

aggrandisement regardless of public welfare and for promoting the main objective of economic progress, no plan of economic development will succeed in raising the general standard of living or promoting the common good.” (Page 26)

1.63 On monopolies, the Plan says, “Monopolies, for example, would not be allowed to limit their output with a view to increasing their profits by raising prices. Scarce natural resources would not be allowed to be exploited without consideration for the future requirements of the country. The rights attaching to private property would naturally be greatly circumscribed in the light of these considerations, we indicate below in general terms the sectors of economic activities which should be owned, controlled and managed by the State. State ownership is necessarily involved in all cases where the State finances an enterprise which is important to public welfare or security. State ownership will also arise where, in the public interest, it is necessary for the State to control an industry, but the circumstances of the industry are such that control is ineffective unless it is based on State ownership” (page 28). The document goes on to analyse conditions in which economic activity

should be controlled and managed by the State.

1.64 In these paragraphs in which we have attempted to recall the principles and strategies advocated by the Plan prepared by the leading industrialists of the country in 1944, we have quoted copiously from the document for two reasons: i) our desire to ensure authenticity, ii) to avoid giving an opportunity to any one to feel that we have misunderstood or misinterpreted the views of the distinguished doyens of indigenous industry at that time, and iii) to show the national consensus that had emerged by the early years of independence. We also want to refrain from making comparisons and drawing conclusions about the views that come from many quarters today.

1.65 To revert to the National Planning Committee, its efforts were overtaken by the accession to Independence in 1947. A Constituent Assembly was set up and entrusted with the task of drafting a Constitution for independent India, and it was decided that the Assembly would also function as the Provisional Parliament that would exercise the

power to legislate, and direct and control the Government. Some of the earliest chores of law-making that the Provisional Parliament attended to, related to labour and industries, and the passing of legislation on industrial disputes etc.

1.66 The Constituent Assembly itself had the more fundamental responsibility of laying down the infrastructure on which the people of India could build a free, democratic, equalitarian, non-exploitative and secular society. It had the task of evolving a structure that would be consistent with the goals and aspirations of the freedom struggle, and the rights and responsibilities that different sections of our people, and the people as a whole, had earned as a result of the struggle that they had waged and the sacrifices that they had made, to pay the price of freedom. The masses of India, including the working class, had stood solidly behind the demand for freedom. Their rights had, therefore, to be recognised and assured, and equal opportunities had to be guaranteed to them. The Constituent Assembly took up the task with singular devotion and earnestness, and hammered out an infrastructure which guaranteed Fundamental Rights to every citizen. It laid down Directive

Principles of State Policy to guide the state in the steps and the direction that it had to take to lead the country to the goals that it had set before us.

1.67 It is not necessary to reproduce the clauses on Fundamental Rights and Directive Principles, since we have already referred to them in an earlier paragraph. We have, somewhat elaborately - if not exhaustively - reviewed landmarks on the road that led to the threshold of the Constituent Assembly, only to give some idea of the force of the popular will behind the Fundamental Rights and Directive Principles enshrined in the Constitution, to give some idea of the way aspirations and principles of universal validity were interwoven and got embedded in the national psyche.

1.68 We must now draw attention to some international factors that have contributed to the creation of the new context. Globalisation is, of course, one of the most important immediate factors. But, there are other factors that have preceded globalisation and perhaps paved the way, in some manner, for globalisation itself. They include the end of traditional colonialism and the accession to independence of all the States that were under colonial domination; the birth and growth of the United Nations, and the associated family of organisations; the new winds that

have affected trade and commerce; the realignment of forces, and the introspection on ideological questions and classical and neo-classical theories that followed the end of the cold war and the disintegration of the Soviet 'Bloc,' and the communist system in the countries of the former Eastern Bloc. The new ideas that China is experimenting with in combining 'market economics' with a political system, that some characterise as totalitarian or quasi-totalitarian; the experiments or experiences of other developing countries with different political systems in developing their economies and fighting poverty through aid, trade, foreign collaboration, direct or indirect foreign investment and so on. We do not have to examine all these in any detail. We may have to refer to some of them in the course of our enquiry into factors that have affected ground realities and thoughts, structures and styles of action.

1.69 However, we should make some observations on globalisation, even at this point of our report. We have not been asked to give any opinion on the logic and compulsions behind globalisation or on the merits of globalisation as a policy. Nevertheless,

we have to look at the consequences of globalisation and their effects on industry, trade, commerce; agriculture and other activities in the rural sector; services in the tertiary sector; employment generation, conditions of employment, the responses that trade unions and employers' organisations are making to the new situation, industrial relations and methods of conflict resolution, the new demands for mobility and security in employment, and so on. We propose to do so in one of the chapters that follow.

1.70 But there is another set of factors that should be mentioned here. They are the new concepts of Human Rights and the Conventions and Standards that have emerged from the United Nation and the International Labour Organisation (ILO). It cannot be denied that the Universal Declaration of Human Rights has had a tremendous impact on the minds of human beings wherever they have got acquainted with it. Though it may be difficult to name any country where all the rights in the Declaration are honoured and observed in practice, almost all nations (with few exceptions) have accepted them as standards that humanity should strive to achieve and honour. The rights have so much become part of the human

conscience that nations and groups are embarrassed and humbled when infringement or abridgement of these rights within their territories is exposed, and brought under public gaze within their country and outside.

1.71 The rights that the Universal Declaration of Human Rights talks of include the rights of individuals and constituent groups within nations, and nations themselves. In the realm of industry and labour the declaration sets forth the Right to Work; to Free Choice of Employment; to Just and Favourable Conditions of Work; and to Protection against Unemployment (Article 23); Right to Life, Liberty and Security of a Person (Article 3); Right against Slavery and Servitude (Article 4); Right to Freedom; Peaceful Assembly and Association (Article 20); Right to Social Security (Article 22); Right to Rest, Leisure Period, Holiday with pay and limitation on working hours (Article 24); Right to Standard of Living; adequate for the health and well being (Article 25).

1.72 No discourse about laws that affect the life of human beings can, therefore, easily ignore the standards

that are almost universally accepted as essential for human dignity and progress.

1.73 At this point, we do not have to engage in a detailed description of the Conventions of the International Labour Organisation (ILO) and the Standards set by it. But, we must remind ourselves that the ILO is the oldest international organisation that exists today; that it is the only tripartite organisation that brings together all social partners in any field, since it has the full participation of employers, employees and Governments in all aspects of decision making and programme implementation; that India has been a member of the organisation from the day it was founded; that decisions in the organisations are made after free, full and repeated discussions; that India as a member has accepted and ratified many of its Conventions and accepted many of the standards set by it; that these agreements have, therefore, acquired the status of inviolable commitments to the people of the country and to the international tripartite community of Governments, and the organisations of employers and employees; that, therefore, any law that we make

in our country should not be such as violate or dilute the solemn commitments made by us. In fact, much of the advice that the ILO has offered to the international community is such as would benefit all the three partners in piloting their communities towards industrial harmony, growth and social justice.

1.74 The globalisation that we see today has been triggered off by modern technology. History testifies to the fact that a mix of motives has fuelled the growth of technology. It also shows that the use to which technology is being put, has been influenced by a variety of motives and objectives. Knowledge of the technique of splitting the atom has led to beneficial uses as well as to holocausts and fear for the survival of humanity. Knowledge of techniques of propulsion has been used not only to launch spaceships that explore outer space, but also to launch satellites that can provide bases for 'Star Wars.' Technology has been used to concentrate power, and bolster regimes of terror. It has also shown the possibilities of universalising, or near universalising access to knowledge, and therefore, power, and the possibilities of a

vast increase in accountability, transparency and participation in decision-making.

1.75 It has led to concentration of production, but it has also demonstrated the possibility of decentralising production without diluting efficiency or expedition.

1.76 The main factors that have contributed to the globalisation that we see today are the revolutionary advances that have been made in the use of technologies in the fields of transport, communication and 'Information Systems' like the computer. Advances in transport and communication have replaced distance with proximity. Many barriers that the world considered insuperable have disappeared like mist before the rising sun. They no longer provide one with immunity or permit one to live in isolation. Knowledge and information travel fast, giving one a glimpse of what is happening elsewhere and what can happen in one's own area.

1.77 If the effects of the achievements that technology has chalked up have travelled across frontiers, so have the effects of the pollution that

modern technology has caused to the environment, poisoning the soil, water and air on which humanity and other species depend, endangering health and life, and the environment on which all life and bio-diversity depend.

1.78 Thus, it can be said that globalisation is both a consequence and a reminder of the paradigms of inter-dependence within which humanity lives, survives and prospers. If the paradigms of inter-dependence are unalterable, they impose limits on the role of competition. If competition is the paramount paradigm, the weak may be enslaved or allowed to be eliminated through visible or invisible forms of violence. It may be too much to assume that the weak will meekly submit rather than struggle to survive, and if necessary, to use whatever power they have, to turn tables, or at least to protect themselves by seeking changes in systems and policies.

1.79 Seattle, Vienna, Genoa, Gothenburg and other places are reminders of the indignation and power of the weak who feel deprived, exploited and tricked.

1.80 The fields of industry, agriculture and the services show that

they acquire their viability through inter-dependence. Industry is not an end in itself. Its *raison d'être* is itself the ability to serve society and the needs of the consumer. In that sense, therefore, industry depends on the consumer, and the consumer depends on industry. Industry depends on technology, capital, the worker, the entrepreneur, management, and the consumer, and society in general. Both workers and employers therefore, depend on industry and the cooperation each gives to the other. One cannot prosper at the cost of the other, if industry rather than the individual is to prosper.

1.81 The needs of society can be met only if industry prospers. In the ambience of globalisation, our industry can survive, and our workers and employers can survive only if we fine-tune our ability to compete in the world market. We cannot achieve this if the human factors that determine the success of industry are in conflict with each other. Our economic security and the success of our efforts to abolish poverty, to generate and maintain employment and to improve the standard of living of our people will, therefore, depend on our ability to identify the conditions that can ensure

cooperation between our workers and employers.

1.82 Globalisation will not permit us to remain in a state of isolation and stagnation. Horizons have expanded. New paradigms have emerged. Old clichés and mindsets have lost their relevance. We cannot negotiate the rapids before us unless we revise the mindsets of the days of isolation and confrontation. Attitudes of confrontation must give place to an attitude of genuine partnership. Mechanistic views of industrial relations should yield

place to a view that recognizes that industry is an organic entity. Internal competition will only weaken our ability to increase the competitiveness that we need if we are to hold our own in the face of the new configurations of forces in the world which may adversely affect our progress. Organisations of workers as well as employers, and the State itself, should identify and create the conditions on which the harmonious relations that we need can be created and maintained. It is in this spirit that we have attempted to do justice to the task that has been entrusted to us.

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CHAPTER-II

INTRODUCTORY REVIEW

AN OVERVIEW

As we have seen in the preceding chapter, by the time India became independent, a broad consensus had emerged on the goals of economic development as well as the strategies that were needed to achieve them. To say this is not to deny that there were differences – acute differences - on some issues, especially when they concerned the ultimate order one wanted to see set up in the country or the means that one considered desirable and likely to be used. Even so, there was general agreement that the country should have a democratic order; that sovereignty should vest in the people; that every citizen should enjoy Fundamental Rights that guaranteed freedom and equality; that the aim of the State should be to abolish poverty by assuring full employment and minimum wages; that a concerted attempt should be made to raise the standard of living of the masses through increased production, better technology and a system of distribution of the gains of economic progress that ensured adequate purchasing power; that essential goods and services should be available at fair prices commensurate with the income

level of the masses; that disparities should be reduced by maintaining a ratio between minimum and maximum incomes; that workers and employers should regard each other as partners; that the land tenure system should be reformed to abolish absentee landlordism, and to enable the tiller to own land and earn fair returns; that multipurpose co-operatives and industrial co-operatives should be set up to assist the workers, the peasant and the tiller; that foreign investment should be subject to national interest, and permitted only on conditions that ensured that the control of the economy remained in the hands of the state; that the state had to play a definite and important role in developing the economy and securing the economic goals of the country; that industrial activity should be organised through undertakings with small-scale industries and co-operatives, and large industries in the private sector, and undertakings in the State or public sector. There was also general agreement on the role that planning can play in marshalling and directing the use of resources and achieving growth with social justice.

2.2 The Indian National Congress was the spearhead of the national

struggle for Independence, and therefore, played a very important role in evolving the broad area of agreement that we have referred to in the previous paragraphs. Therefore, it is appropriate to refer to the Resolution that the Congress adopted on the economic policies of the new Government. The Resolution was adopted by the All India Congress Committee (AICC), the supreme policy making body of the Congress, on the 17th of November 1947, almost within three months of the accession to Independence. It said that "political independence having been achieved, the Congress must address itself to the next great task, namely, the establishment of real democracy in the country and a society based on social justice and equality. This can only be realised when democracy extends from the political to the social and economic sphere...[this] necessitates planned central direction as well as decentralisation of political and economic power..." "The smallest territorial unit should be able to exercise effective control over its corporate life by means of popularly elected *Panchayats*. In so far as it is possible, national and regional economic self-sufficiency in the essentials of life should be aimed at. In the case of industries which, in their nature, must be run on a large scale and on a centralised basis, they should be so organised that workers become not only co-sharers in the profits, but also

associated with the management and administration of the industry. Land, with its resources and all other means of production as well as distribution and exchange, must belong to, and be regulated by the community in its own interests." "Our aim should be to evolve an economic structure which will yield maximum production without the operation of private monopolies and the concentration of wealth, and which will create a proper balance between urban and rural economies. Such a social system can provide an alternative to the acquisitive economy of private capitalism and the regimentation of a totalitarian State."

2.3 The Congress also decided to appoint a Committee to draw up an economic programme that flowed from these principles. Pandit Jawaharlal Nehru was the Chairman of the Committee, and the other Members included leaders from most areas of the spectrum, with persons like Maulana Abdul Kalam Azad, Shri Jai Prakash Narayan, Professor N.G. Ranga, Shri Gulzari Lal Nanda, Shri J.C. Kumarappa (well-known Gandhian economist), Shri Achyut Patwardhan, Shri Shankar Rao Deo and Dr. John Matthai (who later became Finance Minister). The Committee appointed sub-Committees. All the sub-Committees submitted unanimous reports. The integrated Report too was unanimous, as Pandit Jawaharlal Nehru pointed out in his letter of submission.

2.4 The Committee formulated five objectives: "(i) A quick and progressive rise in the standard of living of the people which should be the primary consideration governing all economic activities and relevant administrative measures. The achievement of a national minimum standard in respect of all the essentials of physical and social well-being within a reasonable period must be pursued as the practical goal of all schemes of economic development, (ii) A parallel aim of the nation's economic activities should be to afford opportunities for full employment, (iii) For the earliest realisation of this two fold aim, an adequate or expanding volume of production is an indispensable pre requisite. All schemes and measures should be so designed as to obtain the maximum utilisation of the material and manpower resources of the nation, (iv) "To achieve these objectives, it is necessary to bring about equitable distribution of the existing income and wealth, and prevent the growth of disparities with the progress of industrialisation of the country." The Report recommended the fixing of a ceiling for incomes, and stipulated that the maximum should not exceed 40 times the minimum. It further recommended that the maximum should be brought down to 20 times the minimum, (v) The Report recommended that "to secure the widest diffusion of opportunities for gainful occupation... to reduce to the

minimum opportunities for exploitation, the economic organisation of the country should function on a decentralised basis." "Towards the same end, the requirement of national and regional self-sufficiency... [and] balance between rural and urban economy should be kept in view."

2.5 On industry, the Report said that (i) industries providing articles of food and clothing and other consumer goods should constitute the decentralised sector of the Indian economy, and should, as far as possible, be developed on a co-operative basis. (ii) the respective spheres of large scale, small scale and cottage industries should be demarcated as clearly as possible to avoid economic insecurity and destructive competition. (iii) where a cottage industry is allowed to operate in the same field as large scale mechanised industry, its output should be protected from the competition of the latter by subsidies or some methods of price equalisation. The Report also had a section defining village industries and the ways in which the State should promote and protect them. (iv) "Regional self-sufficiency should be the aim with regard to all types of industries. Development on these lines should help to provide full and varied employment of manpower and raw materials in each unit, and to reduce the pressure on the transport system. Location of industry should be planned so as to make a district of

average size... as nearly self-sufficient as possible in respect of consumer goods which supply the needs of the people."

2.6 On foreign trade, the Committee said, "The complexion of the country's foreign trade should be carefully scrutinised to enable the country to build up its economic structure on a sound basis so as to make it possible for the nation to provide its primary needs and thus buttress its independent position."

2.7 On foreign capital, the Committee said, "In the development of the country the place of foreign capital should be carefully examined so as to ensure that the economic control remains with the nationals of the country."

2.8 The primary objectives that emerged as the economic content of *Swaraj* was (i) assuring a fair standard of living to all, (ii) full employment, (iii) decentralisation to assure full employment and the full utilisation of resources, (iv) self-reliance or self-sufficiency in food and primary consumer goods, (v) subjecting foreign trade to national interest, and (vi) strict vigilance over the induction of foreign investment to ensure that "control remained in the hands of nationals." (vii) reduction of disparities in income and wealth.

2.9 The Planning Commission itself was appointed in 1950 in accordance with, and to give effect to, the views set forth in this Report. It may, therefore, be useful to quote from the Government Resolution appointing the first Planning Commission, "The Constitution of India has guaranteed certain Fundamental Rights to the citizens of India and enunciated certain Directive Principles of State Policy, in particular, that the State shall strive to promote the welfare of the people by securing and protecting as effectively as it may, a social order in which justice, social economic and political, shall inform all the institutions of national life and shall direct its policy towards securing, among other things: (a) that the citizens, men and women equally, have the right to an adequate means of livelihood; (b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good; and (c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment." The Government Resolution further says that the Commission should formulate its plans "having regard to these rights and in furtherance of these principles as well as of the desired objective of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production, and

offering opportunities to all for employment in the service of the community.”

2.10 We have quoted extensively from these documents only to focus attention on: i) the context in which the Government came to the conclusion that “planning” was the most effective way of achieving rapid economic growth and social justice. ii) the Government’s belief that the responsibilities cast on the State by the Fundamental Rights and Directive Principles enshrined in the Constitution, could not be fulfilled without planned economic development. iii) the premises on which the Government came to the view that the State had an important role to play in formulating and implementing plans, in building up industries and services or utilities that fell in a defined category, and in promoting the growth of industry and agriculture in areas in which the State did not have to accept special responsibility.

2.11 There is no doubt that there was general agreement on the policies that the Government adopted at that time and the steps that it took to implement that policy.

2.12 We have already pointed out in the last Chapter that the distinguished leaders of industries of the time had accepted the need for planning, and the role that the State had to play,

especially in the early days of planning, in achieving the general goal of raising the standard of living, achieving full employment, increasing production and reducing disparities.

2.13 Since in the preceding Chapter, we have quoted extensively from the Plan that Industrialists had prepared in 1944, we will refer here only to statements in that document that relate to the role of the State. “It is inevitable that in executing a comprehensive Plan of economic development, especially in a country where the beginnings of such development have yet to be laid, the State should exercise, in the interests of the community, a considerable measure of intervention and control.... An enlargement of the positive as well as preventive functions of the State is essential to any large scale economic planning.”(pages 23/24) The following are illustrations of the form which control, may assume: fixation of prices, limitation of dividends, prescription of conditions of work and wages for labour, nomination of Government Directors on the Board of Management, licensing, and efficiency auditing ...which will be the watchdog of public interest rather than of financial interests in the limited sense.” These statements show that the leaders of industry also accepted the need for state ‘intervention,’ measures of ‘control’ including ‘licensing’ and efficiency–auditing. (page 29)

2.14 Since 1950, the economic

development of the country progressed on the accepted idea that there would be three sectors in the field of industry- the State sector or the public sector, the private large-scale sector, and the small-scale sector (including the co-operative sector). We have not been asked to describe the growth of these sectors and their achievements and failures, or the problems created by the negligence or intervention of the State.

2.15 But it must be pointed out that at least in the beginning, public undertakings grew up in areas like defence, transport and communications, power, mining and other activities and services related to the infrastructure, fulfilling most of the criteria laid down in the Plan proposed by distinguished industrialists in 1944. But, it can be observed that, in course of time, public sector undertakings were set up in areas that were not related to defence or the infrastructure, or the 'commanding heights.' It is doubtful whether in every case, the need to set up an undertaking in the public sector and the justification for doing so, were subjected to scrupulous and rigorous scrutiny before the decision was taken. It is not certain that the form of the undertaking - whether it should be a departmental undertaking - a company, or a corporation set up by a Charter or Resolution of the Parliament, etc. - was chosen after full consideration. Many causes have been adduced for the failure of many public sector

undertakings to rise to the expectations with which they were set up: lack of genuine autonomy; lack of freedom to run the undertaking on business or commercial lines; the structure and powers of the Boards of Directors; bureaucratic control and bureaucratic methods; entrusting the organisations to Managers or Chief Executives who were from the Administration, and had no business acumen or experience of running business undertakings; the role of the Bureau of Public Enterprises and the control exercised by it, grossly diluting autonomy and responsibility; stultification in technology and poor research and development; over-employment; unwarranted political interference; poor work culture and industrial relations, in spite of the fact that the Plan documents and statements of objectives repeatedly declared that public sector undertakings had the responsibility to set an example to all industrial and commercial undertakings in the country, and so on.

2.16 In spite of all these, many undertakings did very well. It is a moot point to consider why private equity participation was not permitted in public sector undertakings, and why even in non-strategic sectors, private undertakings and public sector undertakings were not allowed to exist and compete with each other.

2.17 According to the draft 9th Five

Year Plan, in March 1996, there were 243 Central Public Sector Undertakings (CPSUs) owned by the Government of India with a total investment of Rs. 1,78,628 crores. Out of these 239 were operational enterprises with an employed capital of Rs. 1,73,874 crores and employees' strength of 23 lakhs. Of these, 134 were profit making and 101 were loss making.

2.18 Some undertakings became the arena of industrial strife, although in most such industries, wage determination and revision were undertaken on industry-wise basis, often with the Bureau of Public Enterprises pulling strings from behind the scene and having the ultimate say, thus making it difficult for the management to determine what the plants or industry could do to meet the demands of workers, thus making wage negotiations difficult.

2.19 The private sector had problems of its own. It had to secure licenses and permits and approvals from the letter of intent to the fixation of prices of products and schedule of sale (as in the sugar industry). It had to seek permission to commence. It had to seek permission to close. The net of permits and licenses and approvals grew wider and wider, and began to cover most industrial and commercial operations. This led to delays, uncertainties, whimsical and capricious decisions and

widespread corruption, all lethal to 'competitiveness' and industrial and commercial activities where time and efficiency were of the essence.

2.20 It is difficult to say whether the decisions to increase the number of operations or stages at which permits, or periodic renewal of permits, were made obligatory, came as a result of deliberate discussions of policy and necessity at the ministerial level, or as a result of the tendency of the bureaucracy to increase its discretionary and executive powers and level of dominance.

2.21 This is not to say that private industry did not receive incentives, protection and support from the Government. They were helped to acquire land and raw materials at concessional rates, sometimes at incredibly low prices. They were offered development rebates, tax holidays, subsidies and so on. They were protected from competition from foreign industrial and commercial concerns by a ban or limitations on foreign equity, reservations, high tariff walls, quantitative and other restrictions on imports and so on. It cannot, therefore, be said that industry did not have many years and many forms of protection from the State.

2.22 There were some cases of entrepreneurs misusing these opportunities and facilities by raising

equity capital and loans from banks and financial institutions and closing down enterprises after running up huge unpaid bills for wages, the consumption of electricity and so on. Such cases were not many, but they created tension and hostility in the minds of workers who felt that neither the law nor the State was protecting their genuine interest, even the payment of wages that were legitimately due.

2.23 But on the whole, entrepreneurs availed of the facilities and assistance extended by the State and financial institutions to build up their industrial or commercial enterprises.

2.24 It cannot be forgotten that when India became Independent, it was heavily dependent on Britain and other European countries or countries like Japan even for articles of daily consumption; even pins, clips, pencils and biscuits were being imported. Since then, in the decades after the advent of Independence, we have diversified our production to an incredible extent. There is hardly anything that we do not, or cannot, manufacture today. We are able to use the most modern or sophisticated technologies, where it is available to us. There are Indian entrepreneurs and managers and concerns whose skills are comparable to those of entrepreneurs and managers anywhere in the world. Some of them have earned high respect from their peers in other parts of the world. We

have produced engineers, technicians, physicists and scientists of the highest calibre, so much so that we stand third in the world for the number of trained scientific personnel. It is not the absence of men and women of calibre that has prevented the growth of our economy. It is true that we have lost many of these highly competent persons because of the 'brain drain' to countries in the West. We do not have to list the factors that have promoted this 'brain drain' and caused severe loss of our human resources to other countries. It is common knowledge that absence of facilities for advanced research and training as well as tempting opportunities that combine monetary benefits with job satisfaction and social recognition, have caused this 'brain drain' and kept it going. Our governments, business houses, and institutes of higher learning and research have not been able to counteract this phenomenon, to materially affect the speed of this drain.

2.25 In the decades after we became independent, the volume of production has gone up. The GNP has gone up from Rs. 8934 crores in 1950-51 to Rs. 618969 crores in 1992-93 at current prices (with old series base 1980-81). A review of the increase (Table 2.5) shows that it has increased relatively faster in tertiary and secondary sectors.

2.26 Later in this Chapter, we propose to make a brief review of the state of some of our principal and traditional industries to see where we have gained ground, and where we have lost ground, or are losing ground.

2.27 At this point, we should make some reference to the small-scale industries, artisans and craftsmen. The special role that this sector has played in our economy, in achieving our once acclaimed prosperity, has been recognised and hailed from times even before Independence. The products and skills of our artisans and craftsmen once won universal praise for their excellence, quality and uniqueness. They attracted buyers and traders from all over the world. History records how our craftsmen and artisans were persecuted, and how our cottage industries were systematically destroyed to make us dependent on British industries even for essentials for which resources, technical skills and trained workers were available in our country. It is well known that the policy of imperialism and colonialism was to destroy local industry, cart away natural resources where this could be done, exploit immovable resources with profligacy, and convert countries into captive markets. During the struggle for Independence, and immediately thereafter, there was widespread hope that this process would stop and that small-scale and cottage industries and crafts and artisanry would revive and

enter a period of renaissance. Economists as well as national leaders taught the country to look upon '*Swadeshi*' or the resurrection of indigenous industries as a symbol of Independence and self-reliance, without which there could be, no Independence. It was this conviction that made leaders like Mahatma Gandhi on the one hand, and Jamshedji Tata, Acharya P.C. Ray and others on the other, start movements for the revival of industry, and for building indigenously owned industry. The relation between national Independence and self-reliance and the question whether the goals of national economic policy and the interests of the people of a state can be pursued effectively without retaining the control of economic policy in the hands of those who are answerable to the people, will not lose relevance as long as the concept of the sovereignty of nation-states and their responsibility for the interests and welfare of the people of their territories, retain relevance.

2.28 We have already referred to the crucial role that small-scale industries play in our economy. Units or undertakings in this sector have grown from 20.82 lakhs in 1991-92 to approximately 31.21 lakhs in 1998-99. They now produce about 8000 items of goods ranging from food products to sophisticated electronic equipment. They account for 40% of the total industrial output and 35% of exports.

They provide employment to 171.60 lakh persons (98-99), but they have not been able to perform to their potential or make the contribution that they feel they could have made to the generation of employment and the volume of production (GDP).

2.29 Many reasons have been cited for this performance below potential. Competition from big industry; unsatisfactory access to credit and markets; poor management skills and advertisement; vagaries in the policies of reservation and protection, often giving with one hand and taking away with the other; inadequate support from the Government; inadequate improvement of technology; subjection to the same laws that govern bigger industrial units and inability to bear the responsibilities that big industries could bear (like contribution to the Provident Fund, etc.); harassment by inspectors and officials and so on.

2.30 In some earlier paragraphs, we have referred to technology and research and development. We have also pointed out that the recommendations of the National Planning Committee and the Government that took over at Independence talked of self-reliance. In fact, as we have pointed out earlier, the Congress Resolution on policies and objectives adopted after the coming of Independence, prescribed 'self-sufficiency' in certain matters, and at

certain levels. These created legitimate expectations that the Government would launch an all-out effort on a war footing, to set up the infrastructure necessary for economic growth, to upgrade indigenous technology and use the scientific talent in India to raise it to the level of technology that advanced countries possessed. It is very difficult to say that these expectations were fulfilled either for the technology necessary for industry, or for the technology necessary for defence and defence production. The amounts earmarked for R&D in these years, the record of utilisation of the grants, and awards for inventions that led to import substitution, and the number of improvements and inventions actually made in the different fields of technology to upgrade our industry and increase its competitiveness in the world market, make us wonder, why our efforts were so tardy and incommensurate with the goal of self-reliance and self-sufficiency.

2.31 However, the results of this failure were apparent in many fields. Since we did not create adequate indigenous technological competence on our own, we had to depend on a policy of acquiring technology from elsewhere. The policies that followed, give the impression, that in spite of talks of self-reliance, the Government had decided that India could achieve progress only by following the western model of

industrialism, and that since there was little time to lose, India should depend on acquiring western technology. This raised the question of marshalling the resources necessary to acquire this technology through purchase or as part of package deals in collaboration agreements. We did not succeed in either. We did not have internal resources or foreign exchange resources from which we could pay for the purchase of technology. Foreign undertakings, with which we had collaboration agreements, dodged all requests and commitments and found ways to refrain from transferring technology, particularly technology that was crucial for self-reliance. The aid that was offered to us was often tied to products and areas. These did not always coincide with national perceptions of priorities in development. The foreign exchange reserves that we could build up depended on trade. The terms of trade and the variety of possible export items to other countries were affected by their 'preferences,' necessities and needs of their countries, their policies of substitution of primary commodities through synthetic products, quota systems, and so on. We then, had to seek aid or loans from international financial institutions. These had their own choices and conditionalities for granting aid or loans. These conditions often interfered with national policies. It can well be argued that a prospective creditor has the right to verify the

creditworthiness of a prospective debtor, both to repay loans and to pay interest on an accepted schedule of instalments without defaulting. There was a fear that these conditions would lead debtor nations into a debt trap and the mortgaging of produce, and would even compromise sovereignty.

2.32 The financial institutions also thought that in the circumstances, it was in the interest of both the debtor and the creditor to propose 'system reforms' or 'structural reforms' that fitted their perceptions of what contributed to the growth of national economies and what the priorities of economic development should be. It is this succession of events and developments that led India, as well as many other developing countries, to accept or adopt the policy of globalisation. We are not called upon by our 'Terms of Reference' to make any observations on the decision to globalise. So, we refrain from doing so. But we have been asked to study the impact of globalisation, *inter alia*, on industry, on labour, the 'future labour market,' industrial relations, labour legislation, the security and welfare of workers and so on. We will, therefore, deal with this subject at greater length in a subsequent Chapter.

2.33 We must now refer to the policies that our Five Year Plans had advocated for the protection and welfare of labour and harmonious industrial relations. We have already

referred to the objectives that were defined in the Resolution setting up the Planning Commission.

2.34 The First and Second Five Year Plans elaborated these objectives and made an effort to outline a procedure for the settlement of industrial disputes. The first Plan referred to the "growing consciousness of the importance of industrial labour in the national economy," "the assurances that were given to labour in recognition of its rights which had long been neglected," and made an attempt "to give concrete shape to these assurances and to give labour a fair deal, consistent with the requirements of other sectors of the economy" (page-571: Chapter-27 First Five Year Plan). It also emphasised the need for a strong trade union movement. The Second Five Year Plan reviewed the work of the conciliation machinery and the industrial committees set up by the Government. It pointed out that issues like bonus and profit sharing, still required a satisfactory solution. It also pointed out that the acceptance of a goal of the socialist pattern of society for the country demanded attendant alterations in labour policy. It said further that a socialist society could not be built up solely on monetary incentives, but the worker had to be made to feel that he was participating in the building up of a progressive State. "The creation of an industrial democracy, therefore, is a pre requisite for the establishment of a socialist

society." To achieve this objective, the Plan felt that it was necessary to build up a strong trade union movement, both to safeguard the interests of labour and to realise the targets of production. It suggested that the trade union movement should not be weakened by the multiplicity of trade unions, political rivalries, disunity and lack of resources. Inter alia, it discussed the role that 'outsiders' have played, and may play in the trade union movement. It raised the question of registration and recognition of trade unions and the criteria that should govern the choice of representatives of unions. It underlined the importance of "one union for an industry," and emphasised the need to have effective machinery for the settlement of disputes so that direct industrial action should be the last resort for a trade union. It proposed a scheme of bilateral negotiations, conciliation, voluntary arbitration and adjudication. It felt that agreements should lead to workers' co-operation in measures for higher productivity, for modernisation and expansion, and for the acceptance of schemes of 'job evaluation.' It wanted employers to recognise the desirability of measures "to associate employees in the management of industry" (page-574).

2.35 We do not propose, at this point, to describe the measures that the Plan advocated for harmonious industrial relations, 'association' of labour with management, and so on.

The Plan document also made some proposals about strikes, lockouts, go-slow, stay-in strikes and so on, and wanted provisions to be made for deterrent punishments for illegal strikes and lockouts. It advocated the formulation of a National Wage Policy and made some detailed suggestions on the fixation of minimum wages, the introduction of payment by results in some areas of industry, the provision of adequate safeguards to ensure a minimum fall back wage for workers, and so on. It said that "earnings beyond minimum wage should be necessarily related to results," but, "workers should be consulted before a system of payment by results is introduced in an establishment." It found that the major cause of industrial disputes was 'wages and allied matters,' 'the settlement of bonus and profit sharing.' The Plan also referred to the need for social security and the safeguards that contract labour needed. It wanted that minimum wages should be fixed for agricultural labour and that an effective machinery should be visualised to deal with the problem of enforcement of minimum wages in this field.

2.36 Subsequent Plans have repeated or paraphrased these ideas. Some of the Plans reiterated that the "progressive reduction of unemployment has been one of the principal objectives of economic planning in India." It said that the solution to the

problem of unemployment and the poverty that went with it, ultimately lay in a higher rate of overall economic growth. However, it admitted that there was "some leakage in the percolation effects of growth" and in any case, these percolation effects would not be sufficient to generate the required employment opportunities." It, therefore, formulated a strategy for a supplemental programme for specific target groups, which, it believed, would lead to poverty alleviation, if not employment creation. The Sixth Plan, therefore, talked of the launching of programmes like the National Rural Employment Programme, the Rural Landless Employment Guarantee Programme, the Integrated Rural Development Programme, the Scheme for Training of Rural Youth for Self-Employment, Self-Employment to Educated Unemployed Youth and so on.

2.37 The Seventh Plan talked of the generation of employment in rural areas, the need to improve capacity utilisation, efficiency and productivity in urban industries, the rehabilitation of workers in sick units, improvement of industrial relations, increasing industrial safety, "an appropriate wage policy" with the basic objective of bringing about a rise in the levels of real income "with increase in productivity," effective implementation of the Contract Labour (Regulation and Abolition) Act (1970) the Minimum Wages Act (1948) and the Inter-State Migrant Workmen Act. It

also talked of welfare measures for workers in the rural and unorganised sector including landless labourers, *beedi* workers, handloom workers, etc., and wanted that the scheme should be effectively implemented.

2.38 The Eighth Plan also mentioned the need to provide an adequate level of earning, good working conditions and minimum wages, social security for workers in the organised as well as unorganised sectors. It also talked of increasing productivity. The Plans, in the later years, made proposals for implementing measures to identify, liberate and rehabilitate bonded labour, increasing protection for migrant labour, and dealing with the problems of child labour. It wanted special attention to be given to the protection, welfare and equality legitimately due to women workers. From 1992, the two Plans that followed globalisation, have made mention of the needs that have arisen as a result of globalisation.

2.39 When one reviews the objectives and programmes formulated in the different Plans, one is struck by the fact that in spite of the reiteration of goals and the formulation of programmes, we are still very far from effectively implementing even the proposals that were put forward in the First and Second Plans, and ensuring that the machinery visualised and set up in the early years, was put in place and made effective through

simultaneous periodical reappraisals, consultations and amendments or improvements. It appears that the periodic mid-term appraisals of the Plans were more related to financial provisions and physical targets rather than progress, stagnation and reversals in the pursuit of declared goals and directions. We do not have to go into the question of the responsibility for these shortcomings and the failure to take corrective steps in time.

2.40 At the completion of the first three Five Year Plans, the Government of India appointed the First National Commission on Labour under the distinguished Chairmanship of Justice Gajendragadkar. The Commission was appointed on the 24th December 1966. We are happy and proud to say that the Commission presented a highly commendable Report covering a very difficult and extensive area. It dealt in detail with all the items in the Terms of Reference with which it had been constituted. It made proposals on laws, industrial relations, the means and machinery for the settlement of disputes, safety in workplaces, determination of wages, bonus, schemes of social security and the kind of structures that were necessary to ensure the efficient extension and delivery of the services, promised by the policies on social security, the special conditions of rural and unorganised labour and women and so

on. It made nearly 300 specific recommendations in the Report which it submitted in 1969.

2.41 Our Commission was appointed three decades after the Gajendragadkar Commission completed its work and submitted its Report. We have to record that almost in all the cities where we met representatives of trade unions and industrialists, labour lawyers and academicians, we were asked about the status of the recommendations of the Gajendragadkar Commission – how many of them had been accepted by the Government, how many of the recommendations accepted had been implemented, and why the other recommendations were rejected or not acted upon. We ourselves made efforts with the Ministry of Labour to gather information on these questions that were raised before us and that arose in our minds as well. But we did not receive any information that could help us, either to understand the position or to answer questions that were put to us by witnesses. There were some witnesses who wanted to know why we thought a new enquiry would help when the Report of the earlier enquiry was yet to receive full attention.

2.42 Our answer was that the circumstances that have come into being after globalisation and its visible impact on Indian industry, the working class and the economy, and the need

that the Government itself was experiencing for immediate steps to deal with these new problems, would compel due and expeditious consideration of the recommendations that we may make in our Report.

2.43 We feel that we should now undertake a brief overview of the prevailing situation as far as the number and composition of the workforce, their employment and unemployment status, provisions of security and such other matters that are relevant to the subjects that are covered by our Terms of Reference, are concerned.

DEMOGRAPHIC TRENDS

2.44 One of the major concerns of developmental planning in the country has been the unabated population growth. The population of India has almost doubled from 548 million in 1971 to an estimated 1,027 million in the year 2001, the annual growth rate being about 2.2% through the seventies, and 2.1% during the eighties. The Ninth Plan estimated that the rate might have declined to 1.6% during the period 1996-2001. Provisional results from the 2001 Census place the population in March 2001 at 1,027 million, recording an annual average growth rate of about 2.0% during the decade 1991-2001. Thus, the decline in population growth has been painfully slow over successive decades, and has not also been uniform across the States.

2.45 Urban population accounted for 20% of the total in 1971, the proportion having increased steadily to 26% in 1991. It is now estimated to be about 29%. An undesirable feature of the demographic trends in the country has been the almost steady decline in the share of females in the population as recorded by the successive Censuses in the twentieth century. The sex ratio (number of females per 1000 males) has declined from 972 in 1901 to 927 in 1991. Provisional results for the Census of 2001 have indicated a welcome reversal of this trend, and recorded a higher sex ratio at 933. The age distribution too has been changing as a result of falling mortality rates and, in recent years, falling fertility rates, leading to a decline in the proportion of children below the

age of 15, and an increase in that of the elderly over the age of 60. It is easy to see that these trends have a bearing on the quantum of labour supply. Even though the literacy levels have been improving steadily from Census to Census (43.6% in 1981 to 52.2 in 1991 and 64 in 2001), the country is nowhere near the goal of universal literacy, except in some relatively small regions. The situation is even worse in the case of females where the rate was only 39.3 % in 1991, and has improved to 54.16 % by 2001¹. It has been estimated that in 1991, 56.7 % of the population had less than 3 years of schooling (this figure includes those who have no schooling at all), 23.7 % had 3 to 6 years, 11.0 % had 7 to 11 years, and

6.8% had 12 to 14 years of schooling².

Table 2.1

Age Structure of Population: 1971-2002

Age-Group	Percentage of population in the age-group				
	1971	1981	1991	1997	2002
0-14	42.02	39.55	37.75	37.22	33.59
15-59	52.00	53.91	55.59	55.79	59.41
60+	5.98	6.49	6.66	6.99	7.00

Source: Population Census for 1971, 1981, and Ninth Five Year Plan for 1997 and projected figures for 2002.

2.46 LABOUR FORCE: The size of the labour force, which is a measure of the overall labour supply in the country,

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¹ Population Census 1971, 1981, and 1991, and provisional results from Census 2001

² Manpower profile, India Year Book 1999, Institute of Applied Manpower Research (Table 1.19)

depends on the population in the working age groups and the rates of actual participation of the population in economic activities. Data from the population censuses show (Table 2.1) that there has been a steady increase in the proportion of population in the working age group of 15-59. This, coupled with the fact that the

participation rates in this age group are generally very high, has resulted in a rapid growth in labour force over the years, even though the labour force participation rates themselves have not altered much over the years and, in fact, showed a decline in recent years, particularly for females. The participation rates for different years are given below:

Table 2.2
Labour Force Participation Rates (In Percentages)

Period	Rural Areas			Urban Areas		
	Males	Females	Persons	Males	Females	Persons
1972-73	55.1	32.1	43.9	52.1	14.2	34.5
1977-78	56.5	34.5	45.8	54.3	18.3	37.5
1983	55.5	34.2	45.2	54.0	15.9	36.2
1987-88	54.9	33.1	44.3	53.4	16.2	35.3
1993-94	56.1	33.1	44.9	54.2	16.4	36.3
	(190.38)	(105.24)	(295.62)	(67.86)	(18.46)	(86.32)
1999-2000	54.0	30.2	42.3	54.2	14.7	35.4
	(198.32)	(104.09)	(302.41)	(79.91)	(19.85)	(99.76)

Source: Reports on 27th, 32nd, 38th, 43rd, 50th Round of the National Sample Survey & Key Results for the 55th round of NSS

Data are as per Usual Status (Principal+Subsidiary) criterion.

Figures in brackets are estimated absolute sizes of labour force in different groups in millions.

2.47 Between 1993-94 and 1999-2000, the estimated total labour force grew from

382 million to 402 million or at an average annual rate of about 0.9%. While the growth rate in urban labour force was 2.4 % per annum (2.8% for males and 1.2% for females), in the rural areas it was only 0.4% (0.7% for males and (-) 0.2% for females), primarily due to the sharp decline in the participation rates in the latter. It has been estimated by the Planning Commission that the size of the labour

force (aged 15+) in the country was 397 million in 1997 and would grow to 450 million by 2002 at an annual rate of 2.54%³. In view of the decline in the labour force participation rates in almost all age groups between 1993-94 and 1999-2000, this growth in the labour force aged 15+ would also need downward revision.

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³ Ninth Five Year Plan 1997-2002, Planning Commission (Table 4.5)

2.48 ECONOMIC GROWTH : The demand for labour depends on the pattern and pace of economic growth. Beginning with the Fifth Five Year Plan (1974—79), the gross domestic product of the Indian economy has generally increased at an average rate of 5% or

more per year. This rate is much higher than in the first four Plans (3 to 4% per annum). Since the economic reforms were ushered in, the growth rate has picked up further and has been above 6% per year.

Table 2.3
Growth Performances in the Five Year Plans

(In Percentages)

Plan	Annual Growth Rate in Gross Domestic Product		Growth Rate Achieved In per Capita Income
	Target	Achievement	
(1)	(2)	(3)	(4)
First Plan (1951-56)	2.1	3.7	1.8
Second Plan (1956-61)	4.5	4.2	2.0
Third Plan (1961-66)	5.6	2.8	0.2
Annual Plans (1966-69)		3.8	1.5
Fourth Plan (1969-74)	5.7	3.4	1.0
Fifth Plan (1974-79)	4.4	5.0	2.7
Annual Plans (1979-80)		(-) 5.0	(-) 8.3
Sixth Plan (1980-85)	5.2	5.4	3.1
Seventh Plan (1985-90)	5.0	5.9	3.7
Annual Plans (1990-92)		0.9	0.9
Eighth Plan (1992-97)	5.6	6.8	4.6
Ninth Plan (1997-2002)	7.0	6.0	

Source: Targets from Ninth Five Year Plan, Chapter 2 & achievements from Economic Survey 2000-01

2.49 The Net National Product per capita (Per Capita Income) correspondingly increased at an average annual rate of 2.7% in the Fifth Plan, 3.1% in the Sixth Plan, 3.7% in the Seventh Plan, and 4.6% in the Eighth Plan. It has continued to grow at a rate of over 4% per annum so far in the Ninth Plan period as well.

2.50 SHIFTS IN THE STRUCTURE OF OUTPUT : Half a century of planned development has transformed the structure of the Indian economy. The share of agriculture and allied activities, mining and quarrying in the Gross Domestic Product gradually came down from 59% in 1950-51 to about 35% in 1990-91 and further

down to 28% by 1999-2000. The share of manufacturing, construction, electricity, gas and water supply sectors improved from 13% to 24% in the four decades 1950-51 to 1990-91, and has remained more or less at that level in the subsequent years, with a declining trend in the latter half the nineties. The tertiary sector, comprising various services, accounted for an increasingly large share of the GDP over the entire period. In fact, during the last three decades (from 1980-81),

gross domestic product from the tertiary sector has been growing at an average annual rate of 7.2% in comparison with 3.4% for the primary sector and 6.4% for the secondary sector. Within the tertiary sector, transport and communications grew at an annual rate of 6.7%, financial services, real estate and business services at 9.5% and public administration and other services at 6.4%.

Table 2.4
Structure of Indian Economy

Year	Percentage of Gross Domestic Product From					
	Agriculture, forestry and logging, fishing mining and quarrying	Manufacturing, construction, electricity, gas and water supply	Transport, communication and trade	Banking and insurance, real estate and ownership of dwellings and business services	Public administration & defence and other services	Total
1950-51	58.89	13.22	11.88	6.65	9.36	100.00
1960-61	54.54	16.55	13.69	6.08	9.14	100.00
1970-71	48.02	19.87	15.52	5.93	10.66	100.00
1980-81	41.82	21.59	18.42	6.53	11.65	100.00
1990-91	34.92	24.49	18.73	9.69	12.18	100.00
1995-96	30.58	25.46	20.92	11.43	11.59	100.00
1999-2000	27.50	24.63	21.95	12.43	13.20	100.00

Source: Calculated on the basis of the data from the CSO reproduced in Economic Survey 2000-01, Statistical Table 1.3. Figures are based on 1993-94 prices.

Table 2.5
Growth Rates of Different Sectors of the Economy (In Percentages)

Year	Percentage of Gross Domestic Product From					Total
	Agriculture, forestry and logging, fishing, mining and quarrying	Manufacturing, construction, electricity, gas and water supply	Transport, communication and trade	Banking and insurance, real estate and ownership of dwellings and business services	Public administration and defence and other services	
1950-51 to 1960-61	3.1	6.2	5.4	3.0	3.6	3.9
1960-61 to 1970-71	2.4	5.6	5.0	3.4	5.3	3.7
1970-71 to 1980-71	1.6	3.9	4.8	4.0	4.0	3.0
1980-81 to 1990-91	3.7	7.0	5.8	9.9	6.1	5.6
1990-91 to 1995-96	2.6	6.2	7.7	8.9	4.3	5.4
1995-96 to 1999-2000	3.6	5.5	7.7	9.3	9.9	6.4

Source: Calculated on the basis of the data from the CSO reproduced in Economic Survey 2000-01, Statistical Table 1.3. Figures are based on 1993-94 prices

2.51 The organised sector of the economy has been growing faster than the unorganised segment in terms of value added, the share of the former

increasing from 30% in 1980-81 to 40% in 1995-96, while the share of the latter, declined from 70% to 60% over the same period.

Table 2.6
Shares of Organised and Unorganised Sectors in Value Added

Year	Percent Share of	
	Organised Sector	Unorganised Sector
1980-81	30.0	70.0
1985-86	35.1	64.9
1990-91	36.2	63.8
1995-96	40.3	59.7

Source: Central Statistical Organisation, National Accounts Statistics, 1998

2.52 Similarly, in the case of manufacturing, the share of the registered sector increased from 53.7% in 1980-81 to 62.1% in 1995-96 while that of the unregistered sector declined from 46.3% to 37.9% over the same period.

2.53 In spite of the impressive gains in economic growth, particularly in recent years, widespread inequalities in income persist. Over a quarter of the population lives below the poverty line

(measured in terms of a minimum level of consumption) in both urban and rural areas, but the poverty ratios (percentage of the poor to the total population) have been coming down. Though post-reform years have recorded a significant reduction in the poverty ratios, the improvement has not been uniform across the States. Some States like Uttar Pradesh and Bihar still remain at a high poverty level.

Table 2.7
Percentage and Number of Poor

Year	Poverty Ratio			Number of Poor (in million)		
	Rural	Urban	Combined	Rural	Urban	Combined
1973-74	56.4	49.0	54.9	261.3	60.0	321.3
1977-78	53.1	45.2	51.3	264.3	64.6	328.9
1983	45.7	40.8	44.5	252.0	70.9	322.9
1987-88	39.1	38.2	38.9	231.9	75.2	307.1
1993-94	37.3	32.4	36.0	244.0	76.3	320.3
1999-2000	27.1	23.6	26.1	192.9	66.7	259.6

Source: Ninth Five Year Plan, Chapter 1, Table 1.9

2.54 EMPLOYMENT LEVEL: According to the population Census of 1991, the total number of Workers (Main and Marginal) in India was 314.13 million out of a total population of 838.58 million. Their distribution by rural-urban areas and sex is given in Table 2.8. Economic data from the successive Censuses are beset with problems of comparability (at least up to 1981) due

to varying concepts adopted. The National Sample Survey Organisation (NSSO), on the other hand, provides a comparable series of data on employment for the last two decades (1977-78 to 1999-2000) using a practically uniform set of concepts and definitions. These data are given in Table 2.9.

Table 2.8
Population and Main and Marginal Workers –1991 Census
(In Millions)

Category	Population	Main Workers	Marginal Workers	Total Workers	Worker Participation Rate (% of Population)	
					Main	All Workers Workers
Rural Areas						
Males	321.28	166.29	2.31	168.60	51.8	52.5
Females	301.53	56.00	24.43	80.43	18.6	26.7
Persons	622.81	222.29	28.20	249.03		40.0
Urban Areas						
Males	113.94	55.36	0.40	55.77	48.6	48.9
Females	101.83	8.28	1.06	9.34	8.1	9.2
Persons	215.77	63.64	1.46	65.10	29.5	30.2
All Areas						
Males	435.22	221.66	2.71	224.36	51.0	51.6
Females	403.37	64.27	25.49	89.77	16.0	22.3
Persons	838.58	285.93	28.20	314.13	34.0	37.5

Source: Population Census 1991 excluding J & K

Table 2.9
Usual Status Work Participation Rates and Employment Levels
(1977-78 to 1999-2000)

(In Percentages)

Period	Rural Areas			Urban Areas		
	Male	Female	Persons	Males	Females	Persons
1973-74	54.5	31.8	N.A.	50.1	13.4	N.A.
1977-78	55.2	33.1	44.4	50.8	15.6	34.1
1983	54.7	34.0	44.5	51.2	15.1	34.0
1987-88	53.9	32.3	43.4	50.6	15.2	33.3
1993-94	55.3	32.8	44.4	52.0	15.4	34.7
1999-2000	53.1	29.9	41.7	51.8	13.9	33.7

Source: Employment and Unemployment in India 1999-2000, key Results, NSS 55th Round. Data relate to Usual Principal and Subsidiary Status

2.55 The NSS data indicate that the Usual (Principal and Subsidiary) Status work participation rates have remained stable, and varied around 44 % in rural areas and 34 % in the urban areas over the two decades from 1972-73 to 1993-94. However, after 1993-94, there seems to be a decline in the work participation rate both in the rural

and the urban areas, the decline being more marked in the rural areas. The decline has also been sharper in the case of females. The total estimated workforce using the NSS Usual Status work participation rates and the projected population for 1st Jan. 2000 is given in Table 2.10.

Table 2.10
Estimated Usual Status Work Force (1st Jan 2000)

(In Millions)

Category	1 st January 1994		1 st January 2000	
	UPS	UPSS	UPS	UPSS
Rural Areas				
Males	182.58	187.67	191.71	195.02
Females	74.40	104.29	79.62	103.05
Persons	256.98	291.95	271.33	298.07
Urban Areas				
Males	65.10	65.10	75.64	76.37
Females	13.62	17.34	15.80	18.77
Persons	78.73	82.44	91.43	95.14
All Areas				
Males	247.68	252.77	267.35	271.39
Females	88.02	121.63	95.41	121.82
Persons	335.07	374.40	362.76	393.21

Source: Based on NSS work participation rates and population projections of Registrar General of India. UPS=Usual Principal Status; UPSS Usual Principal + subsidiary status

2.56 INDUSTRIAL STRUCTURE OF WORKFORCE: Table 2.8 indicates the changes that have been taking place in the industrial structure of the workforce since 1972 - 73 up to 1999 - 2000. Over the three decades since 1970, the proportion of the workforce in agriculture and allied activities declined from about 74% to 62% while that in

manufacturing, construction, trade, transport and services improved significantly. During the period 1993-94 to 1999-2000 however, there are indications of a decline in the share of services in employment, perhaps because of stagnancy in public sector employment and decline in some sectors like banking. The changes in

the structure of the workforce have not been as fast as in the contributions of different sectors to output, indicating

continued concentration of labour in agricultural and other activities of low productivity and incomes.

Table 2.11
Industrial Structure of Workforce 1972-73 to 1999-2000

Industry	Percentage of Workforce (UPSS) engaged in the industry					
	1972-73	1977-78	1983	1987-88	1993-94	1999-2000
Agriculture & Allied	73.9	71.0	68.6	65.0	64.7	61.7
Mining & Quarrying	0.4	0.4	0.6	0.7	0.7	0.6
Manufacturing	8.8	10.2	10.7	11.1	10.5	10.7
Electricity, Gas & Water	0.2	0.3	0.3	0.3	0.4	0.3
Construction	1.9	1.7	2.2	3.8	3.2	2.8
Trade	5.1	6.1	6.2	7.2	7.4	9.8
Transport & Storage	1.8	2.1	2.5	2.6	2.8	3.5
Services	7.9	8.1	8.9	9.3	10.3	9.2
All Industries	100.0	100.0	100.0	100.0	100.0	100.0

Source: Structure of the Indian Workforce 1961-94, Parvin Visaria, The Indian Journal of Labour Economics. Oct.- Dec. 1996 except for 1999-2000. For 1999-2000, NSSO, See Table 2.9

2.57 EMPLOYMENT STATUS: The surveys of the NSSO identify the employment status of workers in terms of the self-employed, the regularly employed for salaries/wages and the casually employed. In the rural areas, 55.8% of the workers were self-employed, 6.8% were in regular salary/wage employment, and the remaining 37.4% were working as casual labour in 1999 - 2000. The corresponding percentage for the urban areas was 42.2, 40.0 and 17.8 respectively. The

trends in the distribution of the employed (according to the Usual Status concept) by status are shown in Table 2.10. Important conclusions that emerge from these data are:

- a) A steady decline in the proportion of the self-employed in the rural areas, both among men and women.
- b) A corresponding increase in the proportion of casual labour in the rural areas, both among men and women.

- c) A steady decline in the proportion of regular employment in the case of rural men and a fluctuating situation in the case of rural women.
- d) A gradual decline in the share of regular employment for men and gradual improvement in the case of women in urban areas.
- e) A marked shift from casual employment to regular employment in the case of women in urban areas during the post-reform period (1993-94 to 1999-2000).

Table 2.12
Trends in the distribution of employed by status

(In Percentages)

Year	Rural Areas				Urban Areas			
	Self-Employed	Regular Employees	Casual Labour	Total	Self-Employed	Regular Employees	Casual Labour	Total
Persons								
1972-73	65.3	9.3	25.4	100.0	41.2	46.3	12.5	100.0
1977-78	62.6	7.7	29.7	100.0	42.4	41.8	15.8	100.0
1983	61.0	7.5	31.5	100.0	41.8	40.0	18.2	100.0
1987-88	59.4	7.7	32.9	100.0	42.8	40.3	16.9	100.0
1993-94	58.0	6.4	35.6	100.0	42.3	39.4	18.3	100.0
1999-2000	55.8	6.8	37.4	100.0	42.2	40.0	17.8	100.0
Males								
1972-73	65.9	12.1	22.0	100.0	39.2	50.7	10.1	100.0
1977-78	62.8	10.6	26.6	100.0	40.4	46.4	13.2	100.0
1983	60.5	10.3	29.2	100.0	40.9	43.7	15.4	100.0
1987-88	58.6	10.0	31.4	100.0	41.7	43.7	14.6	100.0
1993-94	57.9	8.3	33.8	100.0	41.7	42.1	16.2	100.0
1999-2000	55.0	8.8	36.2	100.0	41.5	41.7	16.8	100.0
Females								
1972-73	64.5	4.1	31.4	100.0	48.4	27.9	23.7	100.0
1977-78	62.1	2.8	35.1	100.0	49.5	24.9	25.6	100.0
1983	61.9	2.8	35.3	100.0	45.8	25.8	28.4	100.0
1987-88	60.8	3.7	35.5	100.0	47.1	27.5	25.4	100.0
1993-94	58.5	2.8	38.7	100.0	45.4	28.6	26.0	100.0
1999-2000	57.3	3.1	39.6	100.0	45.3	33.3	21.0	100.0

Source: NSSO reports for various rounds

2.58 UNEMPLOYMENT: In 1999-2000, the Usual Principal Status unemployment rate (percentage of the unemployed persons among the labour force) was 1.9 (2.1 for males and 1.5 for females) in the rural areas, and 5.2 (4.8 for males and 7.1 for females) in the urban areas. If, however, the work done in subsidiary capacity is taken into account, these rates drop to 1.5 in rural areas and 4.7 in the urban areas. On the basis of Current Weekly Status, categories.

the rates are higher at 3.8 (3.9 for males and 3.7 for females) in rural areas and 5.9 (5.6 for males and 7.3 for females) in the urban areas. If the Current Day Status is taken into account, the rates go up further to 7.1 (7.2 for males and 7.0 for females) in rural areas, and 7.7 (7.3 for males and 9.4 for females) in urban areas. Table 2.11 gives the trends in the unemployment rates based on Usual Principal Status criterion for various

Table 2.13
Unemployment Rates by Various Criteria

(Percentages to Labour Force)

Year	Unemployment Rate							
	Males				Females			
	UPS	UPSS	CWS	CDS	UPS	UPSS	CWS	CDS
Rural areas								
1972-73	N.A.	1.2	3.0	6.8	N.A.	0.5	5.5	11.2
1977-78	2.2	1.3	3.6	7.1	5.5	2.0	4.1	9.2
1983	2.1	1.4	3.7	7.5	1.4	0.7	4.3	9.0
1987-88	2.8	1.8	4.2	4.6	3.5	2.4	4.4	6.7
1993-94	2.0	1.4	3.1	5.6	1.3	0.9	2.9	5.6
1999-2000	2.1	1.7	3.9	7.2	1.5	1.0	3.7	7.0
Urban Areas								
1972-73	N.A.	4.8	6.0	8.0	N.A.	6.0	9.2	13.7
1977-78	6.5	5.4	7.1	9.4	17.8	12.4	10.9	14.5
1983	5.9	5.1	6.7	9.2	6.9	4.9	7.5	11.0
1987-88	6.1	5.2	6.6	8.8	8.5	6.2	9.2	12.0
1993-94	5.4	4.1	5.2	6.7	8.3	6.1	7.9	10.4
1999-2000	4.8	4.5	5.6	7.3	7.1	5.7	7.3	9.4

Source: NSSO, See Table 2.9 UPS = Usual Principal Status; UPSS = Usual Status taking into account the work done in subsidiary capacity; CWS = current weekly status; CDS = Current Day Status.

2.59 Between 1993-94 and 1999-2000, which roughly coincides with the post-reform years, unemployment rates increased in rural areas according to all the criteria and for both the sexes, while the rates declined for females in the urban areas. In the case of urban males, only the UPS unemployment rate declined.

2.60 The National Commission on Labour that was appointed in 1966 under the Chairmanship of Justice Gajendragadkar was, inter alia, asked "to review the changes in conditions of labour since Independence and to report on existing conditions of labour... To study and report in particular on the levels of workers' earnings... The standard of living and the health efficiency... Of workers – both at the centre and the states." The report of the Commission, therefore, included sections on the conditions of labour, levels of earnings, standard of living and other questions relating to these subjects. Nearly three decades have elapsed since the Gajendragadkar Commission submitted its report. In these years many changes have taken place in the conditions of workers, their standard of living, their rights, social status and so on, and it would have been appropriate and beneficial to undertake a review of these changes as a prelude to a study and review of

the existing labour legislation, the need for an umbrella legislation in the unorganised sector, and the measures needed for the protection and welfare of workers in both the sectors. However, our Commission has not been asked to undertake such a review (Nor have we been given adequate time and resources to undertake such a detailed review). Even so, we found that a brief review of the changes that have taken place in the conditions in the main sectors of employment has to be the starting point for the study and examination of some of the questions that have been entrusted to us, This is also necessary to have a clearer understanding of the situation in the main industries and economic activities in which our workforce is employed today. We propose therefore to devote a few paragraphs to a quick and brief review of the situation in the Plantations and Forestry, Mining and Quarrying, Construction, Textiles, Chemicals, Agriculture, Engineering and other industries before we proceed to a review of legislation, protection, and welfare. We should say once again that the review that we present is by no means comprehensive or exhaustive, for reasons that we have already indicated.

INDUSTRY PROFILES

2.61 **HANDLOOMS:** The art of hand weaving is a part of India's rich heritage. From the dawn of recorded history, Indian handlooms have enjoyed a high reputation throughout the world.

2.62 Till the mid-nineteenth century, the textile industry in India meant only the handloom industry. By the time of the Second World War, however, the scale had tilted in favour of the mill sector. The Great Depression of the 1930s dealt a severe blow to the industry. Competition posed by imported cloth (buttressed by favourable tariffs), mass production by power-looms, import duty on yarn etc., contributed to the precarious conditions to which weavers were reduced. All these contributory factors had the underpinning of colonial exploitative policies.

2.63 The abject condition of the weavers finally prodded the Government of India to waive a part of the import duty on yarn in 1935. It did not, however, lead to any significant relief. A Fact Finding Committee was set up in 1941 to investigate the situation and suggest measures for reorganising

the industry. An All India Handloom Board was set up in 1945. It was reconstituted in 1952. This heralded an upturn in the fortunes of the industry. Initially, the Board was the designated agency for formulating State Plans in the handloom sector in consultation with State Governments. After 1958, however, the Planning Commission changed the procedure and the new arrangement led to a diminished role for the Board. It was reconstituted in 1978, but in 1982, it was merged with the Handicrafts Board. An All India Society was set up in 1953 to give fillip to marketing and exports. Later, it was assisted by the Handloom Exports Promotion Council.

2.64 The Planning Era : The handloom industry was accorded importance during the First Five-Year Plan itself. It was put on par with small-scale industries in matters pertaining to competition from the large-scale sector, and benefited from the scheme of product reservation. A cess was also imposed on mill cloth through an Act passed in 1953 [*Khadi* and other Handloom Industries (Additional Excise Duty on Mill Cloth) Act, 1953]. The proceeds were to be pooled in a fund that was known as the Cess Fund. It was used for promoting marketing,

production and quality control. It was, however, abolished in 1960. To minimise the competition for Handlooms, controls were imposed on mill production. A rebate scheme, initially intended for clearing accumulated stocks, was introduced in 1953. This too was aimed at making handlooms more competitive in the prices of their products. However, the functioning of the Rebate Scheme was prone to misuse and corruption, with the result, that in many situations the benefit often did not reach either the consumer or the producer. All these promotional efforts, however, did not address the problem facing the industry adequately, particularly that of competition from the mill and powerloom sectors. A Textile Enquiry Committee was appointed in 1952 under the Chairmanship of Shri N Kanungo. In 1954, the Committee recommended a phased programme of conversion of handlooms to power-looms, particularly in the rural co-operative sector, to overcome the price handicap that was as high as 24%. The First Plan saw the production more than double from 742 million yards in 1950-51 to 1554 million yards in 1954-55.

2.65 The Industrial Policy Resolution of 1956 became the bedrock for policy

formulation from the Second Plan onwards. It recognised the spin-offs of small-scale and cottage industries like large-scale employment, equitable income distribution and capital and human resources compatibility, and accepted the desirability of supporting such industries. Research and Technological Development in the handloom sector got a fillip during this time. The production increased to 1900 million yards in 1960-61. The looms in the co-operative sector almost doubled from less than 7 lakhs in 1953 to over 13 lakhs by middle of 1960. The Third Plan focussed on higher production through fuller employment and improved technology. It saw a liberal credit regime, supply of improved appliances and other support services. However, the production and co-operativisation did not register significant increase. These policies continued during the Annual plans (1966-69) and the Fourth Plan period (1969-74). The stagnant situation led to the appointment of the high powered Sivaraman Committee in 1973. The Committee made many important recommendations in their report. Among others, it recognised the need to promote the weavers outside the co-operative fold through Handloom Development Corporations. The Fifth Plan saw the introduction of

special schemes for the handloom industry including integrated handloom development projects (for about 10,000 looms each); export production projects (about 1,000 looms each) and *janta* cloth production which started in 1976. Production went up significantly from, 2,100 million metres to 2,900 million metres, and so did employment from 5.2 to 6.2 million. The total number of looms increased to about 3 million of which about 1.3 million were in the co-operative sector. Out of these looms in the co-operative sector only 0.94 million were effective production looms. This represented effective coverage of 31% of the total number of looms against the targeted 60%.

2.66 The Sixth Plan witnessed an approach based on vertical and horizontal integration of programmes in the light of the Industrial Policy Statement of 1980. It saw, *inter alia*, emphasis on augmented supply of hank yarn to weavers, the modernisation of looms, and the establishment of the National Handloom Development Corporation to enhance co-operativisation. During this plan period, production increased from 2900 million to 3600 million metres, and employment, from 6.2 million to 7.5 million workers. However, the effective extent of co-operativisation remained

around 32% through the years, it saw an addition of about 1.7 million weavers to this Sector (Cooperatives).

2.67 The Seventh Plan (1985-90) period was guided by the Textile Policy of 1985. The thrust was on co-operativisation, development of Central/State Government Corporations, loom modernisation, raw material linkage and technological upgradation.

2.68 Post Liberalisation period: The picture in the handloom sector has, however, changed from one of moderate to slow growth to decline in the 1990s. From the data collected during the Handloom Censuses of 1987-88 and 1995-96, it is seen that monthly production has come down from about 298 million metres to 260 million metres. In annualised terms, it shows a decline from about 3600 million metres to about 3100 million metres, or roughly 13%. The number of looms shows a decline of about 8% from 3.78 million to 3.49 million: the number of production units also shows a slightly sharper fall of about 15% from 3 million to 2.54 million, though the number of weavers/workers is virtually stagnant, at 6.55 million (increase of 0.01 million). These figures indicate a higher concentration of both workers and looms in the units in 1995-96 as compared to 1987-88,

from 2.18 workers to 2.58 workers and from 1.26 looms per unit to 1.37 looms per unit. Of the 24 states surveyed, only two viz., Manipur and Himachal Pradesh registered increase in the number of units. The major decline in units was in Assam (-10%), West Bengal (-23%) and Tamil Nadu (-24%). The number of workers fell in absolute terms in U.P., Tamil Nadu and West Bengal (-35%, -14% and -7% respectively).

2.69 The census data also revealed that during the period between the two rounds, the production per loom and per worker declined at the all India level though most states registered increases. This was mainly due to decline in productivity in the States that accounted for the bulk of fabric production (57%), in U.P., West Bengal and Tamil Nadu (overall productivity decline of about 29% in the three states). The average monthly earning of weaver households was merely Rs. 1,459/- in 1995-96. Excluding the North Eastern States which generally (except Tripura) showed a higher level of earning from agricultural and non-agricultural sources vis-à-vis weaving; the average earning of a weaver household declined from Rs. 1,458/- per month to Rs. 1,236/- per month. These broad data reveal the increased

vulnerability of the weaving population to the forces that have been generated by the accentuated economic changes that have been witnessed in recent years.

2.70 The extreme distress in which the families of weavers find themselves in many states is reflected in the waves of suicides that have been reported from states like Andhra Pradesh and Tamil Nadu. No society, and no Government can be impervious to the degree of distress that drives citizens to commit suicide either because of the measures to temper or taper off protection (including from low priced imports) or the failure to create adequate social security systems that can mitigate the suffering and starvation of those who lose employment.

2.71 The portents seem more ominous with the removal of almost all quantitative restrictions on imports from 1st April 2001, and the full opening up of the textiles sector from 2005.

2.72 TEXTILE INDUSTRY: The textile industry is one of the oldest industries in India, which has made a significant contribution to the country's economy over the centuries. We have already

seen that the handloom sector of the industry flourished for a long time before the mill sector achieved a significant presence. The first textile mill in India was set up in 1854 at Bombay by C. N. Daver. Subsequently, other mills were set up in Ahmedabad, Kanpur, Calcutta and Coimbatore. At the time of the Second World War, there were 389 cotton mills in India with about 10.06 million spindles and 2.02 million looms. After the War, there was a steep demand for cotton textiles. During Partition, a large portion of the cotton growing areas in Sind went to Pakistan, and as a result, the growth of the textile industry slowed down for sometime. After Independence, India embarked on planned development, and during the successive Five-Year Plans, the textile industry expanded and extended to States like Andhra Pradesh, Kerala, Bihar, Orissa and so on. The textile industry is today the largest industry in India with a share of 20% in national industrial production. It is the second largest employer, employing over 20 million, and coming only after agriculture. It contributes 4% of the GDP, and has over 30% share of the total export earnings. In addition, a number of other industries like textile engineering, manufacture of dyes, etc., depend upon the textile industry.

2.73 The Indian textile industry has been classified into four product categories i.e. yarn, fabrics, made-ups and garments. Yarn is manufactured by the organised sector as well as the small-scale sector. Fabric manufacturing is further classified into handloom, power-loom, mill-made and knitting. The other two products (made-ups and garments) are manufactured both by small and big undertakings. There are three major sectors in the industry: spinning, weaving and processing. In each of these three major sectors, there are organised and decentralised segments. In the organised segment, there are large spinning and composite mills with spinning, weaving and processing activities, while in the decentralised sector, there are small spinning mills, power-looms, handlooms and weaving and small hand processing units. Out of the hundreds of small spinning mills in the country, a majority is in Tamil Nadu, followed by Karnataka and Gujarat. There are at present (March 1999) 1,824 mills in the organised sector (1,543 spinning and 281 composite mills), and about 800 Spinning mills in the small-scale sector and 16 lakh power-looms in the country. Table 2.14 shows the progress of the textile industry over the past five decades.

Table 2.14
Textile Industry: Growth during the Last Five Decades

Item	Units	1951	1961	1971	1981-82	1991-92	1996-97
No. of mills (total)	No.	383	481	670	723	1117	1719
Spinning mills	No.	107	196	379	442	846	1438
Composite mills	No.	276	285	291	281	271	281
Installed Capacity							
Spindles	Mill No.	11.25	13.83	17.98	21.93	27.82	33.15
Rotors	000 No.	—	—	—	—	113	276
Looms	000 No.	196	199	206	210	169	124
Cotton Statistics							
Cotton Production	Lakh bales	31.33	46.37	65.64	84.00	119.00	177.90
Mills Consumption	-do-	40.71	56.88	63.59	71.23	103.09	157.00
Man-made fibre Production							
Cellulosic	Mill.Kg.	—	26.06	61.02	84.20	158.08	178.78
Non-cellulosic	-do-	—	—	15.03	43.31	183.99	409.44
Man-made Filament Yarn Production							
Cellulosic	Mill.Kg.	2.46	23.47	38.47	41.05	52.69	57.29
Non-cellulosic	-do-	—	—	1.50	38.64	242.49	544.27
Yarn Production							
Cotton yarn	Mill.Kg.	591	862	881	989	1450	2148
Other spun yarn (total)	-do-	11	22	98	260	356	646
Fabrics Production							
Total Production	Mill. Sq. Mtr.	5291	8027	9018	12308	22978	34813
Production in mill sector	-do-	3913	4936	4321	3987	2376	1957
Production in decentralised Sector	-do-	1378	3091	4697	8321	20602	32856
Per Capita Availability of Cloth	Sq. Mtr	11.54	15.50	13.02	17.13	22.87	29.30
Textile exports (Excl. Jute, Coir & Handicrafts).	Rs. Crore	N.A.	N.A.	N.A.	1335.70	12041.15	35477.93

Source: Textile Statistics 1997, Office of the Textile Commissioner

2.74 As is evident from the table that follows (Table 2.15), the growth of the textile industry, which slowed down during the seventies, picked up again and, spear-headed by the spinning and man-made fibre in the organised sector, made impressive gains in almost all respects during the subsequent period, particularly

in the post-liberalisation years. A conspicuous exception is the case of production of cloth in the mill sector, which has suffered substantially. It has consistently recorded fall in production since the sixties. The fall has become steeper in the post-reform period.

Table 2.15

Annual Growth Rates in Textile Industry During the Last Five Decades

(In Percentages)

Item	1951-61	1961-71	1971-82	1982-92	1992-97
No. of mills	2.3	3.4	0.8	4.4	9.0
Installed spindles	2.1	2.7	2.0	2.4	3.6
Cotton production	4.0	3.5	2.5	3.5	8.2
Cotton consumption	3.4	1.1	1.1	3.8	8.8
Man-made fibre production					
Cellulosic	—	8.9	3.3	6.5	2.5
Non-cellulosic	—	—	11.2	15.6	17.3
Man-Made filament yarn production					
Cellulosic	25.3	5.1	0.7	2.5	1.8
Non-cellulosic	—	—	38.4	20.1	17.6
Spun Yarn production					
Cotton yarn	3.8	0.2	1.2	3.9	8.2
Other spun yarn	7.2	16.1	10.2	3.2	12.7
Cloth Production					
Total production	4.3	1.2	3.2	6.4	8.7
Mill sector	2.3	(-)1.3	(-)0.3	(-)5.0	(-)3.8
Decentralised sector	8.4	4.3	5.9	9.5	9.8
Per capita availability of cloth	3.0	(-)1.7	2.8	2.9	5.1
Textile exports	N.A.	N.A.	N.A.	24.6	24.1

Source: Textile Statistics, 1997, Office of the Textile Commissioner

2.75 There is a view that one of the reasons for this was the emphasis that was laid on the role of the handloom industry since Independence, both because of its employment potential, and because of the place that it occupied as part of the national movement. Therefore, while the spinning industry was allowed to expand, the expansion of looms in the mill sector was severely restricted. Between 1980 and 1997, the weaving capacity in the mill sector declined by 84,000 looms. On the other hand, the rate of growth of production of cloth in the decentralised power-loom and hosiery sectors has been impressive throughout the half century. The large gap in the excise levy between the mill and the exempted category of power-looms acted as a direct incentive to the rapid growth of power-looms. Moreover, although the reservation of the fields of production was made to encourage the handloom sector, it equally benefited the power-looms, since they were not prohibited from making the reserved varieties.

2.76 The Textile industry in the mill sector has been plagued by sickness

and industrial unrest. One of the major events that showed the extent of unrest among workers was the strike of textile workers in Bombay, which commenced in January 1982 and continued for more than a year. The strike affected 60 textile units including 12 National Textile Corporation units and caused considerable loss of employment and other kinds of suffering to workers and their families. During the period of the strike, many of the composite mills were forced to close down. However, power-looms prospered. One of the fallouts of the strike was The Textile Workers' Rehabilitation Fund Scheme that the Government introduced in 1986 to provide temporary relief to workers rendered jobless by the permanent closure of textile mills in the private sector. Under this scheme, the workers, whose wages were upto Rs. 2,500/- per month or less, were given relief on a graded scale for three years immediately after their retrenchment from employment. Till 31st March 1999, Rs. 111.59 crores were given to 54,631 workers involving 35 textile mills. With the structural transformation in the mill sector, and the competition faced from power-looms, the textile industry in the mill sector began to face increasing sickness. The other reasons for sickness were comparatively low

productivity, lack of modernisation, increase in cost of inputs, etc. As a consequence of all these factors, the number of mills that has closed down has gone up. The growing incidence of sickness is reflected by the increase in the number of closures which increased from 123 in the year 1992-93 to 349 in 1999-2000. As of September 1999, there were 421 cases of textile mills registered with the Board for Industrial and Financial Reconstruction (BIFR). The incidence of sickness is more in Maharashtra and Gujarat. Besides these closures, a large number of mills is not working to its full capacity due to the spreading sickness in the industry. Globalisation has also had adverse effects on the already sick textile industry as imports have increased and textile products from other countries are available in abundance at cheaper rates. The number of workers employed in the organised sector has decreased from 11,79,000 in 1980-81 to 10,43,000 in 1999-2000.

2.77 The condition of workers in the decentralised sector is very pathetic. The wage levels in this sector are also on the low side. The jobs cuts and retrenchment of labour that is taking place on a large scale have further added to apprehensions of imminent loss of employment and erosion of incomes and standards of living. It is estimated that more than 2.50 lakh textile workers have been affected

adversely due to closure and curtailment of activities. Power-looms were considered to be viable propositions due to cost advantages. But due to the vast expansion of capacity, they are also becoming uneconomical.

2.78 IRON & STEEL INDUSTRY : The Iron & Steel industry is a key industry of national importance. The development of industrial activity in a country is often linked with the development of the steel sector. The level of per capita consumption of steel is often treated as one of the important indicators of economic development and the living standards of the people in any country.

2.79 The first iron and steel plant in Indian was established in 1907 at Jamshedpur by J N Tata. The setting up of the Tata Iron and Steel Company (TISCO) has been hailed as a monument to the daring entrepreneurship of India. In 1948 the production of ingot steel in the country was of the order of 1.25 million tonnes, and that of finished steel, 0.86 million tonnes.

2.80 There were many reasons for the failure of early attempts to introduce European methods of manufacturing iron in India. The then Central Government and the various provincial Governments were hostile to the industrialisation of India and the establishment of modern industries

under indigenous entrepreneurship.

2.81 In its early years, even TISCO derived little benefit from the abundance of inexpensive labour in India. Prior to 1923 TISCO's labour costs per ton of output were substantially higher than the labour costs of comparable steel plants in Europe and the United States. By 1933, there was no appreciable difference between TISCO's direct labour costs and labour costs elsewhere, despite the fact that Indians had by then replaced much of the company's foreign personnel.

2.82 In 1948 the Government of India issued its First Industrial Policy Resolution specifying the industries in which the state would assume a sole or primary responsibility for new investment, and those that would be subject only to normal government controls. The iron and steel industry was included in the second category. The 1948 resolution was superseded in 1958. The list of industries which were to become public sector monopolies, and in which the Government was to have sole or primary responsibility for new undertakings, was enlarged.

2.83 In many instances controlled prices have been kept relatively low, with the result that prices frequently did not cover all costs of production. Controls have not necessarily

discouraged expansion of the industries in which the Government assumed primary or sole responsibility for new investment. However, in industries in which private sector participation has been permitted, unduly low prices have acted as a disincentive to new investment and this was one reason for some of India's frequent commodity shortages.

2.84 In 1964, the Government of India (basing itself on the recommendations of the K. N. Raj Committee) placed the onus of formulating guidelines for production and distribution of steel materials on the Joint Plant Committee (JPC). The Committee was constituted with representatives from Hindustan Steel Ltd (Rourkela, Bhilai and Durgapur), Tata Iron & Steel Co. Ltd., and Indian Iron & Steel Co. Ltd., and the Railways as members. The functions identified for the JPC were:

- a) Co-ordination of work of the main producers with a view to evolving common procedure and action in regard to planning, dispatch and pricing of products and drawing up of rolling programmes;
- b) Assisting the Steel Priority Committee on the dispatch and allocation of Iron & Steel;
- c) Reviewing the general market situation and fluctuation of free market prices, trends of production, movement and availability of Iron & Steel.

2.85 At present the JPC has its Headquarters at Kolkata and six

regional offices at Kolkata, New Delhi, Mumbai, Chennai, Kanpur and Hyderabad.

2.86 The office of the Development Commissioner for Iron & Steel (DCI&S) has continued to perform its advisory, developmental and regulatory functions, through its regional offices.

2.87 The new economic policies being pursued by the Government have opened up new opportunities for the expansion of the steel industry. With a view to accelerating the growth of the steel sector, the Government has initiated a number of policy measures since 1991.

2.88 The Indian Steel Industry recorded a production of 26.71 million tonnes of finished steel in 1999-2000, which was more than that of the previous year. India continued to be the 10th largest steel producing country in the world during 1999-2000. The country is considered a leading producer of carbon steel in the world. This sector represents around Rs. 90,000 crores of capital, and directly provides employment to over 5 lakh people. The Indian steel sector was the first core sector to be completely freed from the licensing regime and pricing and distribution controls. This became possible primarily because of the inherent strength and capabilities demonstrated by the Indian iron and steel industry. During 1996-97, finished

steel production shot up to a record 22.72 million tonnes with a growth rate of 6.2%. However, increases in the production of finished steel in 1997-98 and 1998-99 were only 2.8% and 1.9% respectively as compared to 20% in 1995-96 and 6.2% in 1996-97. The growth rate has improved in 1999 - 2000, and stands at 12.1%. But subsequently, a trend of decrease is visible in the growth rate of steel production. This has been brought about by several factors which inter alia include, general slowdown in the industrial construction activities in the country coupled with lack of growth in major steel consuming sectors, etc.

2.89 India exported 3.34 million tonnes of iron and steel valued at over Rs. 3500 crores during 1999-2000. It produced 5.18 million tonnes of sponge iron during the year 1999-2000, and continues to be the second largest producer of sponge iron in the world. The Steel Authority of India Ltd. (SAIL), a public sector enterprise recorded a turnover of Rs. 16250 crores during 1999-2000. In its four integrated steel plants, SAIL achieved a production of 10.94 million tonnes of Hot Metal, 9.79 million tonnes of crude steel and 9.53 million tonnes of saleable steel during 1999-2000. SAIL exported 0.89 million tonnes (compared to 0.49 million tonnes in the previous year) of steel and pig iron, recording a growth of 81% in exports.

The company earned foreign exchange of Rs. 886 crores during the year through exports and other activities. India exported 32.55 million tonnes of iron ore during 1999-2000 as against 31.02 million tonnes in 1998-99. Another major steel private sector corporate, Tata Iron and Steel Company Ltd., achieved a production of 3.29 million tonnes of saleable steel and 3.43 million tonnes of crude steel, surpassing all previous records.

2.90 The new industrial policy announced in July 1991, has completely opened the iron and steel industry for private investment. Since then, 19 new field steel projects, financed by the financial institutions, involving a total capacity of approximately 13 million tonnes (saleable steel) have been commenced. The aggregate investment in them is over Rs. 30,000 crores. Of the 19 projects, so far 8 units have been fully commissioned, and 4 more have partly commenced manufacturing facilities. Thus, capacity to the tune of approximately 7 million tonnes has been added during the period. Some of the important new players are Essar Steel Ltd., Lloyds Steel & Industries Ltd., Jindal Steel & Power Ltd., Jindal Vijayanagar Steel Ltd., Ispat Industries Ltd., Southern Iron and Steel Company Ltd., Hospet Steel etc.

2.91 Global Impact on Iron & Steel

Industry : The world steel industry has witnessed major ups and downs in the last few decades, especially over the past five years. The pattern of trade has been upset by two important developments.

2.92 The Asian Crisis and the collapse of the USSR have transformed importers of steel into exporters. Till the recent financial crisis, the Asian countries were large importers of steel. During recent years Indian exports have been subjected to anti-dumping/CVD investigations in the European Union, USA and Canada. This has eroded our export base to some extent.

2.93 It is in this global context that the Indian steel industry will have to identify its future role.

2.94 Indian steel is currently exported to China, Japan, USA, Korea, Taiwan, Indonesia, Thailand, Malaysia, Italy, U. K. Germany, Canada, Spain, Australia and other countries.

2.95 After the liberalisation of India's trade policy and the commencement of the general policy and procedures for export-import of iron and steel, ferro scrap etc. are decided by the Ministry of Commerce in consultation with Ministry of Steel.

2.96 Under the general policy and procedures for export-import that have

been decided upon for 5 years (from 1.4.1997 to 31.3.2002), the policy for import and export of iron and steel materials has also undergone sweeping changes. Import of all items of iron and steel is freely allowed. India has been annually importing about 10 to 15 lakh tonnes of steel.

2.97 Efforts are being made by the Ministry of Steel/Development Commissioner for Iron & Steel to ensure adequate supplies of domestic raw materials to meet the requirements of engineering exporters.

2.98 With the coming of liberalisation, the steel industry, especially the public sector, has now to face up, not only to domestic competition but also to global competition in terms of product range, quality and price. The growth of the steel sector is intricately linked with the growth of the Indian economy and especially the growth of the steel consuming sectors. India has been self-sufficient in iron and steel materials in the last 3-4 years. Exports are rising and imports are falling. Production and production capacities are increasing. This position needs to be further consolidated, and issues affecting production and consumption need to be resolved on a continuous basis. India is already recognised as a global player in

the steel industry, and this sector is poised to play a key role in the international steel scenario in the coming years.

2.99 Productivity in Iron and Steel Industry : The factors affecting production and productivity are labour, material, technology and capital. Productivity can be improved through various means like the introduction of new and better technologies, use of appropriate tools, equipment and methods, but the most important factor for the improvement of productivity is the workforce. High productivity is necessary for the survival of the industry. In this sector, PSUs and TISCO establishments have been attempting to ensure the improvement of productivity by motivating its workforce in various ways. In an attempt to improve the skills, the workforce is regularly trained in standard operating practices, told about task and target systems and above all made aware of the advantages of productivity. The establishments in the public sector and the private sector lay stress on productivity, and focus on cost consciousness and cost control, efficient use of raw materials, improvement in yields, systems and procedures, improvement in customer

service and delivery, elimination of unproductive practices, elimination of waste, on safe and healthy environment etc. These methods have helped the industrial units to achieve lower costs and better quality of goods and services. This has also led to overall improvement in the quality of life of the employees. In addition, the units have set up quality circles: Total Quality Systems and the like. In TISCO, labour productivity has almost doubled in the last five years. TISCO is emerging as the World's lowest cost producer of hot rolled coils (HRC).

2.100 Salary/Wage in Steel Industry : Prior to 1965, the pay scales of Board Level executives and below-Board Level executives in Public Sector Enterprises were fixed on an ad hoc basis by the Government, keeping these generally at par with the comparable pay scales of equivalent posts in the Government departments. But in 1990, guidelines were issued in respect of officers of Board level and below Board level positions, and uniformity was introduced rationalising the scales in Public Sector Enterprises. Again, in the salary revision effective from 1.1.92, the Department of Public Enterprises issued guidelines which included 14 scales of pay below board level, but provided for flexibility to allow

the Public Sector Enterprises to adopt these pay scales depending upon their requirements.

2.101 Wage Revision: In the steel industry, there is a bipartite forum known as the National Joint Committee for the Steel Industry (NJCS) which discusses and finalises the wage agreements and other benefits for workers. Till now, the Committee has signed six agreements. This committee is functioning since 1969. NJCS is composed of representatives of employees as well as employers. On the employees' side, there are three members each from the Central Trade Union organisations namely Indian National Trade Union Congress (INTUC), All India Trade Union Congress (AITUC), Centre of Indian Trade Unions (CITU), Hind Mazdoor Sabha (HMS) and one each from the recognised trade unions of SAIL Steel Plants, Indian Iron & Steel Company (IISCO) and TISCO (private sector). The Employers' side is being represented by the Chief Executive of SAIL Steel Plants, IISCO and Vice-President (Human Resource Management), TISCO. From SAIL Corporate Office, Director (Finance) is the member and the Executive Director (Personnel and Administration), is the convener member of this Committee.

2.102 Better Industrial Relation through Participative Management and Welfare: The Industrial Policy Resolution of 1956 had laid stress on industrial peace as one of the prime requirements for industrial progress. Over the years, the industry has developed a participatory culture.

2.103 The voluntarily adopted system of workers' participation in decision-making operates through quality circles, suggestions, schemes, shop improvement groups and by direct contribution of employees to production and productivity at the shop floor. The results and benefits of workers' participation in decision making, in the management of steel plants, are clearly visible from the increasing production and productivity figures, the adoption of production practices leading to lower energy consumption and reduced waste etc.

2.104 The Committee has progressively widened the scope of its working from a forum negotiating and settling wages for workers across the Steel Industry, to a forum addressing issues relating to production, productivity, quality, cost control, establishing productive work practices and issues relating to safety, health and environment. All matters placed before the National Joint Committee for Steel Industry (NJCS) (the national level

tripartite forum in the Steel Industry), are dealt with through consensus, resulting in improvement in the overall performance of the industry and in enhancing the quality of life of steel workers.

2.105 PLANTATION INDUSTRY : According to the Royal Commission on Labour (1929-31) "Plantation represents the development of agricultural resources of tropical countries in accordance with methods of Western Industrialism. It is a large-scale enterprise in agri-culture. The work is essentially agricultural, and is not concentrated in large buildings."

2.106 Convention No. 110 of the ILO defines a plantation as: "An agricultural undertaking regularly employing hired workers which is situated in the tropical or sub-tropical region and which is mainly concerned with the cultivation or production for commercial purposes of coffee, tea, sugarcane, rubber, bananas, cocoa, coconuts, ground-nuts, cotton, tobacco, fibres (sisal, jute and hemp), citrus, palm oil, cinchona, or pineapple. It does not include family or small scale holdings producing for local consumption and not regularly employing hired workers."

2.107 According to the Indian Plantation Labour Act, 1951 a Plantation means any land used or intended to be used for growing tea, coffee, rubber, cinchona, cocoa, oil

palm and cardamom which admeasure 5 hectares or more, and on which 15 or more persons are employed or were employed on any day during the preceding 12 months. However, the main plantations we have are tea, coffee, rubber, cardamom and pepper. Tea is grown in Assam, West Bengal, Tripura, Himachal Pradesh, Karnataka, Kerala and Tamil Nadu. Coffee, rubber and cardamom are grown only in the three southern states namely Karnataka, Kerala and Tamil Nadu (Tripura also has a certain number of rubber plantations). Since tea, coffee, rubber and spices plantations are the main ones that employ large groups of workers, we will confine our attention to them in these brief paragraphs.

2.108 Tea: The number of tea plantations with 5 hectares or more, covered under the Act was 902 in 1967 (with a total area of 25,685.61 hectares). However, the total number of plantations, including those not covered under the Act, is 54,000, and they have a total area of 4,36,100 hectares (1999-2000 figures). In 1999-2000 the total volume of tea produced in India was 7,98,925 tonnes with a total value of Rs. 5,820 crores. Of these 1,90,200 tonnes tea, worth Rs. 1,850 crores, was exported. The total number of workers employed by all tea plantations (including those not covered under the Act) was 7.31 lakhs in the year 1967. It has since risen to 11.38 lakhs in 1999-2000.

2.109 COFFEE: In the year 1967, the number of plantations covered under the Act was 833. The total number of plantations (including those not covered under the Act) stood at 1,40,300 with a covered area of 3,40,300 hectares and total production of 3 lakh tonnes, valued at 1,910 crores. Out of this, 2.35 lakhs tonnes of coffee valued at Rs. 1,840 crores was exported in the year 1999-2000. The number of workers employed in coffee plantations in the year 1967 was 2.60 lakhs. It has since risen to 5.35 lakhs in the year 1999-2000.

2.110 RUBBER: In the year 1967 the number of rubber plantations covered under the Act was 170. It has since risen to 9,71,000 in 1999-2000 (including those not covered under the Act). They have a total area of 5.63 lakhs hectares. The total production of rubber was 6.22 lakhs tonnes, which was entirely consumed within the country. The number of workers employed by rubber plantations in the year 1967 was 1.22 lakh (including plantations not covered under the Act). In the year 1999-2000 the total employment in rubber plantations nearly trebled, and stood at 3.48 lakhs.

2.111 CARDAMOM: Small Cardamom, known as the Queen of Spices, has the second place in importance. India was the largest producer of small cardamom till 1979-80, but Guatemala

has now become the world's leading supplier of cardamom. India still meets about 30 to 35% of the world's demand, and exports to about 50 countries. In the year 1999-2000 there were 30000 plantations with an area of 72,500 hectares. These plantations were employing 30,000 workers.

2.112 PEPPER: Black Pepper is the most popular of spices. Native to the west coast of India (Kerala), its cultivation has now spread to many parts of the world. It is grown on an estimated area of 1.75 lakh hectares (1999-2000) in India. As in the case of Cardamom, pepper is also mostly grown in Kerala and some parts of Karnataka and Tamil Nadu. Efforts are being made to commence its plantation in Pondichery and Maharashtra. Other countries producing pepper are Sri Lanka, Indonesia, Malaysia, Israel and Thailand. According to the figures for 2000, the world production was estimated as 1.85 lakh tones, out of which India accounted for about 32 to 35%.

2.113 Health, safety and working conditions: Plantation operations are carried out in open fields. Employment depends upon the intensity of operations and crop availability, which further depend on seasonal weather conditions. In a sense, therefore, the industry can be described as seasonal. Though a regular workforce is

employed for normal operations such as pruning, weeding, manuring construction and maintenance roads and drainage, irrigation etc., for harvesting the crops i.e. plucking tea leaves and collecting coffee beans etc, a large number of temporary workers are employed, most of whom are migrant workers. Because of the humid conditions in the areas where workers reside and operations take place during the rains, workers are often exposed to malaria. Every plantation is required to provide medical facilities such as dispensaries for the workers and their families, as prescribed under the rules framed by the different State Governments. Bigger plantations employing above a certain number of workers, and in the case of small plantations, a group of smaller plantations are required to establish and maintain hospitals with facilities for out-patients, indoor patients not requiring elaborate diagnosis and treatment, infectious diseases, mid-wifery, simple pre and post natal care, care of infants and children, and periodical medical examination of workers. The Commission had opportunities to see the medical facilities and dispensaries main-tained by some plantations. We realise that there has been some improvement in the past decades. But we are of opinion that much more attention has to be devoted to make the facilities

adequate and satisfactory.

2.114 Wages and working conditions: Being essentially an agricultural operation, the Plantation Industry attracts Part II of the Schedule of the Minimum Wages Act 1948, and the minimum wages fixed for agricultural workers apply to plantation workers as well. In practice, the workers are mostly paid the minimum wages fixed by the State Government for agricultural workers. However, in Kerala, wages are fixed through negotiated settlements or under conciliation settlements. This has its impact on the neighbouring states of Tamil Nadu and Karnataka as well. Workers in these States too have now demanded that wages should be settled through negotiations.

2.115 Welfare of workers: The Plantation Labour Act, 1951 stipulates that the State Governments may provide for medical care, housing, recreation, education for children etc. by framing rules under the Act. The Rules of most of the State Governments lay down that the employer will provide housing accommodation to the workers and their families, in the plantation area. We have already referred to the provisions or rules that require plantations, either singly or in groups to provide medical facilities. All plantations where the number of children of plantation workers between the age

group of six and twelve years exceed 25, have to provide educational facilities of the prescribed standard. The responsibility to provide housing (except the new law for construction workers) and educational facilities are unique to this law, as no other law provides for the provision of housing and education to workers.

2.116 Employers have made representations to this Commission against the provisions of the present law and rules that make it obligatory for the Plantation to provide housing and education etc. on the ground that in the last few decades, village habitations have grown, and schools and hospitals run by the State Governments are available in the proximity of the plantations. Moreover, these days, workers do not necessarily reside within the plantations. Employers also feel that, in the present circumstances, the provision of healthcare should be the responsibility of the State Governments and not of the employers.

2.117 Every plantation employing 150 or more workers is required to maintain one or more canteens. Under this law any plantation employing 300 or more workers is required to employ a Welfare Officer. The hours of work, the provision for earned leave, rest intervals or weekly rest days under the Act are almost similar to those provided under the Factories Act. All other

labour laws that are applicable to manufacturing industries like the Industrial Relations laws, Wage laws, and Social Security laws (excluding Employees State Insurance Act (ESI) but including Workmen's Compensation Act) equally apply to plantations.

2.118 Impact of globalisation on the plantation industry : The

plantation industry is at present facing a severe crisis. The evidence tendered before the Commission by planters, as well as workers in plantations, shows that liberalisation, globalisation and the WTO regime have combined to subject the plantation industry to unprecedented strains. The prices of coffee have come down almost by 50%.

Table 2.16
Coffee Prices

(in Rs/Kg)

Year	Plantation A	Arabica Cherry	Robusta Cherry
1997	131.48	100.66	65.25
1998	106.52	198.10	73.03
1999	80.31	62.53	59.91
2000	80.93	54.24	39.95

Source: United Planters Association of Southern Region.

2.119 The average price of rubber has come down from Rs. 47.50 per kg in 1995-96 to Rs. 27/- per kg in 1998-99. In 2000 the price stood at Rs. 28.50 per kg, which is below the benchmark price of Rs. 34.05 per kg fixed by the Government of India, and about Rs. 14.35 per kg below the cost of production.

2.120 Russia was one of the biggest consumers of Indian tea. But exports

to that country have come down drastically, since Russia has started buying from other countries. Sri Lanka has been accorded most favoured nation status, and the import duty on Sri Lankan tea under the Indo-Sri Lanka trade agreement has been brought down to 7.5%. As a result the prices of indigenous tea, particularly from the Nilgiris have also come down. Producers are losing about Rs. 17/- per kg.

Table 2.17
Production Cost and Price Realisation

(in Rs./Kg.)

Year	Average Period	Anchor Price	All India Cost of Production
1998	1998 (Annual)	68.50	53.06
1999	1999 (Annual)	57.10	57.00
2000	2000 (Annual)	44.67	63.00
2001	Jan – August	47.42	65.00

Source: United Planters Association of Southern Region.

2.121 The total losses of the southern tea industry stood at about Rs. 350/- crores (1999-2000). In conformity with commitments to the WTO, the Government is soon to introduce open auctions for 75% of the tea produced in the country. It is apprehended that this will further reduce the prices of tea.

2.122 In view of these severe strains, the Plantation Industry has demanded that they should be helped to acquire the strength necessary to compete in the global market. They have suggested that the tax burden including the agricultural tax of 60% to 65% imposed by the State Governments of Tamil Nadu and Kerala should be reduced, and other burdens that arise from the level of wages and the obligation to provide statutory benefits to workers should also be reduced. The plantation industry has also contended that unless it resorts to mechanisation, it would not be able to compete in the world market. But mechanisation is bound to affect the

workforce employed in the industry. A good number of workers will become surplus. The representatives of employers, therefore, pleaded that they be permitted to reduce the number of workers by 5% per annum.

2.123 The workforce engaged in the industry is also deeply concerned about the impact of globalisation and mechanisation on the industry. They are concerned about the possibility of loss of employment and the means available for migration to other avenues of employment.

2.124 The Plantation Industry is facing the problem of over supply because many countries have entered into the market. These countries have high output and low cost of production (in comparison to India). This is particularly so of Kenya, Malawi, Sri Lanka and some of the other countries. There is, therefore, need to shift the focus from production revolution to market revolution. For this, marketing infrastructure has to be created. Not

only the Government but also the associations of industry should focus their attention to this. We have also to adopt new strategies like brand building such as 'Indian Tea' or 'Indian Coffee' or 'Indian Spices' and so on, and also to achieve value addition by innovative packing and presentation etc. Not only the growers but also the industry associations and trade unions need to be provided with more information about production estimates, the international demand for the commodities, the position of competitors, the need to increase productivity and to reduce cost of production, market trends, quality, etc. While we strongly feel that planters should be helped to increase competitiveness and reduce costs of production and expenditure on counts that can now be borne by others, we do not see any scope for wage reduction. Competitiveness and low costs of production have to be achieved through increased productivity, improved quality, uniqueness, and so on. The workers/ unions will also have to accept the crucial role that productivity and productivity norms play in ensuring the competitiveness necessary for the survival of the industry.

2.125 As has been pointed out in earlier paragraphs, one of the most potent threats to the viability of the industry has come from competition from other countries including countries

like Vietnam and others, which are new in the ranks of exporters. The cost of production in some of these countries is considerably below what obtains in India. We are being compelled to seek markets at prices that are below the cost of production. It does not need many arguments to prove that no industrial operation can be economically viable if the sale price of its products continues to be below its cost of production. The Government will, therefore, have to urgently examine measures that can be taken to ensure the viability of the industry without adversely affecting the interests of the workforce employed in the industry. There is therefore, a strong case for reducing the tax burden on the industry.

2.126 CHEMICAL INDUSTRY: The Chemical industry is one of the oldest industries in India. It plays a crucial role in meeting the daily needs of the common man and contributes significantly to economic growth and industrialisation. It is fast growing at 12% per annum and is export-oriented. The production of chemicals in South Asia started in a modest way during the inter-war in early forties, with the efforts of a few enterprising individuals. After the war, and when India became free, two petroleum refineries, the Sindri Fertiliser Factory, units of a few pharmaceutical and dyestuff industries as well as soda ash

were among the first under-takings to be established in this sector. By 1956, the growth of the chemical industry gained momentum, and great strides were made in the field of synthetic drugs, antibiotics, DDT, insecticides, sulpha-drugs, etc. In the latter period, the chemical industry grew faster with the entry of a large number of new companies and undertakings in the public sector. Fertilisers, petrochemicals, pharmaceuticals, plastics, synthetic fibres, etc. received priority in the initial stage, but later, many types of chemical production have started in various centres in the country.

2.127 The main branches of the chemical industry are drugs and pharmaceuticals, petrochemicals, plastics and polymers, pesticides and insecticides, dyestuffs and dye-intermediates, inorganic and organic chemicals, etc. These chemical industries offer employment opportunities to millions of workers and are regarded as industries with a high employment potential. As a large part of chemical production is from employment oriented small-scale units, the overall existing employment in the industry is rated around 4.5 million. The industry generates additional indirect employment to nearly 12 million workers in transport, distribution, sales, packaging, exports, etc. It is expected that despite the ongoing restructuring and job cuts in certain sections and units, the chemical

industry will continue to offer high job opportunities.

2.128 The industry is currently in a phase of transition adjusting itself to structural changes necessitated by liberalisation and reforms. The protection levels enjoyed in the form of high import duties have been drastically reduced. This transition from a protected environment to the environment of international competition has resulted in a slow-down in growth. The adverse situation is attributed to: i) inadequate infrastructure, ii) high capital cost, iii) fragmented plant size, iv) expensive raw material, and v) lack of research and development.

2.129 As part of the process of liberalisation, the requirement of obtaining licences has been withdrawn except in the case of a few hazardous chemicals. Entrepreneurs and foreign investors are now free to set up chemical industries. In the new environment of market driven global economy, the country's export competitiveness is likely to be affected adversely since exports from South-East Asian countries are cheaper. There is also a threat of dumping, and increase in input costs due to the depreciation of the Indian Rupee. Most of the inputs in many segments of the industry are imported from developed countries.

2.130 India's main competitive strength lies in speciality chemicals. It appears that in the future one of the main competitors of India would be China, which is becoming a major force in the global petrochemicals and polymer business. There are large investments being made by foreign companies in China in the field of chemicals. In the dyestuffs and dye-intermediates industry, China is already strong in the international market. It is also concentrating on speciality chemicals, surfactants, and agro-chemicals, and emerging as the largest producer of synthetic fibre in the world. In pharmaceuticals too China is emerging as a strong competitor for India.

2.131 Chemical industries in the small-scale sector: The Small-Scale Sector constitutes an important segment of the chemical industry and accounts for 35% of the production of chemicals and allied products. It undertakes the processing of chemicals and other raw materials available from large units. The majority of production activities relates to chemicals based on downstream products/by-products and other chemicals like soaps, detergents, paints, pesticides, drugs, plastics, dyestuffs, cosmetics, rubber products, adhesives etc.

2.132 The production of synthetic detergents has grown to 10 lakh metric tonnes. Out of this, 60% is produced

in the Small-Scale Sector. The Small-Scale industries account for more than 50% of the total dyestuffs production. In drugs and pharmaceuticals, the small-scale units account for 40% of the total production with more than 11,000 manufacturing units. Around 70% of the total products of pharmaceutical formulations are from the small-scale sector. The Small-Scale Industries in the drugs and pharmaceutical industry provide employment to more than 1,70,000 workers directly. In the plastic processing industry there are around 18,000 units in the Small-Scale Sector, providing employment to 1,65,000 persons directly. In the export of plastic products the Small-Scale Sector contributes 40%. In the rubber goods industry, there are 5,200 Small-Scale and tiny units providing employment to about three lakhs persons directly. The share of the small scale industries in the production of rubber products is 30%. In the surface coatings industry, i.e. paints, varnishes, etc. there are 20,000 small-scale units producing around 50% of the total production. The toiletries, cosmetics and *agarbatti* industry include toothpaste, powder, mouthwash, fragrant products, cologne, hair oil, etc., and most of these are manufactured in small-scale units. There are more than 15,000 units for the manufacture of these products in the small-scale sector. About 40% of the production of these units in the small-scale sector is exported.

2.133 The Small Scale Industry (SSI) Chemical Units have some inherent limitations and problems that relate to the procurement of raw materials, technical know-how, financial resources, lower scales of operation, etc. However, the industrial climate is turning conducive for the speedy growth and development of these units.

2.134 EXPORTS : The data on various chemicals and petro-chemicals upto 1996, according to the Economic Survey 1998-99, give a glimpse of the progressive role that the chemical industry has played in our economy.

Table 2.18
Sector-Wise Export

(million \$ US)

Year	Organic	Dye etc.	Oil Perfume	Inorganic	Chemicals	Total	Total including PC&PI
1970	9	8	10	0	0	27	38
1975	22	23	18	0	0	63	92
1980	17	65	86	26	8	202	314
1985	25	62	56	22	28	193	328
1990	232	233	240	59	76	840	1322
1994	557	381	186	86	147	1357	2107
1995	720	360	169	109	224	1582	2531
1996	832	345	118	115	62	1472	2039

Share of each sector in the total (percentage-wise)

Year	Organic	Dye etc.	Oil perfume	Inorganic	Chemicals
1970	23.7	21.1	26.3	0.0	0.0
1975	23.9	25.0	19.6	0.0	0.0
1980	5.4	20.7	27.4	8.3	2.5
1985	7.6	18.9	17.1	6.7	8.5
1990	17.5	17.6	18.2	4.5	5.7
1994	26.4	18.1	8.8	4.1	7.0
1995	28.4	14.2	6.7	4.3	8.9
1996	40.8	16.9	5.8	5.6	3.0

Source: Economic Survey 1998-99

2.135 The data on exports of various chemicals, quoted in the United Nations International Statistics Year

Book, indicates India's position in the World Market.

Table 2.19

Sector	India's Position in the World	India's share in World exports (%)	Growth in World exports (%)	Growth in India's exports (%)
Pesticides	13	1.46	51	126
Organic and Inorganic Compounds	24	0.38	515	124
Dyes and Dye intermediates	9	3.25	21	20

Source: United Nations International Statistics Year Book

2.136 There are many Public Sector Undertakings in the production of chemicals, petrochemicals, fertilisers, agrochemicals and pesticides. Some of them are sick, and require remedial measures. The Indian Drugs and Pharmaceutical Ltd., Hindustan Antibiotics Ltd., Bengal Chemical and Pharmaceutical Ltd., Smith Stainstreet Pharmaceutical Ltd., U.P. Drugs and Pharmaceutical Ltd., Karnataka Antibiotic Pharmaceutical Ltd., etc. are sick public sector units and certain disinvestment proposals seem to be under consideration. However, there are many other under-takings which are making profits. It is also reported that the Government is working for the revival of some sick companies.

2.137 In the field of research, the main Government institutions are the National Institute of Pharma-ceutical Education and Research (NIPER), Mohali, Central Institute of Plastic Engineering and Technology (CIPET) (located at 10 different centres) and the Institute of Pesticide Formulation Technology (IPFT).

2.138 The industry carries out many hazardous processes and operations. Workers in chemical factories are often exposed to dangerous chemicals, fumes, and gases. Many chemicals are hazardous in nature and accidents, injuries and health hazards in this industry need special attention. High standards of safety, and a clean and

safe environment have to be ensured. There is an imperative need for periodical medical check-ups for early identification of occupational health hazards as well as technological upgradation of safety norms.

2.139 There are provisions in the Factories Act 1948 to deal with, and to minimise safety risks, dangerous operations, and hazardous processes. After the Bhopal Gas Tragedy in the Union Carbide plant in the year 1984, when thousands of innocent people died, and a very large number suffered serious injuries and lingering ailments, these provisions have been modified, made more specific, and more stringent. In the Factories Act, Chapter IV-A relating to hazardous processes (Section 41-A to 41-H) was added. These sections deal with the location of such factories, responsibilities of the occupier, setting up of special inquiries, fixing standards and assuring the right of workers for information and participation etc. These modifications and amendments were made in 1987 to ensure the safety of workers in the chemical industries.

2.140 All labour laws relating to industrial relations, wage payment, social security, etc. are applicable to the workers engaged in the chemical industry in the same way as they apply in other manufacturing industries. However, many of these laws relating to social security and wages require

modification to extend the coverage and to ensure that no worker is deprived of the benefits and security that these laws provide for.

2.141 Considering that the industry has accounted for export earning of over Rs. 14,000 crores, almost 14% of the exports from the manufacturing sector and 7% of total export of the country during 2000-01, the industry seems poised to grow at a faster rate. This will only increase the need to ensure better safety norms, pollution control and consistent Human Resource Development policies.

2.142 MINING INDUSTRY: Minerals constitute the backbone of the economy and provide a base for building up the infrastructure for many industries. There is hardly any industry or productive activity which does not depend on minerals or mineral products, be it for plants and machinery, construction, transport or agriculture. We may have a brief look at the state of the mining industry in the coal and non-coal sectors.

2.143 Coal mining: At the time of independence in 1947, a total number of 3,21,537 people were employed in the coal mining industry in about 900 coalmines. Coal production was around 26.89 million tonnes. In the year 1966, the total coal produced was 70.38 million tonnes. The total number of employees employed was 4,25,488.

The coal industry was nationalised between 1971 and 1973. In June 1973, the Coal Mines Authority was set up to take over, own and manage all non-coking coalmines. The coking coalmines were left to Bharat Coking Coal Ltd. A Department of Coal was created under the Ministry of Energy. It has since been separated and is now an independent Ministry. In 1975, Coal India Ltd. was set up with five subsidiaries namely, The Eastern Coal Field Ltd., Bharat Coking Coal Ltd., Central Coalfields Ltd., Western Coalfields Ltd., and Central Mine Planning & Design Institute Ltd. In 1986 two more subsidiaries were carved out of the existing subsidiaries, namely Northern Coalfields Ltd., and South Eastern Coalfields Ltd. In the year 1992, Mahanadi Coalfields was created by setting up a new subsidiary. In the year 1999-2000 the Coal Industry employed about 5,50,000 workers. The total output was about 300 million tonnes.

2.144 The States of Jharkhand, Madhya Pradesh, West Bengal, Orissa, Assam, Maharashtra, Andhra Pradesh, Bihar and Uttar Pradesh are the main coal producing states. After the nationalisation of coalmines, there has been considerable improvement in the welfare measures taken for the workers.

2.145 The nationalisation of the industry brought about considerable

change in the lives of the workers engaged in coal mining. They now get the wages settled through negotiations, whereas before nationalisation their wages were very low. The number of houses constructed by the industry before the nationalisation stood at 1,18,366. It has now risen to 4,06,812. The housing satisfaction in percentage terms has increased from 21.71% to 75.05%. There is considerable increase in the number of hospitals, and there is a quantum jump in the number of hospital beds (from 1,482 to 5,965). The number of schools and colleges too has increased from 287 to 1,254.

2.146 Globalisation has had an adverse impact on the coal industry in India. Indian coal is of poor quality due to its drift origin. Low ash coking coal required for making steel is not available in the country to the extent that is required, and so the steel industry has had to import coking coal. The coal produced in the country is basically used by the thermal power plants and metal industries. Because of the high cost of transportation, distant states, particularly the western coastal states like Gujarat, Maharashtra Karnataka and Kerala that do not produce coal, or where surface transportation cost to consumption centres is high, find imported coal much cheaper, especially after import duties were reduced in conformity with the WTO

commitments. The cost of production of coal in India is very high. It is pointed out that the labour cost of Indian coal is as high as 50% of the total cost of production, whereas it is only 20% in some of the other coal producing countries in the world.

2.147 NON-COAL MINES: The major non-coal mines include metalliferous and other mineral mines. Notable among these are iron ore, manganese ore, chromite ore, copper ore, zinc ore, lead ore, mica, limestone, clay, stone and some other minerals such as apatite, barites, bauxite, gypsum, magnisite, gold etc. In the year 1947, non-coal mines employed 85,726 persons in about 1,074 non-coal mines. In the year 1966, the total number of persons employed in non-coal mines rose to 2,73,765, and the value of output to around Rs. 114.28 crores. According to 1998 figures, the non-coal mine industry including oil employed about 1,95,000 persons. (The figures pertain to mines whose returns were received by Director General, Mines Safety). The value of minerals produced during 1998-99 including non-metallic minerals and crude oil was Rs. 81,293.46 crores.

2.148 There is practically no demand for mica now because of the substitutes that are available. Mica mining has, therefore, been almost stopped. The mining of gold in the Kolar mines has become uneconomic, as the cost of production of gold in

India is very high due to low contents in the ore. The production of copper has also been adversely affected after globalisation, as imported copper is cheaper than indigenously produced copper. The production of ore is sliding from 4.5 million tonnes in 1997-98 to 3.1 million tonnes in 1999-2000. The Hindustan Copper Ltd., which owns most of the mines, is incurring heavy losses. However, some of the sectors of non-coal mining industry are fairly strong and are able to withstand competition. These are iron ore, zinc ore, and bauxite out of which aluminium is produced. This is mainly due to the intrinsic quality of our minerals. Some of these minerals particularly iron ore and other metallic ores are exported. Out of the total of 73.5 million tonnes of iron ore produced 30.6 million tonnes were exported. The known resources of chromite ore and manganese ore are limited, and there is a ceiling on the mining of these minerals. Out of the total 1,418 tonnes of chrome ore produced, 385 tonnes were exported. Similarly, out of 1,538 tonnes of manganese ore produced, 202 tonnes were exported in the year 1998-99. The total value of ores and minerals exported during the year 1998-99 was Rs. 24,622 crores.

2.149 SAFETY AND HEALTH: The Mining Industry in India came to be regulated first by the Indian Mines Act 1901. The Act of 1901 was repealed when the present Act i.e. the Mines Act

of 1952 was enacted. The working conditions in mines whether underground or above ground, are very harsh – in fact one of the harshest in any industry. While the workers working in underground mines often face situations like flooding of the mines, falling of roof or caving in of side, fire, lack of oxygen, emission of lethal gasses, etc. the workers working above ground, particularly those working in open cast mines have to work under open skies, in scorching heat and in rain. They are also exposed to the risks of being injured by collapse of sides, falling of flying objects, moving dumpers etc. There is a very high incidence of accidents resulting in deaths and grievous injuries to the workers in mines. (Comparative table appears in Chapter XI)

2.150 Under the Mines Act 1952 different rules and regulations have been framed such as Coal Mines Regulations 1957, Metalliferous Mines Regulations 1961, Oil Mines Regulations 1984, Mines Rules 1955, Mines Vocational Training Rules, 1956, Mines Rescue Rules 1985, Mines Crèche Rules 1966, Coal Mines Pithead Bath Rules 1959. Apart from the Mines Act and the Rules framed thereunder, the provisions of certain other enactments are also attracted in the working of Mines e.g. the Indian Electricity Act, Factories Act, Mines and Mineral (Regulation and Development) Act and the Environmental Protection Act. Since

mines and safety in mines are in the Union List in the Seventh Schedule of the Constitution of India the enforcement of Mines Act and the Rules and Regulations made thereunder is within the responsibility of the Central Government (except where the provisions of the Indian Electricity Act and the Factories Act are attracted). For the purpose of enforcing safety standards, the Directorate General of Mines Safety has been set up with Headquarters at Dhanbad. There are Zonal and Regional Headquarters at various places. Initially, the organisation was known as the Bureau of Mines Inspection when it was set up in 1902 with its headquarters at Calcutta. The name of the organisation was changed to the Department Of Mines in 1904, and its headquarters was shifted to Dhanbad in the year 1908. In 1960, the organisation was renamed as the Office of the Chief Inspector of Mines. Since 1967, the organisation has been re-designated as Directorate General of Mines & safety. Specialist staff officers in mining, electrical and mechanical engineering, occupational health, law, survey, statistics, and administration areas assist the Director General, who is the head of the Organisation.

2.151 Accidents in mines have to receive immediate attention from the Ministry in charge. No degree of vigilance, precaution and pre-emptive steps can be considered too high.

There must be constant vigilance and commitment to use the most modern measures to detect and remove flaws that lead to accidents. The frequency of accidents in mines in India in terms of fatal and serious accidents calculated on the basis of per 1000 persons employed is not worse than that in many other countries, but it is perhaps the highest in terms of million tonnes of minerals produced. For example, India's death rate per million tonnes of coal raised was 0.77 as compared to 0.32 in Japan, 0.26 in Yugoslavia, 0.12 in France and 0.05 in U.S.A. in the year 1995, for which comparable data is available. While rope haulage (19.81%), fall of objects (22.46%), fall of roof (10.75%), other machinery (10.45), dumpers (6.08), fall of sides (6.86%), were responsible for most fatal and serious accidents in coal mines, the fall of persons (18.38%) fall of objects (22.90%), other machinery (16.13%), dumpers (6.13%), and explosives (1.61%) were responsible for most of the accidents in non-coal mines. The corresponding figures for 1966 of trends in death rate per million tonnes of coal raised were as follows: India – 3.4%, Japan – 6.77%, France – 2.02%, U.S.A. – 0.47%. During that year most serious accidents were caused by haulage – 27.20%, fall of roof and sides – 18.36%, Machinery – 4.55%, explosives – 2.02%, miscellaneous – 48.04% in coal mines and haulage – 9.59%, fall of roof and

sides – 5.06%, machinery – 6.04% explosives – 1.95%, miscellaneous 77.09% in non-coal mines.

2.152 Wages and conditions of service: The wages and other conditions of service of employees in the coal mining industry are decided directly between the employers and the All India Federations affiliated to Central Organisation of Workers, through a joint negotiating forum called the Joint Bipartite Committee of Coal Industry (JBCCI). So far there, have been six such bipartite settlements starting from 1975, the sixth, having been signed in December 2000. As per the last wage agreement, the revised minimum wage of an unskilled worker working on surface is Rs. 3,689.23. The wages in captive iron-ore mines of SAIL and TISCO are decided along with the wages for steel workers through the National Joint Committee of Steel (NJCS) (The last joint agreement has been signed in July 2001). The wages in iron ore mines of the Kudremukh Iron-ore Project and those under NMDC are also decided by bipartite settlements. As regards other non-coal mines, the wages in major metalliferous minerals such as copper ore, manganese ore, chromite ore, gold ore and bauxite are also largely decided by bipartite settlements wherever these mines are owned by large public sector companies or are worked as captive mines of large plants. But in other metalliferous and non-metalliferous mines, by and large, there is no system

of settling wages and other conditions of service by bipartite negotiations, and wages are paid mostly as fixed by the Central Government under the Minimum Wages Act.

2.153 Welfare of workers in mines : The Coal Mines Welfare Fund established under the Coal Mines Workers Welfare Cess and Welfare Fund Laws has since been disbanded by repealing the respective laws and the welfare of workers in coal mines is now looked after by the employers. However, the coal industry workers continue to be governed by the Coal Mines Provident Fund and Bonus Act, 1948. Welfare funds have been established for the welfare of workers in mica, iron ore, manganese ore, chrome ore, lime stone and dolomite mines under respective welfare cess and welfare fund laws. The cess is collected on the basis of minerals consumed/purchased by different industries using these minerals. The cess collected is deposited in the Consolidated Fund of India, and by re-appropriation, it is allocated to different funds established under the laws for the welfare of workers. The Welfare Division of the Ministry of Labour manages the funds. The workers are provided grants and loans for construction of houses, and scholarships for education of children. Workers and their families are provided medical care, and the women workers are paid maternity benefit out of these funds.

2.154 Though several labour laws apply to workers in mines e.g. the Industrial disputes Act 1947, the Payment of Wages Act 1936, the Payment of Gratuity Act 1974, the Payment of Bonus Act 1965, the Maternity Benefits Act 1961, the Minimum Wages Act 1948, the Workmen's Compensation Act 1923, the Trade Unions Act 1926, the Industrial Employment (Standing Orders) Act, 1946, the Contract Labour (Regulation and Abolition) Act 1970, the Equal Remuneration Act 1976, the Inter State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 and the Employees Provident Fund and Miscellaneous Provisions Act 1952, the workers in smaller unorganised mines do not normally get the benefits of these laws because of the absence of trade unions in inaccessible areas, the illiteracy of workers etc. It has been pointed out that people with political clout or money power or muscle power control most of such mines.

2.155 Construction industry in India : Construction has been variously defined as a product, considering the nature of the construction process and features, or as a series of related but discrete activities and outputs.

2.156 According to the ILO, "Building and civil engineering may be divided into four main parts: work above ground, work in open excavation,

underground work and under water work," involving the following operations: (a) construction, alteration, repairs, maintenance or demolition of a building, flooring, mosaic flooring, sawing, jally work, concrete work, carpentry, painting, centring welding smithy work, electric work, plumbing and fittings, hut making or any such work which goes into the making of aforesaid construction or the preparation for, and the laying of the foundation of an intended building including boundary walls, or construction of wells, and includes the construction of furnace, chimney, well or any ancillary structure; (b) construction of any railway line or siding other than upon an existing railway, the construction, structural alteration or repair, maintenance and laying of foundation or demolition of any dock, harbour, canal, dams, embankments including river-valley projects, tanks and water course, inland navigation, road, tunnel, bridge, viaduct, water works, reservoir, pipelines, aqueduct, sewer, sewerage works, river works, air fields, sea defence works, gas works and any steel or reinforced concrete structure other than a building, or any other civil or constructional engineering work of a nature similar to any of the foregoing works or construction operations connected with the installation of machinery in any of the aforesaid construction activities."

2.157 It can, thus, be seen that 'construction' covers a wide field of activities and therefore, provides employment for workers of various levels of skills. It is also clear that much of the work in this field goes on in inhospitable areas without the facilities available in townships, villages or other residential sites, and under conditions that are often very strenuous and hazardous.

2.158 The construction industry has registered enormous growth throughout the world during the last few decades. The growth has been diverse in nature. The industrialised countries invest more on civil works, projects associated with energy, space research, armaments industry, new building materials and machinery and on retrofitting, upgrading and maintenance of existing structures. The developing countries are engaged more in the construction of civic, social and developmental infra-structure projects, roads, projects like dams, housing and other structures required for economic growth and improving the quality of life. The size of the world construction market is around 1.5 trillion US Dollars. Over 100 million workers are engaged in construction trades around the globe. Construction workers constitute 6 to 7% of the world labour force: in some countries the figure is as high as 20%.

2.159 Role in economy: Construction industry is the second largest economic activity in India, and plays an important role in the nation's economy. It is a vanguard activity of several other key sectors of economy whose performance is dependent on the satisfactory performance of this industry. A change in the level of construction activity affects the GDP and manufacturing, and the general employment and incomes of people. Construction has accounted for about 40% of the investment in the country during the last 45 years. Around 16% of the nation's working population depends on it for their livelihood. During the 8th Five Year Plan (1992-97), the annual capital outlay on construction was approximately Rs. 3,30,000 million at 1991-92 prices. An estimated 14.6 million persons were directly employed in construction work in 1995-96. It contributes 5% to GDP annually, and accounts for 78% of the gross capital formation.

2.160 Roads, dams, irrigation works, schools, houses, hospitals, factories and other construction works provide the essential infrastructure for development, and contribute to better living standards. The products of the industry with the exception of repair and maintenance, are financed out of savings in the economy, and have linkages with the rest of the economy in terms of output and employment.

2.161 The Government, along with

institutions sponsored or supported by it, is one of the biggest clients of the industry. It initiates most of the infrastructure development projects, civic and social services either by itself or through Built Operate Transfer (BOT) and other mechanisms. Capital outlay provided for construction of such works in budgets and development plans is an important determinant of the volume of construction activity. Government often uses investments in construction to regulate the economy as well as to introduce desired changes in it, e.g. projects for the construction of roads, relief works and so on. Construction activity is perhaps the first activity to be affected during recession. Buoyancy in construction can make the economy healthy. Thus, government as client, as regulator of the industry, and as initiator of economic changes through construction plays a significant role in this industry. Any increase or decrease in construction activity, caused by factors other than government policies, can also affect the economy as a whole because of the characteristics of this industry. Fluctuations in construction demand affect the demand for labour and materials as well as the time taken to supply the industry's output. Backward linkages can have widespread impact because much of the raw, semi-processed and processed materials can be provided by relatively unsophisticated labour - intensive domestic sources and by

basic industries such as cement and steel manufacturing. Forward linkages affect practically all other sectors of the economy. In fact, construction has been ranked among the top four out of the twenty economic sectors in terms of inter-sectoral linkages. These linkages, combined with a high value added-to-output ratio, indicate that construction provides a substantive growth stimulus for, and in the economy. Its importance as an agent of development is enhanced by its ability to provide gainful employment to a large number of workers. Much of the demand for labour is often met by taking unskilled workers from rural areas, who can subsequently be trained for more demanding jobs. Construction is often the only significant alternative to farm labour, particularly as it can adjust to the fluctuating needs of harvesting seasons to a larger degree than manufacturing.

2.162 Size of employment: According to an estimate of the National Building Organisation, every one million rupees spent on construction generates 3000 man days of skilled and semi-skilled employment, and 1300 man-days of managerial/technical employment. A recent study of the NICMAR gives estimates and projections on employment in the industry for the period 1995-96 to 2004-05 according to which total employment in the industry is expected to increase to 32.6 million in 2004-05 from 14.6 million in 1995-

96. While in 1995-96, unskilled workers comprised 73.08% of the workforce; in 2004-05 it is likely to be 55.08%. Comparatively, the percentage of skilled workers is likely to increase from 15.35 to 27.62.

2.163 The bulk of the demand for employment is expected to come from the housing sector. It is expected to rise from 8.58 million in 1995-96 to 20.5 million in 2004-05. For the existing workforce of 14.6 million, and against an annual increase of 1.2 million employees in construction, the average rate of formal training is around 10,000 persons per year since 1989 in 15 construction trades and 8 manufacturing skills through the national network of building centres, and vocational training schemes.

2.164 Construction technology: Construction is an age-old activity that has largely used traditional methods, techniques and materials. However, today's construction activity is not altogether traditional. High rise buildings, complex design, heavy reliance on concrete and new materials, vertical transportations, pressure to complete building projects quickly etc., demand innovative work methods, new construction techniques, mechanisation of transportation and material handling systems and better quality workmanship. At the same time, there are constraints on the modernisation of construction activity. Some of these

constraints are inherent in the technology itself, and others exist due to the social linkages of technology. First, the current state of the building industry does not lend itself to mass production techniques. Limitations arise due to variations in the site conditions and owners' desire to make their buildings unique. Each facility has to be designed and produced to meet the requirements of a given site as well as of the owner. There is difficulty in standardising constructed products. Further, the site operation must conform to local regulatory requirements of design and building plans which may vary from one place to another. Use of local materials may not always lend itself to standardisation. Secondly, building work is subject to the conditions that the seasons create. Most of the work is done on sites exposed to inclement weather, rains etc. The intermittent and seasonal nature of building activity leads to uneconomic and under utilisation of construction resources and, therefore, increased construction costs and low levels of capital investment by contractors. Thirdly, due to the scope for easy entry, small firms with scant resources and limited technical capabilities proliferate. Sub-contracting and low wages justify the continued use of archaic methods of construction. Low wages produce poverty on the one hand, and low productivity on the other. Thus, conditions of economic destitution and

social backwardness are perpetuated, along with lack of skills, poor workmanship and low productivity.

2.165 Workers are exploited because they are illiterate, socially backward, unskilled, unorganised, uninformed and poor. The industry functions at low productivity because the technology it employs is among the 'most backward in the world.'

2.166 Technological upgradation of the construction process, improvements in the social standing of the workforce and economic size of the firm must move hand in hand if efficiency and productivity are to be improved. A contractor will have to hire highly skilled labour and pay better wages if he desires to mechanise construction operations. And as mechanisation calls for the use of equipment, the contractor needs to have financial resources to buy such equipment and the technical personnel in the firm to handle it.

2.167 Labour based technologies can be best used in construction operations such as excavation, earthmoving, on-site handling and moving of construction material and mixing and pouring of concrete. Labour based construction methods may be adopted because they save capital and generate employment. However, they should be encouraged wherever they are competitive with capital-intensive

construction. Labour based construction enhances technological flexibility since labour can be redeployed more easily than capital equipment e.g. skilled craftsmen are required on low cost housing programmes, sites and services and on schemes to upgrade slums and squatter settlements. But the on-site requirements for skilled labour might be reduced by off-site activities to manufacture, assemble and pre-finish larger building components and systems.

2.168 Structure of industry: In spite of its large size, this industry is in the informal sector of the economy primarily because of its structure. Broadly categorised, the industry comprises over 200 firms which may be called the corporate sector of the industry. These firms are large by Indian standards. Besides, about 90,000 firms are classified as class 'A' contractors registered with various government construction client bodies. These firms may be of medium or large size in terms of the volume of business turnover. Then there are about 0.6 million small firms of contractors/sub-contractors who compete for small jobs or work as sub-contractors of prime or other contractors.

2.169 Construction firms are heterogeneous, and small firms predominate. The preponderance of small firms is

often considered undesirable in developed countries.

2.170 Nature of industry: (a) High Cost: The products of the construction industry are very expensive. A power project, a dam, an industrial structure, buildings for a university or a hospital, demands huge capital outlays. A house is perhaps the costliest item a person may buy in his life. (b) Nature of Work: Construction is relatively labour intensive. However, the physical nature of the work and the conditions at the workplace make construction unattractive to the bulk of the workforce. Construction work takes place in the open. Extreme weather conditions have been found to have severe adverse effects on construction productivity. The industry has also a high burden because of claims for compensation arising from occupational hazards and accidents.

2.171 Construction labour : Construction labour comprises three segments, namely, the *Naka/Mandi* segment, the Institutional segment and the intermediaries segment. The former two segments are relatively small in size.

2.172 The *Naka/Mandi* segment refers to the market that caters to the mass of individual householders and petty contractors who need casual labour for odd jobs. *Naka/Mandis* can be found at mid points between various neighbourhoods of major cities. They

function from about 8 a.m. to 10 a.m. on all days of the week. Workers, who are in search of work, present themselves at one of the locations in the morning. They come there and wait for customers, needing small jobs to be done in their houses like masonry, plumbing, carpentry, painting, plastering, tiling, water proofing etc. The clients visit *Naka/Mandis*, hire the required persons after negotiating wage rates and take them to their respective workplaces.

2.173 Large construction companies and government departments constitute the second segment of construction labour. Large contractors function like other business corporations. They maintain regular complements of technical manpower, both regular as well as project based. They invest on manpower training and development, and generally retain the core group of workforce required by them at all times. Several medium size firms retain a basic complement of workers and technical personnel on their regular payroll and hire additional hands when sites become active. Consequently, they also make some contribution to skill formation.

2.174 They accounted for approximately 73% of total construction workforce in 1995-96. Most of the unskilled workers (10.7 millions out of 12.9 millions in (1995-96) belong to this segment. This segment is controlled by

mistris and *jamadars* who also constitute the bridge between unskilled labour seeking work and contractors who can offer work. After securing a job, a typical contractor breaks it into several units i.e. earthwork, piling, masonry, R.C.C. work, plastering, plumbing, electrical work, carpentry etc. and sub-contracts each unit to speciality job contractors or *mistris*. The latter bring their own helpers to the site, perform the job using materials and equipments supplied by the contractor and get paid by results. The *mistri* is the doer, a first line supervisor, trainer, instructor and quality controller – all rolled into one.

2.175 With rapid industrialisation requiring the use of more advanced technology and skilled personnel, industrial workers engaged in the formal sectors of the economy are often looked upon as a privileged category. They unionise themselves and demand for, and compel the concession of major wage-welfare benefits. They are able to eliminate the institution of 'jobbers,' and restructure their employment relations. Such is not the case with the construction workers. The construction sector is an aggregate of numerous discrete elements. This facilitates contracting. Fluctuations in demand for construction services contribute to instability in the workforce and encourage the paradigm of owner-contractor-subcontractor – worker relationship. The worker wants

improvement in his economic and social situation in the construction labour market. This he can secure by functioning through unions as well as by acquiring skills, upgrading existing skills etc. There is enough evidence to show that skilled workers can influence their terms and work schedules. As elsewhere, skills and organisations are what can strengthen workers in the construction industry.

2.176 Profile of construction labour: Some studies have found that construction labour is dominated by young, married, illiterate and unskilled males, mostly belonging to the scheduled caste and scheduled tribe, backward classes and the Muslim community, with a high family dependency load. Workers in the construction industry are often rural migrants who were mostly landless labour and on the brink of starvation in villages. They move to cities in search of work, or are helped to do so by *jamadars* and *mistris*. About half of the total workers start as unskilled labour. Many remain unskilled. 90 % of the workers says they entered jobs in the construction sector due to the compulsion of circumstances.

2.177 Labour laws for contract labour in the construction industry are, by and large, at par with those for other categories of labour employed in various industry groups. However,

mention must be made of some laws which are of direct relevance to construction labour, namely (i) Contract Labour (Regulation and Abolition) Act, 1970; (ii) Inter-State Migrant Labour (Regulation of Employment and Conditions of Service) Act, 1979; (iii) Building and Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996; (iv) Building and other Construction Workers Welfare Cess Act, 1996. Many witnesses told us that the problem is not that the laws are inadequate, but that laws are not implemented in the construction industry. Inspection too is inadequate, both to verify facts on the sites and to see whether laws are being adhered to. Construction labour does not get the benefits of the ESI Act, but is covered by the Workmen Compensation Act, 1923. While the Employees Provident Fund Act, 1952 applies to the construction industry both the employer and employees normally prefer to avoid implementing the Act for their own reasons. Similarly, while the Maternity Benefit Act of 1961 applies to the construction industry, the number of beneficiaries is likely to be limited due to the intermittent nature of employment. It must be mentioned, however, that the industry does employ a sizeable number of women workers, although largely as unskilled labour. It is estimated that the percentage of women in the construction industry is 30-40. The actual number could be

higher because, at times, payment is made to the male head of the family, and only he is shown on records.

2.178 Trade Unionism in the construction industry started in the Government Sector with the formation of the CPWD Workers Union in 1934. In the private sector companies, it started with the formation of the Hindustan Construction Workers Union in 1946. For the general construction workers, it started in 1950 with the registration of the All India Building Workers Union at New Delhi.

2.179 The extent of unionisation in the construction industry has been very low.

2.180 Important leaders of Trade Unions often attribute the low level of unionisation in the construction industry to the migratory and seasonal nature of the work, the scattered location of work sites, and the fear of victimisation by *jamadars* and contractors.

2.181 Living and working conditions: Wages in the industry are by and large at the minimum or sub-minimum level. As has been pointed out, the nature of the industry proves to be a deterrent for wage negotiations. It has already been stated that the industry functions in the open. Workers are thus exposed

to scorching heat, rain, cold, dust, hazardous molten materials etc. They, and their family, live in huts or under canvas, exposed to hazardous conditions. When working on site, they live in temporary shelters which lack toilet facilities. There is no access to clean drinking water. The water they drink is normally drawn from the same source that is used for construction. It is a paradox that those who build the most imposing modern structures themselves have to live under the sky, or in hovels, and in sub-human conditions.

TRADE UNION MOVEMENT

2.182 The beginnings of the industrial working class in India can be traced back to the last decade of the 19th century. Britain had completed its conquest of India. The Crown had taken over the responsibility for the Administration of India after the revolt in 1857. Britain had become aware of the tremendous potential that India held both as a supplier of raw materials and cheap labour, and as a vast market for goods manufactured in Britain. Indian industry based on craftsmanship and cottage units of production, had been considerably battered and was in the process of being destroyed. Repeated droughts and famines had ravaged the villages in many areas, and reduced people to poverty and dearth of avenues of

gainful employment. There was pressure on the soil. All these resulted in the migration of population from their traditional homes in many areas. Uprooted people were looking for land and work in the areas to which they moved. Around this time, British entrepreneurs started establishing units of production in India, and discovered the promise that large-scale plantations held. Vast areas, particularly in the North-East of India, were converted into plantations for growing tea. Simultaneously, or even earlier, British planters had initiated the plantation of indigo in North Bihar and compelled thousands of cultivators to cultivate indigo in their lands. The British indigo planters reduced the people of the areas to conditions of bondage and fleeced them with extractions and impositions of many kinds. The peasants of North Bihar were ground down by many forms of economic exploitation and lived on the margin of slavery and deprivation.

2.183 British planters who were eager to develop plantations in the Northeast, had to find cheap labour to work in the plantations. They, therefore, looked to the impoverished villages to recruit workers from among those who had no employment and no agricultural income to fall back upon and were ready to move from their own homes and districts, to distant places in search of work and

employment. It is not possible for us, in these paragraphs, to describe the areas from which recruitment took place and the methods that were employed by British companies and recruiting agents to visit such areas and recruit workers. The conditions, in which this section of the workforce, which was often described as 'coolie labour,' had to work, were indeed unbearable. They had been uprooted from their homes. There was hardly any residential accommodation. Wages were nominal. They had to work for long hours. Their access to amenities was almost marginal. They were often subjected to violent and inhuman treatment. The report of these conditions caused considerable embarrassment to the British Government. A Commission had to be appointed to enquire into the conditions of plantation labour.

2.184 The condition of workers, who were recruited to work in the factories, was hardly better. There were no restrictions on the employment of child labour in factories. There were no rest days or holidays, there were no holidays, and there were no limitations of the hours of work for which a worker –including women and children – could be forced to work. The condition of these workers again compelled the British Parliament to legislate. A number of commissions were appointed to enquire into the

conditions of workers in mines and factories. The Report of the Indigo Commission of 1860 had led to the enactment of a Transport of Native Labourers Act in 1863. This was further amended in 1870 and 1872. The first Factory Act was passed in 1881 (this was succeeded by the Indian's Mines Act 1901). The Inland Migration Act of 1882 and the Assam Migration Act of 1901 had followed suit.

2.185 The first Factory Act of 1881 was amended in 1891. The first Act had only been applicable to factories employing more than 100 workers. The Act of 1891 extended coverage to factories employing more than 50 persons. It introduced a compulsory rest period of half-an-hour during the day, provided for a weekly holiday, prohibited the employment of children under nine, fixed a maximum of 11 hours work for the day and prohibited night work for women between 8 p.m. and 5 a.m. Since, it is not our intention to deal elaborately with the different laws that were enacted during this period or later, we refrain from going into the limitations and inadequacies of the provisions of these laws of the period.

2.186 In the meanwhile, many more factories had come into existence, particularly in the field of cotton textiles and jute. The development of Railways led to the employment of large

numbers in the railway system. The Public Works Departments of the Government also started recruiting large masses of workers for work on roads, embankments, canals, and so on.

2.187 As Shri K.T. Shah pointed out in his introduction to the Report of the labour sub-Committee of the National Planning Committee, there were no efforts at labour legislation between 1891 and 1911. No trade unions had come into being. But, the conditions of workers employed in the factories and plantations, and the railways, were resulting in misery and rising indignation. The introduction of electricity and the outbreak of Bubonic plague also had their effect on the industrial scene. It became possible for factories to work round the clock. But, the fear of plague, which was the worst in the towns, led to an exodus from the towns to the villages. There was a dearth of workers in factories. They had to be coaxed to continue to work in factories with ploys like the plague allowance. According to Mr. Shah, there were auctions of workers at street corners in places like Bombay.

2.188 The outbreak of the First World War in 1914 brought about a big change in the circumstances that were prevailing before the war. Many able-bodied men were recruited to the Army. The risk of attack affected shipping on the high seas. This in turn

restricted imports of goods and commodities from the U.K. Efforts had to be made to increase manufacturing in India. This led to the growth of more units and varieties of production in the country in India. But, shortages also led to increase in the prices of essential commodities. This led to an increase in the cost of living of the workers. However, though entrepreneurs were making high profits, wages were pegged to previous levels. This led to steady erosion of the real incomes of the workers. Ground down by erosion of wages and the compulsion to work on terms dictated by the entrepreneurial class and the interests of the British Government, the working class began to look for ways of organising itself to secure justice and to fight for their rights. There were some sporadic cases of industrial action, but no union had yet been formed for "continuous association and continued action."

2.189 The number of factories in India had grown from 656 in 1892 to 2403 in 1911. The average daily attendance of workers in these factories increased from 3,16,816 to 7,99,944. Two Commissions that were appointed in 1906-07 endorsed complaints that employers were consistently evading factory legislation. Unanimously, they recommended amendments 'essential in public interest.' A new Factory Act had been enacted in 1911. An

Industrial Commission was appointed during the World War itself (1914-1918) to investigate the condition of industry.

2.190 The end of the First World War saw the impact of many ideas and movements on the Indian working class and those who were engaged in organising and leading them. We must refer to two specific streams of thought and action that influenced the working class and those who were committed to the struggle for social justice. One was the influence of the Trade Union Movement and the leaders of the Labour party in the U.K. and the thoughts of Marx and Lenin. The other was the thought and the struggles of Mahatma Gandhi.

2.191 The victory of the communist movement and the establishment of the Soviet system in Russia raised new hopes in the working class, and placed patterns of organisation and action before those who visualised struggles for a new socialist society. To some extent, it can be said that this pattern of struggle was based on the theories of class conflict and the role of the working class and its organisation in putting an end to bourgeois capitalism and the bourgeoisie, and establishing the dictatorship of the proletariat and socialism. The tactics of struggle that were visualised, were, therefore, based on the concept of class struggle, and the elimination of the bourgeoisie. It

was believed that the bourgeoisie and the proletariat could not co-exist; that the apparatus of the bourgeois state and bourgeoisie economic order had to be smashed to usher in the era in which the State would wither away. It is not necessary for us, in these paragraphs, to refer to unforeseen developments that followed the introduction of adult franchise and the foundation of Trade Unions, the acquisition of effective access to political and economic power, and the effects of the industrial power that trade unions could generate, which led to doubts about some of the corollaries of pristine theory, or led to modifications in orthodox theory to explain departures from the lines or from denouements that had been foreseen, or to justify modifications that had to be made. Nor is it necessary for us to examine the merits or demerits of perceptions about the revolutionary role of the working class and the 'distortions' or deviations caused by the 'bourgeoisification' of the proletariat or what was described as 'economism.'

2.192 But perhaps, it will be beneficial to reflect on the running debate that the Marxist-Leninist, Social-Democratic and communist traditions have witnessed on the 'dual tasks of the proletariat,' and their implications on the organisations of the working class and the party, and the choice of, and emphasis on programmes and

tactics. The debate has been reflected in the different, if not conflicting, views of 'Legal Marxists,' Economists and, later, the Mensheviks on the one hand, and the orthodox Marxist-Leninist Bolsheviks on the other. Perhaps, it is right to say that both believed in the necessity of a bourgeois revolution as well as a proletarian revolution which would overthrow bourgeois capitalism and establish socialism. Both believed that the working class had to provide the steam for both revolutions, through the Party as well as other organisations of the working class. But, 'the distinctive tenet of the 'Economists,' as E.H. Carr points out, "was the sharp separation of economics from politics; the former was the affair of the workers; the latter of the intellectual leaders of the party. According to this thesis the workers were interested not in political, but only in economic ends, the class struggle for them reduced itself to a form of trade unionism – a struggle of men against masters for better conditions of work and social improvements within the framework of the existing order." The 'Economists' preferred the economic concept of class to the political concept of party, that the only concrete aim that could be offered to the workers at the present stage was the improvement of their economic lot. Lenin rebutted Economism, *inter alia*, in his 'What is to be Done,' and said "A trade union policy of the working class is simply a bourgeoisie policy for the

working class." His contention was that political as well as economic struggles were needed to arouse the class-consciousness of the masses; that the two could not be separated, "Since every class struggle was essentially political." (Carr) The Economists "held that the development of economic action among the masses (trade unionism, strikes etc.) would make them 'spontaneously' ripe for revolution. Lenin argued not only that the workers should be encouraged to put forward political as well as economic demands, but that they should be imbued with a conscious revolutionary purpose and conduct a consciously planned revolutionary campaign." Though a study of the implications and corollaries of the different positions can be extremely fascinating, it is not necessary for us to pursue the subject here. The effect of the considerations that different schools of Marxists have urged are perhaps still perceptible in the thinking of many Marxists active in the Trade Unions. The Trade Union movement in Great Britain - or at least the overwhelming majority in the Trade Union movement in Great Britain - has become the base of a Political Party - the Labour Party- and has adopted goals and methods of action that conform to the framework of a Parliamentary Democracy based on adult franchise and a government responsible to the people. This has not happened in India. Some European countries have had a different history.

It is obvious that the strategy and tactics, and methods of struggle of Trade Unions that are only concerned with the economic interests of workers will not necessarily be the same as the strategy and tactics and methods of struggle of Trade Unions that believe in combining economic and political considerations, and trying simultaneously to serve the economic interests of the working class, and the political and revolutionary interests of the Party of the working class, or looking upon Trade Union action only as a part of, and a preparation for revolutionary action to change the very nature of the State. In short, to destroy the bourgeoisie State.

2.193 We must now turn to the impact that Gandhi had on the working class and on those who were engaged in the struggle to eliminate exploitation. It has already been pointed out in an earlier chapter that Gandhi had come to India after leading successful struggles of the Indian workers in South Africa. He had succeeded in organising and deploying the strength of the most exploited sections of the working class who lived in conditions of slavery, 'indentured labourers.' On his return to India, at the end of the world war in 1918, he commenced his work in India with a struggle in Champaran to liberate Indian peasants and workers from the regime of exploitation and near enslavement that British indigo planters

had established in North Bihar. This was followed by the great strike of textile workers that Gandhi led in Ahmedabad. We do not propose to deal with these struggles in any detail, but the words that Gandhi used to describe the textile strike revealed his attitude to all struggles of the exploited. He said that the strike was a "*Dharmayudh* or righteous struggle."

2.194 Gandhi's perception of the struggle of the working class, or of any exploited group or individual was based on his philosophy of *Satyagraha*. In particular, his attitude to the struggles of the working class flowed from his belief about work itself. He believed that "work" was essential for the dignity and the fulfilment (self-realisation) of the human being; that the social and economic order must be such as provides every individual with the opportunity to work; that all socially useful work had the same value; that industrial activity was a social necessity; that different factors relevant to industrial activity came together or was brought together to serve the interests of society; that workers and managers and the owners of capital were, therefore, equally important partners who contributed to the success of an economic activity; that "if capital was power, so was labour;" that incomes and incentives should not lead to inequality; that owners of capital and all that generated power, should regard their power, e.g. capital power or labour

power as a trust that they held for the benefit of society; that both workers and entrepreneurs were trustees who were expected to use their power in the interests of society which was the community of beneficiaries in whose name the sources of power were held; that any difference of opinion between partners in a social activity or economic or industrial activity should be settled through dialogue, mediation and arbitration; that if these methods did not lead to solutions satisfactory to both sides, they had the Fundamental Right, human right, to non-cooperate with anything that led to their own undoing; that workers, therefore, had the right to 'non-cooperate' in their own exploitation; that this non-co-operation could take the form of a strike, but the purpose of the strike had to be to make the exploiter realise that his prosperity, and the profits that he sought, depended on the co-operation of the workers; that since both workers and employers depended on each other for the success of industry, their relationship as well as their conflicts had to be ruled by the logic of interdependence which dictated fairness to each other, and respect for the rights and interests of each; that workers' organisations should not be exploited to serve the interests of ambitious individuals or political groups.

2.195 The textile strike that he led in Ahmedabad was a demonstration of the dynamics and strategies of struggle that he visualised for the working class.

2.196 He wanted a continuing association of workers engaged in industrial undertakings. He believed that a trade union of this kind should not get involved in day-to-day political activity or be exploited by its leaders for their own political interests. He believed that a trade union must be an organisation that not merely leads workers in a specific struggle, but continuously serves the all round interests of the workers. He, therefore, held the view that Trade Unions were not merely instruments of combat. They had also to play a constructive role in promoting the welfare of the working class. They had to protect the rights and interests of the working class, and also to promote their welfare. The Textile Labour Association or *Majur Mahajan* that he established in Ahmedabad, therefore, ran schools, looked after sanitation, conducted co-operative societies and banking operations, and so on.

2.197 Apart from this example of organisation and struggle that Gandhi placed before workers who were engaged in the struggle for social justice, he also inspired the leaders of the national movement at various levels, to take interest in the organisation of the working class. He himself has been described in the report of the Royal Commission on Labour, as the leader of the strongest trade union, comprising of the maximum numbers, in the early days of the Trade Union Movement in the

country. Under his leadership, as has been stated earlier, many leaders at many levels became active in the Trade Union Movement.

2.198 In some earlier paragraphs, we have talked of the kind of impact that different streams of thought have had on the methods of struggle adopted by the TUs, the perceptions of the working class and its organs, including TUs, as instruments of a proletarian revolution as well as instruments for achieving amelioration of economic and social conditions, as also the influence of the methods of struggle employed by the national movement for Independence. Gandhi believed in *Satyagraha* and non-co-operation, but he also believed, in the inescapable paradigms of interdependence. So he believed that conflicts should be resolved not by the extinction of adversaries, but by the discovery of what is common, that is, that which is of common interest. But at the gross or ostensible level, *Satyagraha* and non-co-operation often took the form of *hartals* or strikes or boycott. That he characterised even derisive talk as repugnant to the method of *Satyagraha* did not mean that all those who adopted the externals of his methods also adhered to the precautions and purity of means that he believed in. The results have been evident in many *Satyagrahas* in the country, and the *Satyagrahas* in the field of industrial relations have not

been exempt from the same weakness or distortions. It is not necessary for us here to discuss these questions in greater detail. In some earlier paragraphs, we have talked of the kind of impact that different streams of thought have had on the methods of struggle adopted by the TUs, the perceptions of the working class and its organs, including TUs, as instruments of a proletarian revolution as well as instruments for achieving amelioration of economic and social conditions, as also the influence of the methods of struggle employed by the national movement for Independence. Gandhi believed in *Satyagraha* and non-co-operation, but he also believed, in the inescapable paradigms of interdependence. So he believed that conflicts should be resolved not by the extinction of adversaries, but by the discovery of what is common, that is, that which is of common interest. But at the gross or ostensible level, *Satyagraha* and non-co-operation often took the form of *hartals* or strikes or boycott. That he characterised even derisive talk as repugnant to the method of *Satyagraha* did not mean that all those who adopted the externals of his methods also adhered to the precautions and purity of means that he believed in. The results have been evident in many *Satyagrahas* in the country, and the *Satyagrahas* in the field of industrial

relations have not been exempt from the same weakness or distortions. It is not necessary for us here to discuss these questions in greater detail.

2.199 Thus, subtle differences in theory have often led to a mix of economic (Economist) and political motivations, with their perceptible impact on methods of "industrial action" (strikes, etc), reflecting varying nuances of the political or the revolutionary on the one hand, and the economic and the strictly Trade Unionist on the other. This has led to tussles between those who wanted to preserve the Party's domination over fraternal Trade Unions and those who wanted to preserve the autonomy of the Trade Unions in spite of ideological loyalties or approximations. This has also led to the creation of separate Trade Union departments in Political Parties and tussles between the political apparatus and the Trade Union oriented sections in Political Parties. India cannot claim to have been an exception.

2.200 Meanwhile, the first trade union in India was established in Chennai in 1918 under the leadership of B.P. Wadia, a political and social worker. The period from 1918 to 1928

can be described as a landmark in the history of the Indian Trade Union Movement. Trade unions began to be formed in many cities of India, including Bombay and Calcutta. In 1919, ten new unions were formed. The most important among them were the MSM Railway Employees Union in Madras and the Seamen's Union in Bombay. In succeeding years, unions sprang up among railway men, dockworkers, textile workers, engineering workers and others. The first Central Federation of trade unions came into existence with the formation of the All India Trade Union Congress (AITUC) in 1920.

2.201 In 1921, Shri N.M. Joshi, a trade union leader, who was also a member of the Central Legislative Assembly, spearheaded the demand for legislation on the registration and protection of trade unions. This led to the Assembly passing the Trade Unions Act in 1926.

2.202 We have referred earlier to the formation of the AITUC in 1920. One of the factors that quickened the formation of the Central Federation was the fact that India had become a member of the newly established

International Labour Organisation which was a tripartite body, and therefore, needed representation of organisations of the employees and or the working class. The AITUC came into existence with over 107 affiliated unions and a claimed membership of over 1,40,000.

2.203 As we stated earlier, the national movement for Independence also contributed to the growth of the Trade Union Movement in India. Lala Lajpatrai, a well-known leader of the Congress movement was the first President of the AITUC. Other leaders of the Congress like Pandit Jawaharlal Nehru, C. R. Das and Subhash Chandra Bose also held office as Presidents of the AITUC.

2.204 There was no Communist party in India before 1920, but some time after 1923, communists began to play an active role in the Trade Union Movement, and after 1926 a number of trade unions came to be led by communists. Leaders like Dhundiraj Thengdi, S.V. Ghate, S.A. Dange were elected to high offices in the AITUC. We give below a table that gives information about the trade unions affiliated and sympathetic to the AITUC in 1920.

Table 2.20
Trade Unions Affiliated and Sympathetic to AITUC in 1920

According to industries	No. of affiliated and sympathetic unions	No. of affiliated unions	Membership of affiliated unions
Railways	21	11	91,427
Textiles	12	9	7,719
Shipping	4	3	19,800
Transport	4	2	2,470
Chemical	7	6	856
Engineering	8	7	7,590
Posts and Telegraph	15	5	1,685
Printing and Paper	7	3	1,844
General	29	18	7,463
Total	107	64	140,854

Source: Trade Union Movement in India; A.S. Mathur and J.S. Mathur, 1962.

2.205 A large number of strikes followed the growth and spread of trade unionism. There were strikes in Madras, Bengal, Bihar, Orissa and Assam. This does not mean that there were well-established trade unions that led the strikes. 'Strike Committees' were formed to launch and lead strikes, but many of them did not continue after the strikes ended.

2.206 The condition of the trade unions of the time has been described by Rushbrook Williams, in a passage cited by Justice Desai and G.B. Pai in their introduction to the 'labour code' proposed by the National Labour Lawyers Association: "Very often as

soon as a strike is settled, the union disappears since it has no regular constitution or definite subscription, no system of auditing or publishing accounts, and no funds for providing help to women and children in times of distress. As a result, the progress of the Trade Union Movement during the last few years has been disappointing, its existence being too much bound up with the occurrence and ...definite and real grievances, and particularly when there is a marked gap between nominal wages and the cost of living, the combination generally characteristic of Trade Unions in India, are comparatively effective. But when the economic stringency begins to pass

away, the bond, which unites the workers setting out all but the few really well organised unions in India, tends greatly to weaken. This tendency, already noticed in 1923, continued to prevail during the period under review. The Trade Union Movement made but little progress, and in some places actually received a setback. The interest of the operations in the movement diminished; and all but the better conducted unions suffered a considerable loss of membership."

2.207 But, gradually the landscape began to change. More and more trade unions came into being. There was increasing realisation of the need for 'continuing association' to fight for the cause and interest of the workers. The successes that the Trade Union Movement and the working class were achieving in European countries, including the United Kingdom, began to instil a new hope and sense of urgency in the leaders of the Independence movement and those who were interested in the working class coming into its own. The conditions in the country led to the passing of a number of Acts relating to the condition of workers and the organisations. We have already referred to the Central Assembly passing a Trade Union Act in 1926. Even before this a Workmen's Compensation Act had been enacted in 1923.

2.208 It was during this period, in 1929 that the first Royal Commission on Labour was appointed by the British Government. As has been stated earlier, this Commission was headed by Whitley, a well-known leader of the Labour Movement in the United Kingdom. Its members were distinguished leaders from the world of industry, the Trade Union Movement and public life, persons like, the Rt. Hon'ble V.S. Srinivas Shastri, G.D. Birla, N.M. Joshi, Sir Victor Sassoon and others.

2.209 The appointment of the Commission was a landmark in the history of the Trade Union Movement and Labour Legislation in India. With meticulous care and devotion, the Commission enquired into all aspects of the situation of labour and industrial relations in India, beginning from the sources from which workers employed in plantations and factories were drawn, the methods of recruitment, wages, conditions of living, settlement of disputes, and so on. It made elaborate recommendations on all aspects of the rights, conditions and needs of the workers and their organisations, and the method and machinery needed to settle disputes. It is not necessary for us to recount the findings and recommendations of the Commission here, but it is necessary for us to place on record our deep appreciation of the pioneering work done by the Commission.

2.210 In the meanwhile, there were other developments that quickened the pace of the growth of trade unions, and the aspirations and expectations of the working class. The Indian National Congress adopted a Resolution on Fundamental Rights in 1931 which devoted many paragraphs to the rights of the working class and their organisations. We have referred to the

ideas and promises contained in the Resolution, in earlier paragraphs in the First Chapter of our Report.

2.211 The interests and hopes raised by the Report of the Royal Commission led to increase in the number of trade unions registered between 1928 and 1930.

Table 2.21

Progress of Registered Trade Unions, 1927-30

Year	No. of registered TU	TU submitting returns	Total Membership
1927-28	29	28	100,619
1928-29	75	65	181,077
1929-30	104	90	242,355

Source: Trade Union Movement in India: A.S. Mathur and J.S. Mathur, 1962.

2.212 This period also witnessed the occurrence of splits in the Trade Union Movement. Pandit Nehru presided over the Nagpur Session of the AITUC in 1929. This Session, following the international communist line, passed a Resolution deciding to boycott the Royal Commission on Labour, to affiliate with the League against Imperialism and the Pan-Pacific Trade Union secretariat, and to appoint the Workers' Welfare League as its agent in Britain. The conference also denounced the Asian Labour Conference, the Round Table Conference and the ILO. The passage of these resolutions led to a split in the

AITUC, with leaders like, N.M. Joshi, V.V. Giri and Mrinal Kanti Bose, walking out of the AITUC and forming the Indian Trade Union Federation.

2.213 In 1930, M.N. Roy with his rich experience in the Communist Movement in Europe returned to India. His thoughts and leadership had their own impact on the Trade Union Movement in India.

2.214 The adoption of the United Front line by the Comintern, led to the return of the Red Trade Union Congress to the AITUC in 1938. The

National Trade Union Federation (NTUF) and the Red Trade Union Congress merged in the AITUC.

2.215 Soon afterwards, elections were held all over the country on the basis of the Government of India (GOI) Act of 1935. In these elections, the Congress came to power in most Provinces. This again resulted in a tremendous fillip to the Trade Union Movement in India. We have already referred to the promises made by the Congress in its election manifesto in 1936. The Ministries that came to power in the States felt compelled to try to implement the promises that the Congress had made to the working class in its election manifesto. Many, if not, most of the Congress Ministries in the provinces, had leaders of the trade union movement as members of the Cabinet, often in charge of the portfolio of labour. Thus, trade union leaders like Gulzarilal Nanda, V.V. Giri and others joined the Ministries in their respective Provinces as Labour Ministers. Some of the Provincial Ministries introduced legislation to deal with the protection and welfare of labour and the machinery needed for the settlement of industrial disputes. The Ministry in Bombay was responsible for the enactment of the Bombay Industrial Disputes Act in 1938.

2.216 In earlier paragraphs, we have referred to the declaration that the Congress Ministry in Bombay made in 1938 setting out its views on minimum wages, trade disputes, collective bargaining and the like. We will not repeat them here. But, it must be pointed out that the declaration also emphasised the need to ensure the growth of strong organisations that would represent the 'organised strength of the working class.'

2.217 The growth of the Trade Union Movement in India was in a sense interrupted by the outbreak of the Second World War in 1939. The Congress Ministries in the Provinces resigned in protest against the failure of the British Government to consult the representative Governments in the Provinces before declaring that India too was at war with Germany. The British Government of India was anxious to ensure industrial peace and uninterrupted production in India. The national movement under the leadership of Gandhi was against 'Nazism and Fascism,' and therefore, the Axis powers, but was keen that the British Government should agree on a schedule for the full transfer of power to the Indian people as soon as possible. We do not consider it necessary here to describe the history of the Indian National Movement and the Civil Disobedience Movement including the Quit India Movement which was started under the leadership

of the Congress during the Second World War. We are concerned here with the impact of the war on the Trade Union Movement. The communist oriented section in trade unions, particularly in the AITUC, was first against co-operation in the War effort of the Government, but when the Soviet Union joined the War on the side of the British Government (Allies), they believed that the War had become a 'people's war,' and therefore, wanted people to cooperate in the War effort. It is well known that during this period, the Communist Movement worked against the policies and programmes of struggle of the Indian National Congress and the nationalist movement in the country. The communist oriented section in the AITUC, therefore, had difficulties in formulating its line. Royists and leaders like Jamnadas Mehta argued for unconditional support to the War effort. Other leaders like N.M. Joshi and the Congress oriented leaders were against extending unconditional support to the War. Eventually, these differences led to another split in the Trade Union Movement and the formation of the Indian National Trade Union Congress (INTUC).

2.218 As has been stated in an earlier paragraph, the British Government was keen to ensure that there was no disruption of production through strikes or lockouts during the War. It, therefore, formulated a number of rules and regulations under the Defence

of India Act. All strikes were prohibited under Rule 81(a) of Defence of India Rules. However, the Rule also provided for the adjudication of disputes between employers and employees.

2.219 With the end of the War, India became Independent, and acquired the power to fashion a new deal for the working class and industrial relations, in conformity with the declarations of intentions and policies that had been made during the struggle for Independence. The responsibility for formulating a constitutional set-up that guaranteed the rights of the working class devolved on the Constitutional Assembly. The responsibility for formulating laws that created a new set-up for the exercise of rights and duties, and the evolution of harmonious industrial relations, fell on the Provisional Parliament. We have already referred to the Articles in the Constitution that relate to Fundamental Rights and Directive Principles. We have also referred to some of the laws like the Industrial Disputes Act, Minimum Wages Act etc., that were passed by the provisional Parliament as early as 1947 and 1948.

2.220 The increase in political activity that followed the introduction of adult franchise and the formation of new political parties also had their impact on the Trade Union Movement. When

India became Independent, there were only two Central Federations of Trade Unions in the country, namely, the AITUC and the INTUC. But, the desire of political parties and groups of distinct tendencies to influence the working class and the Trade Union Movement led to the formation of new Central Federations of Trade Unions, each of which was conceived to be platforms that would provide footholds to different political parties and groups. Thus, the Hind Mazdoor Sabha (HMS) and the United Trade Union Congress (UTUC) came into existence, and soon thereafter, in 1955, the Bhartiya Mazdoor Sangh (BMS) was formed. It must, however, be stated that all these Central Trade Unions, particularly the HMS and the BMS, were set up with declarations about the need to free the trade union movement from the control of political parties, and to build up a free and united trade union movement.

2.221 The Bhartiya Mazdoor Sangh Came into existence in 1955. One of the declared objective of those who founded the BMS was to build a trade union movement that was free from the domination or control of political parties. Many of them were persons who have been active in the trade union movement for long, and had felt that the interests of the working class were suffering because trade unions were giving their primary loyalty to political parties, and relegating the

interests of the working class to a secondary position. There were also people who believed that the trade union movement have been under the influence of western ideas and perceptions, and who felt that the working class movement in India had to draw inspiration from traditional Indian concepts about society and the duties and obligations of the individuals and groups of the society. They believe that "philosophy of integral humanism was the philosophy that conformed to the Indian traditional thinking. In a very short time, the BMS set up unions in many sectors of industry and employment and soon built up an organization that could compete with the existing central trade union federation. By the year 1984, it had become the second largest central federation and after the verification of 1996 it has risen to the position of number one central trade union federation.

2.222 Meanwhile, a new chapter of industrial expansion had opened in the country. Many new undertakings came up in the private sector. But, the State itself undertook the responsibility for developing undertakings in the core sector that gave control of the 'commanding heights' to the State. Many new public under-takings and companies grew up in the public sector. Consequently, the number of registered trade unions in the country tripled

during the period 1951-52 to 1961-62. During this period, the State was keen to play an important role in the determination of wages and working conditions. In many areas, wages were determined by Central Wage Boards or industry-wise Wage Boards. Demands and disputes were settled by ad hoc awards or adjudication. In the vast new areas of public enterprises, the Bureau of Public Enterprises set up by the Government, played a crucial, determinant role in negotiations for the fixation of wages. We have already referred to the effects of these on the demands of workers, the attitude of managements, the parameters of negotiations, the resultant residue of

discontent etc. in an earlier paragraph.

2.223 At the enterprise level, the machinery that had been visualised for consultation and prevention of conflicts did not function well enough to fulfil expectations of the contribution they could make to the development of healthy industrial relations from the plant level.

2.224 On the other hand, a number of industrial disputes adversely affected the growth of co-operation and harmony in undertakings. The following table gives an idea of industrial disputes and the growth of trade unions during 1945 to 1954.

Table 2.22

Industrial Disputes and Trade Union Growth during 1945-1954

Year	No. of stoppages	No. of workers involved	Man days lost	No. of Regd. T.U.	Regd. of Number of Unions submitting Returns	Total Membership
1945	820	747,530	40,54,499	865	573	8,89,388
1946	1629	1,961,948	1,27,17,762	1,007	585	8,64,031
1947	1,811	1,840,784	1,65,62,666	1,833	998	13,31,962
1948	1,259	1,059,120	78,37,173	2,766	1,620	16,62,929
1949	920	605,457	66,00,395	3,150	1,848	19,60,107
1950	814	719,883	11,28,06,704	3,522	1,919	18,21,132
1951	1,071	691,321	38,18,928	3,766	2,002	17,56,971
1952	963	809,242	33,36,961	3,744	2,291	18,53,213
1953	772	466,607	33,82,807	6,029	3,295	21,12,695
1954	840	477,138	33,72,630	6,658	3,545	21,71,450

Source: Trade Union Movement in India, A.S. Mathur & J.S. Mathur, 1962.

2.225 In 1954, the Congress and the Government adopted the objective of creating a socialist pattern of society in India. This led to an increase in the growth of industrial activity on the part

of the State. We give below a table that throws light on the growth of unions and industrial disputes from 1955 to 1961.

Table 2.23

Growth of Unions and Industrial Disputes from 1955-61

Year	No. of regd. Unions	No. of regd. Unions Submitting Returns	No. of members (in 000) involved	No. of Stoppages	No. of Workers involved	Man days lost
1955-56	8095	4006	2275	1203	715130	6992040
1956-57	8554	4399	2377	1630	889371	6429319
1957-58	10045	5520	3015	1524	928566	7797585
1958-59	10228	6040	3647	1531	693616	5633148
1959-60	10811	6588	3923	1583	986268	6536517
1960-61	11312	6813	4013	1357	511860	4918755

Source: Indian Trade Unions, V.B. Karnik (1978).

2.226 It can be seen from the table that we have cited, that disputes and strikes resulted in increased industrial tension by 1958. The 15th Indian Labour Conference discussed the situation, and it was decided to develop a 'code of discipline' through tripartite consultation. The 'code of discipline' aimed at evolving harmonious relations between the employer, the employee and the State.

2.227 The political scenario in the country underwent a major change after the elections in 1967, when the Congress lost its near monopoly of power. Other parties or combinations of parties came to power in some States. The economy also began to face severe industrial stagnation, high rates of inflation, rise in the prices of essential commodities like food, increase in unemployment rates and failure to

reach the growth rates targeted by the Five Year Plans. It had also to bear the impact of two wars with Pakistan and a war with China. This period witnessed considerable unrest in the industrial relations scene. The number

of strikes and lockouts increased, and there was an air of distrust and aggressive-ness. We give below a table that indicates the number of industrial disputes and strikes, and the number of man-days lost in the period from 1965 to 1974.

Table 2.24

Industrial Disputes & Strikes 1965-74

Year	Numbers	Workers involved	Man days lost (000)
1965	1,697	8,87,360	46,17
1966	2,353	12,62,224	103,77
1967	2,433	13,39,617	105,65
1968	2,451	14,64,992	110,78
1969	2,344	1,86,943	154,77
1970	2,598	15,51,530	147,49
1971	2,478	14,76,203	118,03
1972	2,857	14,74,656	137,48
1973	2,958	23,58,206	138,62
1974	2,510	27,09,838	336,43

Source: Indian Trade Unions, V.B. Karnik, (1978).

2.228 A number of contributory causes have been identified by analysts: discontent with wages; feeling that labour was not getting a fair share of the profits it was helping to generate; discontent with laws and rules relating to the identification of bargaining agents; competitive militancy among unions; the rise of what has

sometimes been described as adventurism in unions, or leadership more concerned with personal ambitions and un-concerned with the means necessary to ensure healthy and responsible industrial relations that protect the interests of the employers as well as the employees, that protect industry as a common asset of society.

Other causes that have been pointed out are the haughty and irresponsible attitude of some entrepreneurs who used industry as a means of self-aggrandisement, availed of financial and other forms of assistance, and then ran away from their responsibilities as employers or entrepreneurs. The aggressiveness and desperation that we have referred to (in the earlier paragraph), the mix of economic and political motivations and the dictates of competitive militancy, also led to the introduction of new methods of protest and new tactics in the theatre of conflict. This period saw frequent resort to go-slow, work-to-rule, *dharnas*, *gheraos* and *bandhs*. The frequency and fierceness of *gheraos* in the years 1967-71 led to quite a few cases of duress, physical and mental torture, even some cases in which the combination of physical and mental harassment led to heart-attacks and deaths. The resultant conditions became so grave, that the legality of these forms of protests, particularly *gherao* and *bandh*, was questioned before courts of Law, and the High Court of West Bengal (in 1968) and the High Court of Kerala⁴ (in 1997) delivered judgements that held that these forms of protests or

.....
⁴ Upheld by the Supreme Court of India in May, 2002

'struggle' were illegal and constituted an infringement of the Fundamental Rights that the Constitution guarantees to the citizens of the country. Experience shows that industrial action or activities in support of industrial action that deteriorate into or get transferred into law and order situations, whether they be the handiwork of agents, provocateurs or hotheads, does not benefit those who go on strike. It becomes easy for governments to handle such situations on a different plane, i.e. the plane of law and order. Some may even look upon such situations as the result of diversionary tactics.

2.229 Such methods have yet another aspect that cannot be ignored, particularly in days when workers' struggles need public support which cannot be gained by alienating public sympathy. There is no need to detail the sufferings that *bandhs* cause to the public, particularly to those who are in urgent need of medical attention or have to meet unforeseen eventualities. These often lead to the forfeiture of public sympathy. The absence of public sympathy helps those who are on the other side of the conflict, and often creates conditions that justify government intervention. One can cite instances where the courts have had to entertain Public Interest Litigation filed

by common citizens on this count. One telling instance that can be cited, is that of the strike by pharmacists in Bihar, where the strike went on for more than 2 months, causing immeasurable suffering to patients who needed to buy medicines, reportedly resulting in a few deaths because life saving medicines could not be bought. Eventually, the State had to intervene. There have been other similar cases in which the Supreme Court and High Courts⁵ have intervened. In general, it can be said that wherever there are prolonged strikes affecting medical services in hospitals, the public not only suffers, but also turns hostile, and demands administrative or judicial intervention. In fact, there have been cases in the United Kingdom of patients and the public turning on striking medical personnel.

2.230 We can cite an instance nearer home, in our own country: the recent strike by the employees of the State Government of Kerala. It involved nearly half a million government servants of all description. Initially, all the Central Trade Unions supported the strike. Yet, the strike caused considerable indignation in many sections of common citizens. In fact,

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⁵ Judgment delivered by the High Court of Delhi, banning all strikes in the All India Institute of Medical Sciences (AIIMS) reported in the Indian Express, New Delhi on 26.05.02

newspapers reported that there was articulate and active resistance from many sections of the people, including students and parents, youth and others. The television showed pictures of confrontation between those who supported the strike and those who opposed the strike, including physical confrontation, people forcing the opening of schools, forcing teachers to teach, or volunteer-teachers taking classes, and so on. We are citing all this not to express any opinion on the demands of the strikers or the rights and wrongs of the action taken by the Trade Unions. We are aware that the strike was meant only to preserve rights and facilities that the strikers already enjoyed. But here we are concerned with another question: whether workers or Trade Unions who exercise their right to strike as part of industrial confrontation, or 'direct action' in industrial disputes, should take to action that will extend the conflict to other sections, inflict suffering on those who have nothing to do with their employers, and cause adverse effects on the life and interests of those who are not their employers; whether such action on the part of workers or Trade Unions will not estrange public support, and drive the public to range themselves against the strike, and indirectly, in defence or support of those who are opposing the strike.

2.231 We have referred to this question in earlier paragraphs. We would like to reiterate that the Trade Unions that lead and represent workers have to reflect on the current situation, and the likely impact that the tactics they employ in their legitimate struggles will have on the success or failure of the struggles. It is apparent that when the organisations of the working class are weakened by fragmentation, disenchantment, poor unionisation, etc., and the forces ranged against them are strong and further strengthened by multinational forces, and when governments themselves are under pressure to withdraw from the field (of balancing the interests of the social partners), the organisations of the working class have to depend on public sympathy and cannot afford to alienate public sympathy by driving common citizens to the camp of those ranged against them. We feel that these are genuine considerations that every leader and well-wisher of the working class have to keep in mind while choosing the tactics of the struggles that, in fact, they can ignore only at the cost of their objectives.

2.232 What we want to point out here is the need for workers' organisations or employers' organisations to consider the impact of their actions on the common citizen, to consider whether

innocent citizens can be vicariously punished for the guilt or cussedness of others, to consider whether in the present situation in which public support is essential for any social action to succeed, the forms of struggle that are chosen should not be such as to alienate public sympathy.

2.233 To return to the decade between 1965 and 1975, one should recall that it saw industrial direct action by bank employees and municipal employees, and a strike by Central Government employees in 1968. Trade union activities among salaried employees increased during this period. These were years of turbulence in some of the States. The period also revealed a sharp decline in national income, especially during 1966-67 and 1967-68.

2.234 It saw considerable growth in trade union activity. The INTUC emerged as the most important trade union organisation. Some ascribed the ascendancy of the INTUC to its closeness with the Government at the Centre and Governments in many States and the advantage that it derived from the procedure for the recognition of the bargaining agent laid down by laws, like the Bombay Industrial Relations Act. We append a table on the strength of the Central Trade Unions in the period 1965-1972.

Table 2.25
Trade Union Strength, 1965-72

Year	Unions	Members (000)
1965	13,248	37,88
1966	14,686	43,92
1967	15,314	45,25
1968	16,716	51,21
1969	18,837	49,00
1970	20,681	48,87
1971	21,565	37,62
1972	21,757	10,08

Source: Indian Trade Unions Survey, V.B. Karnik, P.391

2.235 The industrial unrest in the country reached its climax when the Railway employees went on strike in the year 1974. This involved direct industrial action by over 16 lakh employees. The paralysis of Railway transportation had a serious impact on the economy.

2.236 In 1975, the country came under the Emergency that was declared by the then Prime Minister Indira Gandhi. Though the Emergency regime suspended and suppressed Fundamental Rights and adversely affected the freedom of trade unions and annulled the payment of the bonus, many central trade union organisations did not take any action to

defend the rights of the working class. The INTUC gave full support to the Emergency and defended even the annulling of the legislation on Bonus. The AITUC also decided to support the measures taken by the Government.

2.237 When the Emergency ended, a new alignment of forces, represented by the Janta Party came to power. The short period for which the Janta Party was in power, witnessed the restoration of Fundamental Rights and the re-emergence of freedom, the restoration of the bonus, removal of all inhibiting orders and amendments to laws, review and revision of wages in most sectors of the economy like steel,

cement, ports and docks, coal, and so on. As a consequence, the number of strikes and man days lost went down appreciably during the days of the Janata rule.

2.238 The years beginning with 1980 saw a number of changes in economic policy. There was considerable growth in the economy, but fall in employment generation. Employers who complained of laws that stifled their freedom began to reduce recruiting permanent employees, and began the policy of 'outsourcing' their production to the unorganised sector.

2.239 The period from 1980 to 1991 saw two major strikes that were both significant to the Trade Union Movement in different ways. The first strike that we refer to is that of all public undertakings in Bangalore during 1980-81. This involved industrial relations in public sector undertakings like the Hindustan Machine Tools, Hindustan Aeronautics, Indian Telephones Industry and the Electronic Corporation of India. This was a massive strike that lasted for many days.

2.240 The second strike that was of considerable significance to the Trade Union Movement was the Bombay Textile Strike of 1982 which lasted for

about two years. The strike was perhaps the most massive strike (industrial conflict-action) that Indian Industry has seen. It was massive in duration as well as in the number of workers and factories involved, the suffering that the working class had to undergo, and the losses that industry sustained. The government too came under severe strain because of the sustained pressure that Trade Unions were able to exert; because of the apprehensions about the law and order situation, and the insistent demand for scrapping of the Bombay Industrial Relations (BIR) Act or at least the provisions relating to the recognition of the bargaining agent. The strike will undoubtedly be described as a milestone in the history of industrial action and Trade Unionism in India. Yet, it is very difficult to say that the social partners, the Trade Unions, the mill owners or the management and the Government have reflected adequately on the different aspects of the strike and learnt the lessons that the strike holds for everybody.

2.241 It is not our intention to chronicle the events that led to the strike, or the progression in the formulation or evolution of the demands that the striking workers put forward. There are some who hold that

the strike was the result of disillusionment with the leadership that the *Rashtriya Mill Mazdoor Sangh* (RMMS) provided, and indignation at the laws that made it easy for the RMMS to continue as the Representative Union and the sole bargaining agent in spite of the fact that workers had lost confidence in the representative character of the RMMS and the sincerity or efficiency with which it was fighting for the interests of the textile workers in Bombay. Those who hold this view also hold that it had, therefore, become necessary to fight for bonuses and wages other than what the RMMS had accepted in agreements with the Mill owners, as also to fight against the BIR Act which permitted the anomaly of an 'unrepresentative' Union to be the sole bargaining agent.

2.242 On the other hand, there are people who ascribe the precipitation of the strike to what they describe as the frustration felt by Unions that were in a minority at their continued inability to dethrone the RMMS, and their willingness to exhort or "mislead workers to take to questionable methods of action to achieve their ends."

2.243 However, it is perhaps accepted by all that it is frustration and

indignation that prompted workers to ignore Trade Union loyalties and turn to the leadership of Dutta Samant, although they were aware that his style and tactics were unconventional, and went beyond the normal action that Trade Unions took and even militated against the norms that trade unions followed. They had admired him for the success he had achieved in securing higher wages and emoluments in the capital-intensive industries in the Thane belt, even when they sometimes looked outside the financial capability and resources of the management.

2.244 To understand the impact of the strike and the challenge that it posed, it is necessary to remind ourselves of the historical and economic importance of the textile industry and the Textile workers' movement in Bombay.

2.245 The textile industry, the single largest manufacturing industry of India has played a pivotal role in the Indian industrialisation experience and in the creation of the industrial relations system. It has had a strong impact on the development of the labour and trade union movement in India. The importance of the industry is

manifested not only by the large number of textile mills, and as the largest employer of organised workers, but also in the large number of allied and ancillary industries that are supported by this industry. Bombay was undoubtedly the premier centre of the Textile Mills industry of India (Ahmedabad, Kanpur, Sholapur and Coimbatore were other important centres) and in the 1980s no less than 62 mills were in operation employing a quarter of million workers. "The textile strike of 1982 proved to be a watershed in the history of trade unionism and the industrial relations system of the country especially as it struck at the very root of functioning of the trade union institution."

2.246 A major transformation came about in the textile sector in the 1970s, alongwith the relative decline in the weightage of the organised textile mills in the industrial structure of Mumbai. These changes had a profound impact on the origin and course of the Strike of 1982. The major trend that emerged in the structure of the cotton textile industry was the rapid growth of the so-called decentralised sector i.e., power looms and handlooms. In 1950, the Textile Mills accounted for 70% of the total cotton woven cloth manufactured in India. By 1970, the

proportion had fallen to 53%, and in 1980, it had declined rapidly to 41%. In 1976, for the first time more cotton yarn came from the decentralised sector (51%) than the mill sector. The massive expansion of the power looms in the 1970s accounted for the bulk of the production. With the emergence of the power loom sector as a competitor, the Mills developed complex relations of subcontracting of output in the mid 1970s. This subcontracting relation provided an important reservoir and staying power for the Mills during the strike of 1982. Alongside the general decline of weightage of mill production, one must also note the persistent absence of modernisation or rather uneven modernisation of the major mills and mill centres. A perceptive observer noted in 1983 that the mills had become 'museums, or worse, graveyards of machinery.' In 1976, a study found that nearly 40% of the machinery in the mills was more than 40 years old. The problem was aggravated by persistent under-utilisation of the installed machinery. However, there were certain measures of modernisation that occurred in the 1960s mainly in the mills owned by large business houses which shifted to finer counts and competed for high quality and price sensitive products, chiefly for the upper classes in the home market and for export. But, for

the bulk of the mills, abundant availability of cheap labour rather than strategic modernisation, remained an important strategy for reducing cost and increasing output.

2.247 This tendency to under-utilisation, low productivity and lack of capital intensification in the textile industry contrasted sharply with the emergent trend in the 'new industries' especially in Bombay-Thane belt in the 1970s. Between 1960-1980, Maharashtra witnessed rapid growth in modern factory industries, both in terms of number of units and in the numbers employed. The bulk of expansion happened outside the old traditional organised industries like textiles, and in sectors like engineering, pharmaceuticals, and chemical products. These new industries accounted for bulk of the rise in capital outlay, which increased by more than ten times between 1960 and 1980 (from Rs.619 crores to Rs. 7096 crores) in Maharashtra. The new capital-intensive industries in the Bombay - Thane belt also witnessed two important phenomena which had a bearing on the textile industry. The annual average emoluments per worker in the textile industry (Rs. 7120), which had a leading role till the 1960s, was now below the average emolument of workers of all industrial manufacturing units in Maharashtra (Rs.8463) and was

roughly half of what was paid in the chemical industries (Rs.14,363).

2.248 Secondly, as opposed to the industry-wide bargaining structure evolved in the Textile industry, the new industries were overwhelmingly dominated by plant level wage bargaining structures. In these industries, employees' unions that were not affiliated to national federations or Trade Union centres, dominated and, on an average, in the 1970s and 1980s, seem to have delivered much higher benefits to the workers than those available in the Textile Industry. The new industries were also the site of the rise of the phenomenon of 'maverick and economic unionism' exemplified in the rise of R J Mehta and increasingly in the late 1970s, by Datta Samant.

2.249 It will perhaps be useful to remind ourselves that during the late 1970s, the Bombay Industrial Relations (BIR) scenario witnessed a major change in the growth of Independent Employees' unions and economic unionism, mainly in the new capital intensive industries. This was best exemplified in the rise of Dr. Datta Samant. Samant shot to fame with a prolonged strike in 1972 in Godrej industries where he was successful in ousting the Shiv Sena union and gaining substantial wage

increases. His strikes was characterised by long strikes, substantial, sometimes over-reaching economic demands, complete bypassing of legalistic struggle and methods of arbitration and adjudication of disputes, and significant use of violence against recalcitrant workers or opposing Trade Union Centres, arguing that these formations regularly sacrificed the interest of workers to those of political parties. In the changing industrial context of the 1970s and the 1980s and in the several new high profit industries, Samant's tactics worked with the emergence of a political, economic and plant level bargaining. The changing industrial relation scenario in Bombay city with the decline in credibility of what was described as the straitjacket imposed by the BIR Act, was accompanied by changes in the industrial structure of the city and the position of textile industry within it.

2.250 Whatever we have said in the earlier paragraphs should not be taken as appreciation for Dr. Samant's style and tactics. We have referred to them only to point out the nature and consequences of the long strikes. The indefinite strike that started in all the mills in Bombay on July 18, 1982 ended in tragedy. "The strike of the workers failed to achieve any of its main objectives, while it inflicted a

tremendous blow to the industry and the earnings of the workers. It is estimated that the total loss of production was of the order of Rs.986 crores. The loss in terms of wages was estimated at Rs.90.1 crores. It is estimated that between 75,000 to 1,00,000 workers were dismissed, retrenched or simply never taken back (as in the case of the *Badli* workers). The strikes seemed to have immensely strengthened the hands of the mill owners who used the opportunity to sell off unsold stocks and to extend the subcontracting arrangements with the Power loom sector. They also managed to dismiss and lay off workers without having to pay retrenchment compensations.

2.251 The strike brought to the forefront the inadequacies in the Bombay Industrial Relations Act. It also starkly exposed the limits of the purely economists unionism espoused by Datta Samant. It has been argued by several scholars that Samant might have succeeded in reaching a settlement if he had been more sensitive to the overwhelming mood for even temporary retreat after ten months of strike. Lacking in concrete alternatives, without plans for backup strategies and without a democratic organisation, Datta Samant's leadership which had succeeded in the high profit and price inelastic modern sector, proved to be a failure in the traditional

industries with structured industry - wide bargaining. "In its failure however, the Bombay Strike brought to the fore the continuing need for a more rational and democratic industrial relations system that will be free from dependence on the State and abject surrender to the market forces."

2.252 Another grave threat to the authenticity of the trade union movement (authentic trade union movement) seems to be emerging from the underworld. Reports have appeared in the National Press about the attempt of some Dons to form "Trade Unions" and attract the following of other established Trade Unions by promises to get demands accepted even where the established Trade Unions have failed to get them accepted through the normal means that Trade Unions use. There are also reports of some cases where such unions have succeeded through other means, thus causing erosion in the membership of established Unions and attracting workers to unions which are ready to use abnormal means. The situation is somewhat reminiscent of the days of Dr. Dutta Samant, except that in the current cases, the persons who are resorting to such means are not trade unionists but persons from

the underworld who are keen to extend their hold to Trade Unions or workers perhaps as an apparently innocent point of entry into an area of influence, or as a take off point for extortion and potential monetary gains. Many questions arise. The primary question perhaps is: what are the methods or abnormal methods that these new "leaders" employ, and how can the authentic Trade Unions, the management and industry as a whole be protected from the inroads and tactics of these interlopers from the underworld. The use of terror in any form will only nullify democratic rights by creating an atmosphere in which people are forced to act or not to act merely to protect their skin. It leads to a situation in which workers as well as management are placed in duress by the use of force or the threat of use of force. It can lead both the Trade Union movement and industry into a corral of duress. It has therefore, become necessary to protect the workers as well as managements from such forces.

2.253 One distinguished Trade Union Leader told us that there are Trade Union Leaders who ask for the abolition of contract labour or insist that assignments should not be given to those who engage contract labour, but

ultimately relent if the contract assignment is given to them or their 'benami' agents. This makes a mockery of the Trade Union movement and brings down the Trade Union leaders in the esteem of employees, who then begin to think and say that every Trade Union leader has his 'price'. Such actions by those who are reckoned as leaders of the Trade Union movement undermine respect for Trade Unions.

2.254 Another practice that undermines respect is that of permitting permanent workers to get their jobs done through proxy workers or letting others work in their place, and taking a cut from the wages of their proxies. Similar is the effect of so called unions that take up the grievances of workers and charge a commission on the monetary gains they may secure.

2.255 A fourth practice that compromises the Trade Union movement is – the tendency to convert Unions into closed shops.

2.256 The decade from 1980 also witnessed the growth of independent trade unions in many enterprises in the

major industrial centres of India. These unions preferred to stay away from the Central Federations of Trade Unions, and to be on their own. In many cases, they were free from the influences of political parties and were led by individual leaders who engaged in competitive militancy and promised higher gains to the workers in their unions. Notable among these is Self Employed Women's Association (SEWA). The emergence of SEWA led to the induction of pioneering methods that combined struggle and organisation, co-operation and self-reliance.

2.257 The Trade Union Movement in India has now come to be characterised by multiplicity of unions, fragmentation, politi-cisation, and a reaction that, on the one hand, shows a desire to stay away from politically oriented Central Federations of Trade Unions, and on the other, searches for methods and struggle for co-operation and joint action.

2.258 Thus, one sees an increase in the number of registered unions in the years from 1983 to 1994. But one also sees a reduction in the average membership per union and in the number of unions submitting returns. This position is reflected in the following table.

Table 2.26

**Number of Registered Unions (Workers' & Employers')
and membership of Unions submitting
returns for the year 1983 to 1992**

Year	Number of Registered Trade Unions (E)	Number of Unions submitting returns	Membership of unions submitting returns (in thousands)			Average membership per Union for unions submitting returns
			Men	Women	Total	
1	2	3	4	5	6	7
1983	38,935	6,844 (44.0)	5,011 (92.4)	406 (7.5)	5,417	792
1984	42,609	6,451 (28.8)	4,707 (91.4)	443 (8.6)	5,150	798
1985	45,067	7,815 (31.5)	5,831 (90.6)	602 (9.4)	6,433	823
1986	45,830	11,365 (39.6)	7,368 (90.0)	819 (10.0)	8,187	721
1987	49,329	11,063 (36.9)	7,211 (90.6)	748 (9.4)	7,959	719
1988	50,048	8,730 (33.5)	6,334 (89.6)	739 (10.4)	7,073	810
1989	52,210	9,758 (34.1)	8,207 (88.3)	1,088 (11.7)	9,295	953
1990	52,016	8,828 (46.4)	6,181 (88.1)	838 (11.9)	7,019	795
1991	53,535	8,418 (36.8)	5,507 (90.3)	594 (9.7)	6,100	725
1992	55,685	9,165 (26.3)	5,148 (89.6)	598 (10.4)	5,746	627
1993	55,784	6,806 (25.6)	2,636 (84.1)	498 (15.9)	3,134	460
1994	56,872	6,277 (25.3)	3,239 (79.1)	855 (20.9)	4,094	652

Source : Indian Labour Year Book, 1997.

Figures in brackets indicate percentages

2.259 We have made reference to some of the new trends that have surfaced in the Trade Union sectors. We have referred to the tendency that has been found in certain geographical area and certain industry for formation of industrial Trade Unions that do not want to be affiliated to Central Trade Union Federation for one reason or another. Some of these unions have remained independent, functioning only at the plant level. Some of these like the associations of bank employees are also functioning at the industry level. There are yet other unions that have founded into bodies relating to certain industries or employment, but have kept out of the main central Trade Union Federations. This includes National Alliance of Construction Workers, National Fish Workers Federation, National Alliance of Street Vendors etc.

2.260 We must also make specific mention of the emergence of the Trade Union SEWA group of organisation. This include organisations that have been modelled on the SEWA, Ahmedabad, that have later become branches of the SEWA set up or in some cases, remained local. The SEWA organisation in Ahmedabad came into being in 1972, and was established by leading workers of the Trade Union movement in Ahmedabad, like Ms. Elaben Bhatt. With her long

experience in Ahmedabad Textile Labour Association (ATLA), and elsewhere, Ms. Ela Bhatt built up a new type of Trade Union or working class organisation. It was a membership based organisation like Trade Union. But it combined the method of agitation and constructive organisation. It did not confine itself to the traditional method of presenting demands and resorting to industrial action in pursuit of them. On the other hand, it took up the work of organising the women workers, who were engaged in hitherto unorganised sector of employment, combining other constructive activities like marketing, the provision of micro-credit, banking, training, representing the views and interests of workers. Today, the SEWA and its affiliates have a membership of 4,19,891, and 10 offices in six states.

2.261 There is yet another development on the Trade Union scene to which we must refer. We have already referred to what appear to be signs of waning attraction to Central Trade Unions, decrease in unionisation, emergence of independent Trade Unions that are not affiliated to Central Trade Unions that are associated with political parties, and so on. One of the consequences of this situation is the increasing tendency on the part of Trade Unions, particularly the Central Trade Union organisations, to get together in ad hoc struggle committees

or united fronts to launch struggles, or to support a struggle that one of them has launched. One can also see that sometimes these struggle committees run into differences and disputes in the course of the struggle, in determining the response to emerging new situations about the terms of compromise or the duration of the struggle.

2.262 We have witnessed such joint action in the Bharat Aluminium Company (BALCO) struggle against disinvestments; the one day All India strike by all Central Trade Unions against disinvestments, privatisation and the economic policies of the Government on 25th July 2001, and the strike organised by Federation of Central Trade Unions against the Bill to open the coal sector to private industry.

2.263 Another new feature is the readiness and the determination of Central Trade Unions to escalate the objectives of struggles from industrial action regarding wages, working conditions and the like, to matters of government policy like, disinvestment, privatisation, etc. Instances of such action were witnessed in the strike on BALCO privatisation, the Rajasthan agitation by the Government servants and the strike by electricity workers in U.P., government employees in Kerala, and so on. Escalation of struggles from

plant or industry-wise acts to the realm of policy is also bound to have its consequences on the workers' struggle, and the need to avoid forces that estrange public sympathy.

2.264 We have already referred to some factors like fragmentation, politicalisation etc that are undermining the effectiveness of the trade union movement in the country. We have also referred to the damage caused to the trade union movement by methods that leaders like Datta Samant employed. We feel that we should also refer to a new phenomenon that is witnessed in some areas.

2.265 Exploiting the absence of units, belonging to the recognised Central Trade Unions, some adventurous individuals seek to acquire control over workers in the plant and enterprise by a mixture of tall promises and terrorisation. They recruit and rely on a band of supporters who are willing to resort to mafia methods to protect their leadership and grip on workers. In some cases, we have also been told that known anti-social elements enter the fray using such methods and using pockets organisation of workers as a means to extort money in the name of the workers. Such activities bring disrepute to authentic trade unions, and harm the real interests of the working class. We are sure that all

established trade unions which believe in recognised traditional methods of industrial action would want to prevent the spread and growth of such elements that will only weaken the working class and their authentic organisations.

EMPLOYERS' ORGANISATIONS

2.266 We must now make a brief reference to the growth of employers' organisations in India. Though regional trade or craft guilds, *mahajans*, *sammelans* or *mandals* were in existence in India before the advent of the British, the concept of modern Chambers of Commerce or employers' organisations was of British origin. In 1833, the East India Company withdrew from trading activities, and many British Agency Houses became pioneers in production lines like indigo, coal, silk, sugar and the like. There were also important organisations in the foreign trade of the country. In order to protect their business interests, British businessmen promoted Chambers of Commerce in Calcutta (1833), Madras (1836) and Bombay (1836). Initially, they were organised purely by British businessmen, though a few Indian businessmen were also allowed to be members. It is only after the 1880s that Indian businessmen too started organising independent business

organisations and engaging in competition with British business. Throughout the period between the setting up of the first chamber in 1833 and Indian independence in 1947, we find the division of employers' organisations or Chambers of Commerce into those composed overwhelmingly of British businessmen and those belonging to Indian businessmen. In the early part of the nineteenth century, Calcutta had the largest and most exclusive European community in Asia. British interests dominated banking, insurance, trade and industry in the city, and from the imperial capital at Calcutta they also controlled the coal fields of Bihar, Bengal, Assam and Orissa and plantations of tea, indigo and jute. Therefore, most of the trade associations like the Indian Tea Association (1885), the Indian Mining Association (1892), Calcutta Import Trade Association (1890), Jute Fabric Shippers Association (1899) were established in Calcutta. There was hardly any association established in Bombay in the 19th century. The Bombay Trade Association was formed only as late as 1902.

2.267 In order to protect Indian business interests, Chambers of Commerce and trade associations were formed by the Indian businessmen towards the end of the 19th century.

The first Chamber of Commerce, the Native Merchants' Chamber of Coconada, subsequently renamed as Godavari Chamber of Commerce was set up in 1885, the same year in which the Indian National Congress was established. In 1887, the Bengal National Chamber of Commerce was established in Calcutta. A.O. Hume, founder of the Indian National Congress helped to draft the constitution of the Chamber. Prominent Congress-men were elected as its honorary members. In 1907, the Indian Merchants' Chamber was formed in Bombay. There were many areas of conflict between British business interests and Indian businessmen. Business or employers' organisations in these two camps continued to represent and safeguard the respective interests of their members.

2.268 Two factors contributed to the development and growth of Indian chambers. Early in the twentieth century the Swadeshi Movement came to be intensified in the country, and Indian companies had a stake in the struggle. Through their chambers they participated in this national movement against the use of imported goods. As a sequel to this movement, Lord Morley sent a despatch to the then British Government in India, and refused to permit the use of state funds for matters like setting up Departments of

Industries and Public Sector Development. No promotional activity was visualised by the state. As a result of this attitude of the then British Government, Indian Chambers of Commerce aligned with the Indian National Congress and Congress leaders, and participated actively in the national movement.

2.269 In the early years of the British rule, Chambers of Commerce were given direct representation in state legislatures through the Indian Councils Act 1861, 1882, 1909 and the Government of India Act 1919 and 1935. Chambers of Commerce were given representation in the bicameral system. They had also representations in municipal councils. While British Chambers were given representation, Indian Chambers had to fight for securing representation in these bodies.

2.270 When India became free and a new Constitution was fashioned by the Constituent Assembly, such provisions for special interests were dropped.

2.271 In the 19th century British businessmen in India had formed Chambers of Commerce and when the need was felt, they formed an apex body called the Associated Chamber of Commerce and Industry in 1920.

Similarly, Chambers of Commerce of Indian businessmen formed the Federation of Indian Chambers of Commerce and Industry (FICCI) in 1927. Leading industrialists like Shri Purushottamdas Thakurdas, Lala Shriram, and G.D. Birla took the lead in organising the Federation. FICCI tried to become a body representing all types of interests associated with trade and industry. It also served as a body to help formulate the economic policies of the Indian National Congress. In 1931, Mahatma Gandhi addressed the Fourth Annual session of the Federation.

2.272 In 1941, all Indian Manufacturers Conference was organised at the initiative of Sir M. Visvesaraya and the All India Manufacturers Organisation was set up. In 1959, the Federation of Associations of Small Industries of India was formed at the initiative taken by the Ministry of Industry, Government of India.

2.273 During the 1970s, it was felt that entrepreneurs in the public sector too should have a representative organisation of their own. Therefore, a society was registered called 'New Horizons' in September 1970, and it was rechristened as the Standing Conference of Public Enterprises (SCOPE) in April 1973. It has continued to represent the business interests of public sector enterprises.

2.274 The Confederation of Indian Industry (CII) is of recent origin. Till the seventies there were two engineering associations operating at the All India level, – one the Engineering Association of India established in 1895, and two the Engineering Association of India established in 1942. In 1974, both these associations came together, merged their identities and formed an Association of Indian Engineering Industry (AIEI). Subsequently, the name of AIEI was changed to Confederation of Engineering Industry (CEI), and in 1992, the name was changed to Confederation of Indian Industry. CII now represents all types of industry interests in India.

2.275 The Employers Federation of India (1933), All India Organisation of Employers (1933) and the Indian Council of Employers are the apex bodies at the All India level to represent industry in labour management issues. Both Employers Federation of India and the All India organisation of Employers are registered under the Trade Unions Act 1926. These organisations together with SCOPE and AIMO send employers representatives to the ILO convention every year.