UNIT 9 : UNORGANISED SECTOR, LABOUR LAW AND LABOUR POLICY

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9.1 LEARNING OBJECTIVES

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

- know the outline of the unorganised sector and India's informal economy
- describe the present status of agricultural labours in India.
- discuss the major recommendations of National Commission of Rural Labours
- put forward the concept, characteristics and issues related to industrial labours in India
- discuss the establishment goal, growth and trend of trade union in India
- point out the Reasons of industrial disputes and measures for dispute settlement
- discuss how to enhance welfare of Indian labour with the help of social security measures.

9.2 INTRODUCTION

In this unit, we will discuss issues of India's unorganised sector in the larger context of informal economy of India. As we all know Indian economy is agrarian and rural in nature. Alongside the formal economy, there is preponderance of unorganised as well as non-monetised sectors in the rural economy of India. Though the exact estimate of the contribution of these sectors to India's GDP growth has not been available, this engages a huge number of uneducated-unskilled workers and gives livelihood to many poor households. However, this sector suffers from various types of problems which needs to be addressed on priority basis. There is urgent need to devise strategies for formalisation of this sector with a view to generate employment. In addition to discussion on the nature and various dimensions of informal economy, thisunitalso covers a detailed discussion on nature, challenges and issues related to Indian labour market, trade union movement in India, industrial disputes, settlement of industrial disputes, recommendations of NCRL, social security measures etc.

9.3 UNORGANISED SECTOR AND INDIA'S INFORMAL ECONOMY

In India, the informal sector is commonly referred to as the 'unorganised sector' and the workers working in them referred to as 'unorganised workers'. The term 'informal economy' is used to represent the informal/unorganised sector and informal/unorganised workers. Informal sector workers are characterised by low educational level, poor financial capacity, possessing at best low-end skills, inferior working conditions and low bargaining capacity due to lack of the organisational skills. Workers in the informal sector receives low wages and if they are self- employed, their income is usually very low. The term informality or unorganised does not imply a particular mode or location of labour used. It covers a wide range of workers whether it be in self-employment, in casual wage employment and in regular wage employment, just as it can be in urban as well as in rural areas. Informal labour is a labour whose use is governed neither by state regulations nor by collective agreements between workers and employers. Informal labour has been viewed as labour engaged in urban small-scale enterprise as self-employment as labour engaged in traditional activities, as wholly unskilled labour, and as labour whose use is not subject to any rules or norms. In rural areas, the bulk of the informal sector workers comprise of landless agricultural labourers, small and marginal farmers, sharecroppers, persons engaged in animal husbandry and fishing, forest workers, toddy tappers, workers in agro-processing and food processing units, artisans such as weavers, blacksmiths, carpenters and goldsmiths, etc. On the other hand, the urban informal sector workers comprise of manual labourers in construction, carpentry, trade and transport, small and tiny manufacturing enterprises and persons who work as street vendors and hawkers, head load workers, rag pickers, etc.

Globally, the term informal sector was first mentioned in the report of Kenya Mission in 1997 by the International Labour Organisation (ILO). After that this concept became important. The National Commission for Enterprises in the Unorganised Sector (NCEUS) has defined the informal/

unorganised sector as all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten workers. The NCEUS has also defined the informal workers as "Unorganized workers consist of those working in the unorganized sector or households, excluding regular workers with social security benefits, and the workers in the formal sector without any employment and social security benefits provided by the employers".In the informal sector workers are not administered with social security benefits and employment concession like the employers provide to their workers in the formal sector. These definitions clearly indicate that the sector consists of all those works which do not fall under the jurisdiction of the government of the state and were the employment interaction ensures no legal way of conduct. In this sector there is no such like fitting procedure of recruitment, selection, promotion, and social safety and development of employee.

9.3.1 Size of the Informal/Unorganised Sector

The economy of India is characterised by presence of unorganised or informal sector. A large portion of Indian labours are engaged in unorganised sector in India. A clear distinction between the organised and unorganised sector is made by the National Commission for Enterprise in Unorganised Sector (NCEUS). According to NCEUS, the unorganised sector is the sector where the enterprises employ less than 10 workers. Again, NCEUS has provided a clear distinction of organised and unorganised workers. the unorganised workers are those who employ in whether organised or unorganised sector are not covered under social security measures.

According to the NCEUS report in 2005, out of total employment of 458 million, 395 million are engaged in unorganised sector which accounted for almost 86 percent of total employment in India. According to the National Sample Survey Organisation (NSSO), in 2009-10, out of 46.5 crore workers, 43.7 crore workers are engaged

in unorganised sector. The composition of employment in the organised vs unorganised sector was in the proportion 13:87 in 2004-05 and 17:83 in 2011-12 indicating an increase in organised sector employment from 13 per cent in 2004-05 to 17 per cent in 2011-12. But this increase in organised sector employment was informal in nature (48 per cent in 2004-05 increased to 55 per cent in 2011-12) while the share of organised formal employment decreased (52 per cent in 2004-05 decreased to 45 per cent in 2011-12). But in the unorganised sector the share of formal employment marginally increased from 0.3 to 0.4 per cent and that of informal employment declined marginally from 99.7 to 99.6 per cent. On the whole, the number of formally employed increased from 33.41 million in 2004-05 to 38.56 million in 2011-12. Estimates of total employment in the organised and unorganised sectors, including formal and informal, in some recent years have been shown in Table 9.1.

Table 9.1: Employment Scenario in the Organised and Unorganised Sectors (Usual Status)

(Figure in Crores)

Type of Employment	Organized	Unorganized	Total
2017-18			
Formal	4.43	0.28	4.70
Informal	4.62	37.79	42.43
Total	**9.05**	**38.07**	**47.13**
2018-19			
Formal	4.91	0.45	5.35
Informal	4.55	38.87	43.43
Total	**9.46**	**39.32**	**48.78**
2019-20			
Formal	5.09	0.80	5.89
Informal	4.46	43.19	47.64
Total	**9.55**	**43.99**	**53.53**

Source: Economic Survey 2021-22 (Estimated using PLFS 2017-18, 2018-19 and 2019-20 Surveys)

From Table 9.1 it can be seen that nearly 90 percent of the additional workers that joined in 2019–20 were in the informal sector, and over 98 percent worked in the unorganised sector. Ninety-one percent of the additional labour force was employed in the unorganised, informal sector.

9.3.2 Features of the Informal/Unorganised Sector

The main features of informal/unorganised sector of India are as follows: -

- **Low level of education:** The lack of proper education and training of workers engaged in the informal sector is the main feature of informal/unorganised sector in India. The skill gained by these workers are from outside the formal education and vocational training. The informal or unorganised sectors are only the job providing avenues for them. They are not capable of finding any job in the formal sector as they are not efficient as well as there is lack of professionalism in them. Thus, there is no alternative choice available for them other than engaged in the unorganised sector.
- **No job security:** There is no job security associated with the jobs in the informal or unorganised sector. the NCEUS has classified the workers as formal and informal on the basis of job security. The workers working in the informal sector are not provided any job security. This is one of the main characteristics of informal sector in India.
- **No regular job:** The jobs provided by the informal sector are not regular in nature. The jobs are available on the basis of the requirement of the workers by the employers. When there is no need of workers then the workers are asked to leave the job without providing any reason. Thus, the jobs are temporary in informal sector and it is in favour of employer only. This is another salient feature of informal/unorganised sector in India.
- **Workers are paid on daily basis:**The socio-economic conditions of workers engaged in informal sector are so deplorable that they required to be paid on daily basis. They are exploited by their employers. They are paid low wages, no any work security, women and child labours are even paid lower than male counterpart etc.

- **Easy entry:** The entry in the informal/unorganised sector in not closed. It is easy in the sense that who want a job in this sector can find some sort of job easily though the wages are low and paid on daily basis. Thus, easy entry is another feature of informal sector.
- **Absence of legal framework:** This sector remains outside the existing labour laws of an economy. This makes their jobs insecure and vulnerable. The fate of these workers remains mostly with the mercy of employers.
- **Low scale of operations:** The scale of operation of the informal sector is very low. The level of investment, technology used and income generated are very much low.
- **Lack of access to institutional finance:** Small and micro enterprises under informal sector do not have access to finance from formal banking and non-banking financial institutions as they are not registered.

9.3.3 Major Issues of the Informal Sector

In India, people engaged in informal sector are mainly poor in terms of education, skill, capital etc. Since alternative source of employment and income in formal sector is limited for these unskilled workers, they end up in informal sector mainly as source of livelihood. Besides, the employment growth in the organized/formal sector has always been less than the total workforce available in the country resulting in a faster growth of employment in the informal sector. The large-scale migration of unskilled people from rural to urban areas has also resulted in burgeoning expansion of informal sector. This sector remains outside existing taxes and labour laws of the economy which stand as stumbling block in availing social security and job security. Since these enterprises are not registered, they do not have access to finance from formal banking and non-banking financial institutions.

9.3.4 Suggestive Measures

Informal sector in India is quiet large in its size and operation. It comprises mainly of a large number of poorly educated labour force, traditional occupations, poor financial inclusion and lack of motivation or aspirational skills. Therefore, any approach undertaken to address issues of informal or unorganised sector must take into account all these aspects. A holistic approach is needed to address the issue. Following suggestions can be made in this regard.

- There is a need to create a congenial environment which will encourage micro and small enterprises to register and realize that any cost of formalization is associated with number of benefits like access to finance, better infrastructure, market information, government incentives, a platform for formal association, providing them legal framework, efforts to overcome uncertainty in financial returns and safety nets for them as well as their workers.
- As corollary to the above, this will inculcate a tradition of regulatory compliance in terms of taxes and labour laws. Once registered, this besides expanding tax base of the country will also help government finance minimum social security cover for workers in unorganised sector.
- Moreover, the process of formalisation will lead to an improvement in skill levels of the workforce that match the requirements of the job market and at the same time improve the bargaining power of the workforce to settle for decent wages, social security and job security.
- Since workers engaged in unorganised sectors are less educated and unskilled, some special training is necessary to impart state of the art skill so that these workers can be gainfully employed in organised sectors.
- Some social security arrangement should be made for informal/ unorganised workers in addition to present measures which are considered to be not sufficient.

9.4 PRESENT STATUS OF INDIA'S AGRICULTURAL LABOURS

India is an agrarian economy employing nearly 50 percent of the total labour force of the country. Out of this, a sizeable amount of workforce are agricultural labourers. But whom to be called as an agricultural labour. The first attempt in defining an agricultural labour was made in 1950-51 by the Agricultural Labour Enquiry Commission. According to this commission, all those who accept wage employment in any crop raising activity are to be treated as 'agricultural labourers. This definition has not scientific basis in as much as most workers in India do not succeed in getting wage employment. This committee has introduced a new term 'agricultural labour household. The bread earner of a family of 50 percent or more of the income earners of a joint family take agricultural labour as the main occupation, the family has to be classified as agricultural labour household. This definition also includes rural artisans, small and marginal farmers in agricultural labourers. The attempt was made by the Agricultural Labour Enquiry Commission of 1956-57. This commission adopted a slightly broader definition as it also included certain allied activities like animal husbandry, dairy, poultry, piggery, pisciculture etc. under agricultural operations. But the Census of 1961, included all those who worked on others' land and receive compensation either in cash or kind (or partly in cash and partly in kind) were treated as agricultural labourers. The Census of 1971, defined agricultural labour as those people whose main occupation was working on the farms of others. Though, this definition provided by the Census of 1971 was considered to be quiet, but it was most accepted one in the context of India. Generally, workers who are involved in farm activities are known as agricultural labourers.

The agricultural labourers are most vulnerable sections in India. They are lacking of skill, proper education, training etc. andthus, productivity is very low. In some cases, their productivity becomes or falls below zero giving rise to disguised unemployment. Thus, their income is too low to obtain the minimum standard of living. Therefore, this class is socially as

well as economically backward. They are also subjected to exploitation and are the most oppressed class in India. In the early times, like prior to independence the condition i.e., social and economic status of agricultural labours is very painful. Their conditions were not better than beggar (or forced labour). They were also considered as bonded labours and were forced to work as serf or slave. They did not even get money wages for their labour. Thus, they are impoverished section. However, as a result of concerted policy efforts by the government under its various development plans the conditions of agricultural labourers have been improving. But still it is not adequate.

Though the agriculture sector provided the bulk of employment in India even taody, (See Chapter 4), yet, the exact statistical data on agricultural labours in India are not available. In 1960, according to the second Agricultural Labour Enquiry (ALE), about 25 percent of rural populations were engaged as agriculture labourers and more than 85 percent of the rural workers are casual, serving any farmer who is willing to engage them and only 15 percent of agricultural labourers are attached to specific landlords. ALE also came up with the findings that most of the agricultural workers don't have land holdings and even they have, the size of the land is very small. Regarding social status of the agricultural labourers ALE found that they mostly belong to lower caste viz. schedule tribes, schedule caste and other backward classes. In 1961, total number of agricultural workers was 31 million. According to the estimates of the National Commission on Rural Labour (NCRL) in 1991, the total rural household is 108.4 million out of which 43 million are rural labour households and among them 33.3 million are agricultural labour households in 1987-88 which was almost 77 percent of rural households, is agricultural labour households.



LET US KNOW

- Agriculture labours can be categorised as -

a) Landless Labours who are attached to the landlords.

b) Landless labours who though independent but work exclusively for others

c) Small farmers with tiny pieces of land who out of economic necessity have to devote most of their time to working for others.

d) Farmers who although have economic holdings but some members of their family work for other farmers.

- **Contract labour:** the labour of workers whose freedom is restricted by the terms of a contractual relation and by laws that make such arrangements permissible and enforceable. Contract labour is hired, supervised and paid wages by the contractor.

9.5 MAJOR RECOMMENDATIONS OF THE NATIONAL COMMISSION OF RURAL LABOURS (NCRL)

The National Commission on Rural Labour (NCRL) constituted under the chairmanship of Dr. C. H. Hanumanth Rao in 1991.It is the most significant step towards the welfare of rural labour. made a strong recommendation for a national minimum wage for rural labour. They deplored the wide variations in the minimum wages prescribed for unskilled workers in agriculture by various State Governments, and laid down the following principles for fixation of minimum wages: (a) the cost of living relating to the minimum subsistence level for the worker and his family of three adult consumption units, and (b) the minimum wage will be the same for all employments. The National Commission on Rural Labour thought that the application of these principles would naturally bring about uniformity in the minimum wages throughout the country irrespective of the authorities notifying the wage. The Commission called this the basic minimum wage applicable for the country as a whole, and no wage should be fixed or permitted below this level. This is to be distinguished from the minimum wage which may be notified above this level under the Minimum Wages Act by different State Governments. Differences in the wages arrived at on the basis of cost of living would be accounted for only by the differences in the

comparative cost of living between various regions in the country.

In India, there is inequality in agrarian structure and increasing polarisation in Indian agriculture. It has been observed that there is a growing tendency on the part of the small and marginal farmers to sell their land holdings to big farmers. This is mainly because of the fact that though the modern technology is scale neutral, the small and marginal farmers find it difficult to adopt it due to capital scarcity. In the words of NCRL, "the new technology, being market oriented and capital intensive, has mainly favoured the big peasants, small farmers not possessing the required resource base or requisite knowledge and risk bearing capacity have lagged behind the adoption of technology. Small and marginal farmers are therefore, placed at a disadvantage vis-à-vis the big owners and sometimes economic pressures might have forced them out to join the swelling ranks of agricultural labourers."

There are various measures suggested by the NCRL to improve conditions of rural labourers.

A few important measures are listed below.

- To create and/or strengthen infrastructure of irrigation, drainage and flood control and rural electric supply as well introduction of dry farming technology, which will result in increasing agricultural productivity and employment.
- This is very necessary that employment generation programme should be undertaken to absorb the excess supply of labour for agricultural operations and in turn, it will increase the income of the agricultural labourers. Thus, enforcement of minimum wages and social security are the essential components of employment programmes.
- Agricultural labourers should be provided with house sites and homesteads not only to meet their basic need but also enable agricultural households to take up supplementary land-based activities like poultry, dairy etc.
- There is an urgent need for a Central Legislation to cover agricultural labour. This legislature should provide security of employment for agricultural labour, payment of prescribed wages and machinery for the

settlement of disputes. This legislature should also include the social security measures and welfare schemes for development of agricultural labourers.

- This commission recommends constitution of a separate department for rural labour at the Central and the State levels with the functionaries below the State level as well.
- It recommends establishment of Agricultural Labour Welfare Fund to provide assistance to women agricultural labour for maternity leave for two surviving children, old age pension at the Rs. 100 per month and death and injury compensation.
- This commission endorses the provision for enabling formation of trade unions and agricultural labourers to carry on their activities under applicable laws.



LET US KNOW

- The National Commission on Rural Labour was established in 1991 under the chairmanship of Dr. C. H. Hanumanth Rao.
- Rege Committee: Labour Investigation Committee (also known as Rege Committee) is a committee for the development of Labour Welfare in India. The formation of Rege Committee was the second most significant in India for development of labourers. It investigated the matter of employment, wages, housing safety, education, social conditions of labour and other welfare measures in details.
- The first National Commission on Labour was set up on 24th December 1966 under the Chairmanship of P.B. Gajendragadkar. The Commission submitted its report in August, 1969 after detailed examination of all aspects of labour problems, both in the organised and unorganised sectors.
- The second National Commission on Labour (NCL) was set up on 15th October 1999 under the chairmanship of Ravindra Varma which submitted its report to the then Prime Minister Atal Bihari

Vajpayee on 29 June 2002.

- **NCEUS:** National Commission for Enterprise in Unorganised Sector.



CHECK YOUR PROGRESS

Q 1: What is meant by unorganised sector?

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Q 2: Write the full form of NCEUS?

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Q 3: Write the full form of NCRL?

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Q 4: Define informal workers.

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9.6 INDUSTRIAL LABOURS

9.6.1 Definition

It refers to all those workers, who are employed in manufacturing units, i.e., the workers employed in large scale, village &small-scale industries are considered industrial labour in general sense.

9.6.2 Features of Industrial Labours

- **Low literacy:** In India majority of industrial labourers areilliterate and thus they are ignorant of information regarding emerging job market. In deed the low level of literacy is considered to be one of the major drawbacks of Indian industrial labourers.
- **Large scale absenteeism:** Absenteeism in workplace is another major problem of Indianindustrial labour.

- **Low productivity:** The productivity of industrial labour in India is very low. This is mainly due to lack of skills, training, education, poor health etc.
- **Low efficiency:** The efficiency as well effectiveness of Indian industrial labourers is also very low.
- **Poor physical and mental health:** The physical and mental health should be good to work efficiently and productively. But the lack of proper nutritious diet and living in unhygienic conditions due to poverty lead to poor physical and mental health.
- **Poverty:** Most of the Indian labourers are poor in absolute sense.
- **Lack of organisation:**The Indian industrial labourers are not united due to difference in religion, castes, creed etc.
- **Migration:** The Indian labourers are migratory in nature that means they are not restricted to any one occupation or any region. For example, the labourer migrated to industry from agriculture also go back to later in the harvesting seasons. This affects industrial production and productivity of Indian industrial labourers.
- **Lack of information:** the Indian industrial labourers are not aware of the facts and information's about the job and labour market opportunities due to their low-level educational attainment. This could lead to non-specialisation of work.
- **Superstition and religious belief:** The Indian labourers are superstitious and it adversely affects their job selection and productivity. Thus, their behaviour is not rational.
- **Ignorant of rules and regulations:** Most of the Indian industrial labourers are ignorant of rules and regulations associated with their job due to lack of proper education.
- **Lack of skills and specialisation:** Lack of skills and specialisation lead to inefficiency in production. This is an important feature of Indian industrial labour.
- **No punctuality and discipline:** In India, most of the industrial labourers are not punctual as well as discipline. They do not know to value time. As labour is one of the perishable

commodities, one worker unemployed for a day, his or her labour is lost. Thus, labour cannot be postponed, stored and accumulated for future.

- **Bad habits:** The industrial labours of India are mostly involved in bad habits like tobacco chewing, inhaling marijuana, drinking liquors etc. They are involved in unhealthy practices. As a result, their efficiency and mental discipline are badly affected.

9.7 TRADE UNION MOVEMENT IN INDIA

A trade union is described as a voluntary organization of workers formed for the purpose of promoting and protecting the interest of workers through collective action.

9.7.1 Growth of Trade Union in India

If we look at the history of trade union movement in modern industrial relation in India, the trade union of textile works of Bombay that came into existence in 1890 is the first of this kind. However, the real beginning of the trade union movement in India can be traced back towards the end of 1st world war (1914-1918) only. The formation of Madras Trade Union in 1918 immediately after the Russian revolution of 1917 was marked by an organised trade union movement in India. After this, India witnessed formation of many trade unions of which mentioned may be made to All India Trade Union Congress which was formed in 1920 followed by All India Railway Men Federation & All India Post & Telegraph Unions which were formed in 1922.

In India, S. S. Bangalee and M. Lokhande had successfully formed the trade union in the last part of nineteenth century. In the first quarter of twentieth century, the working class of India had experienced the emergence of trade union. The main motive of formation of trade union is to facilitate the rights of working class in India. With the emergence of modern Industrial development, the working class had realised the importance of trade union as a mean to avail better working

conditions, high wages, concessions etc. Thus, strikes were frequently occurred. As a result of these growing number of strikes, All India Trade Union Congress (A.I.T.U.C) was established in 1920. Protection and representation of workers' interests, maintain coordination and co-operative relations among the activities of various labour organisations were the major area of concern of A.I.T.U.C. It also took into account the unorganised areas of the country. The government of India passed the Trade Union Act in 1926.

Due to the ideological differences, the trade union splits into two parts in the last part of 1920s. The communists captured A.I.T.U.C, while moderates formed All India Trade Union Federation. Again, there was further partitions of trade union movement in the emergence of Great depression of 1930s. Before emergence of second world war some parts of trade union were re-unite but the outburst of war led to further and more severe divisions of trade union movement in India. After independence accompanied with the partition, the trade union movement faced very serious issues of growing unemployment. Thus, to protect the interest of workers, strikes held all over the India. At that time India experienced highest number of strikes which adversely affected growth of the economy. This situation ultimately led to formation of three central organisations: Indian National Trade Union Congress (INTUC), which was formed in 1947 and it was controlled by the Congress party, Hind Mazdoor Sabha (HMS), was set up in 1948 by then Praja Socialist Party and United Trade Union Congress (UTUC), was set up in 1949 by some radicalists of India. Till now the trade union movement of India is headed by these three major organisations with their differences in ideologies and policies.

9.7.2 Weaknesses of Trade Union in India

Trade union is always treated as an institution that intends to protect and serve the interests of the working classes. It has assumed an

important place in the realm of industrial relations in India since its inception in the colonial period. However, with the adoption of new economic reforms in 1991and concomitant growing tendency for contractualisation of labour has reduced its relevance in the present context. The growth of information technology also has posed a threat to the existence of trade unions in India. Some major weaknesses of trade union are explained below: limited membership, lack of unity, more than one union, weak finance, illiteracy, outside leadership, political influence etc.

- **Limited Membership:** The Trade Union in India have limited membership. Majority of the workers have not taken the membership of the union. Only 40-50 percent of the workers get membership. This tendency has made the union weak.
- **Lack of Unity:** There is no unity among the members of the trade union. They are divided and sub - divided on the basis of caste, religion, language, personal interests etc.
- **More than one Union:** In India, there exist too many trade unions. Many unions are formed within one industry. This is an unhealthy trend. This will result in inter union rivalry.
- **Weak Finance:** Low level of fund is an important factor affecting the functioning of trade union in India. As a result of insufficient finance trade union cannot undertake labour welfare and benefit schemes.
- **Illiteracy:** Majority of Indian Industrial workers are illiterates. They are unable to understand the importance of unity and unionism. They do not come forward to launch united struggle. Thus, they easily become victims of employers.
- **Outside Leadership:** Most of the unions are controlled by outsiders. They do not take those in the development of trade union nor protection of labour interest.
- **Migratory Character:** The factory workers in India are mostly controlled by some emotional sentiments. They come from villages and return to villages as soon as the work is completed.

They move from one job to another without any reason.

- **Political Influences:** In majority of cases it seems that the Indian trade unions are controlled by political parties and politicians. Most of the times, politicians victimise the workers to protect their self-interest.
- **Defective Administration:** The administration of trade unions is not efficient that hinders proper functioning of the trade union.
- **Lack of Government Interest:** The government does not take much interest in the formation and growth of trade unions. This indifferent attitude of the government is partly responsible for the slow growth of trade union movement.



LET US KNOW

- Industrial labourers refer to all those workers, who are employed in manufacturing units.
- A trade union is a voluntary organization of workers formed for the purpose of promoting & protecting the interest of workers through collective action.



CHECK YOUR PROGRESS

Q 5: What is meant by industrial labour?

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Q 6: When was trade union formed in India?

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9.8 INDUSTRIAL DISPUTES

A sound and cordial relationship between workers and employers is very important for better industrial productivity and industrial performance. But sometimes there are conflicts of interests of workers and employers

which results in disputes. An industrial dispute can be defined as cessation of work in an industrial unit when the cooperative relation between employers and employees breaks down on different issues largely issues internal to the industry. Industrial disputes mainly take the form of strikes, gheraos, lockouts etc. The onset of disputes in an industry adversely affects the productivity of the industry as a result of which total outcome of the industry gets reduced which in turn stymies GDP growth of that country.

9.8.1 Causes of Industrial Disputes

There are several causes of industrial disputes. The main reason behind this is the conflicting interests of employer and workers. The main motive of employer is the profit maximisation while the workers want maximisation of wage and salary. With change in time, there is shift in causes of disputes. For instance, before liberalisation, the main reason behind dispute was the demand for wage hike, but after liberalisation, disputes occur for recognition of trade union, betterment of service condition etc. Thus, the cause of dispute is influenced by external factors. The reason of industrial disputes can be broadly categorised into three categories: a) economic causes, b) management causes and c) political causes. The economic causes focus on wage and salary hike, allowances, retrenchment of employees etc. The managerial causes include issues like anti-labour behaviour of employers, overload, over work pressures on employees etc. The political causes are external in nature which is based mainly on political interest and agenda of political party in power. The following are some common causes of industrial disputes in India: -

- **Demand for higher wage and allowances:** The most striking cause of industrial dispute in India has been the demand for higher wages and allowances. Though the price level increases very rapidly, the increase in wage doesn't cope with the price. Thus, the increase in wage is slow.

- **Demand for bonus:** Demand for bonus is another common reason behind industrial disputes in India. Workers demand to increase their share in profits of the industry but the employers do not accept this, which results in industrial disputes among employers and employees.
- **Demand for betterment of working conditions:** With the increasing pace of globalisation, there is upliftment attitude of Indian workers which demands more conducive environment to work with. Thus, the demand for betterment of working condition is another vibrant reason of industrial disputes in India.
- **Personnel and retrenchment:** Among the causes of industrial disputes in India, personnel and retrenchment turn out to be a significant factor. It accounted about 29 percent of the total disputes during 1961-76. It was decreased to nearly 22 percent in 1981-84. Data available for the year 2015 indicates that in that year a total number of 534 (including centre and states' data) retrenchment cases were registered.
- **Non-implementation of labour laws:** Non implementation of laws formulated in favour of labour results in industrial disputes. In India, nearly 200labour laws are formulated at union and state levels. But they are very poorly implemented an enforced.
- **Conflict between employer and employee:** The basic reason behind the industrial dispute is the conflicts between the goals of employers and employee. If employers try to maximise their profit maximisation goal, the employee are certainly effected by lower wage rates, no bonus or low bonus, under provision of working conditions, over-time work etc.
- **Job security:** Job security is the most prior need of present time's worker. The job with less job security is least preferable. On onset of uncertain economic conditions (business cycle), lack of job security could be reason for industrial dispute.
- **Political factors:** Political interest also remains behind industrial dispute in India. It appears that political parties in most cases

use trade union for their own benefits and trade union works under the wings of political party. In earlier, the trade union were not much powerful to influence employers. But now-a-days, trade union acquires strength and enables to influence employers. The trade union also conscious to avail their rights by using political power. Thus, the political scenario of a nation may result in disputes among workers and employers.

- **Intra/inter union fights:** Another reason behind disputes can be the inter union as well as intra union rivalry. Now a day, there are more than one union in a single industry. The objectives of these multiple unions are not always the same. These differences lead to industrial unrest.
- **Lock outs:** A Lock out is the extreme cause of industrial disputes in India. The lockouts are declared by employers when the productivity of the workers is low, prolonged strike for fulfilment of different demands of workers, increase in competition due to liberalisation policy, higher degree of bargaining power of employers etc.

9.8.2 Settlement of Industrial Disputes

The industrial dispute is a very common phenomenon in all economies. The conflicts between the two major players of industrial sector i.e., employers and employees on various issues are not conducive for economic growth and development of an economy. Thus, a good and co-operative behaviour among employers and employees is essential requirement for preventing the industrial disputes. Therefore, many measures have been undertaken to settle industrial disputes in India. The primary objective of industrial dispute settlement is to assist all the players of industrial sectors to settle their problems without any work stoppage. Generally, there were two types of disputes settlement mechanisms: conciliation and arbitration. Conciliation (also known as mutual negotiation) is a

settlement mechanism in which settlements are done through discussions or mediation. A neutral third party is chosen to narrow down the gap between disputed parties to achieve an amicable solution. In the terminology of industrial disputes, the conciliation officer is called as "Flying Ambulance Squad." Though this seems to be an effective mechanism, it is a time-consuming process and the economy suffers the cost of delay in disputes settlement.

In the arbitration mechanism an arbitrator (a neutral member) tries to solve the industrial disputes. Arbitration can be of two types: voluntary and compulsory. In the voluntary arbitrary, a neutral or impartial third party is employed by the disputing parties to settle the disputes. In the compulsory arbitration (also known as adjudication), a third party (adjudicator)is appointed by the government to settle the industrial disputes legally. It is the ultimate legal remedy for industrial disputes settlement. It is also known as binding arbitration as the decision is final and binding. Though it is the ultimate dispute settlement mechanism when other measures like mutual negotiation or conciliation is failed, it suffers from drawbacks like undemocratic, sometimes the solution is not mutually benefitted or accepted by either party, it paves the formation of healthy trade union, it works against the unity and enlarges the differences etc. Hence, the compulsory arbitration should be used as an emergency method for settlement of industrial disputes while the conciliation is mostly preferred method of disputes settlement.

From the very beginning the government of India tried to prevent and settle the disputes resulted to industrial sector. As the industrial disputes adversely affects the economy of a country thus the government tries to resolve the issues regarding disputes as fast as possible. The deliberate govt.'s attempt started with the enactment of The Industrial disputes Act 1929 though it failed to a great extent. Again in 1947, government of India passed the Industrial Disputes Act 1947, which is implemented from 1956.Some of the major criteria are mentioned below:

- **Works committees:** Works committees are joint committees of employees and employers to ensure good relationship among them. The main objectives of such committees are to remove the frictions between employers and workers in day-to-day scenario of the factory. The government may direct establishments with 100 or more workers to maintain a good relation among employees and employers through the formation of works committees. These committees provide a forum for negotiations between employers and workers at the factory level. 546 and 870 such works committees are established in 1987 and in 1998 respectively.
- **Conciliation Officers:** The government of India appoints conciliation officer, region and industry wise. The main work of the ciliation officer is to settle the disputes and bring the employers and workers together and maintain a healthy relationship among them. If the officer is success to resolve the dispute then he/she has to the report the government about the agreements. If he/she is failed to settle the disputes, then he/she should inform about the failure and also provide the reasons behind failure and the unsuccessful steps taken by him/her.
- **Board of Conciliation:** The government forms a board of conciliation with a neutral person as a chairman and two or four persons representing the workers and employers. The main motive of this board is to resolve the industrial disputes. The board should report about its success and failure in settling the issues between the employers and workers and the steps have taken by the it to address the dispute.
- **Court of Enquiry:** When an industrial dispute is not settled by above mentioned methods then the issue is addressed to a court of enquiry. This court consists of one or more independent persons and the court investigate the industrial dispute. After that the reports should be submitted to the government. Then the case will be referred to the Industrial Tribunal for adjudication.

- **Labour Courts:** In order to consider the issues like dismissal, suspension of employees, legality of strikes, lock -outs etc, the state governments set up the labour court. The labour courts try to resolve the issues with great pace. The labour has to report the state government.
- **Industrial Tribunals:** The industrial tribunals are set up for adjudication of disputes. There are two types of tribunals: a) the state level industrial tribunal, and b) the national level industrial tribunals.

The state level industrial tribunals adjudicate disputes related to bonus, wages, profit sharing etc. these industrial dispute tribunals are headed by a person of the rank of a high court judge.

The national level industrial tribunals are appointed by the central government to resolve the disputes involve in the matter of national importance and which affect industrial establishments in more than one states.

9.9 SOCIAL SECURITY MEASURES INTRODUCED FOR THE WELFARE OF LABOURS

According to ILO (International Labour Organisation), "Social security is the protection which society provides for its members through a series of public measures against the economic and social distress resulting from sickness, maternity, employment injury, unemployment, invalidity, old age and death. These measures are also of a great importance to a country which is on the way of large-scale industrialization as they improve employee's morale by providing sense of security to them again various industrial hazards." In other words, social security is an attack on five "Giants": Want, Disease, Ignorance, Squalor and illness. Security against giant of "squalor" mean security against all those evils which come through the unplanned and unorganized growth of cities. The ultimate aim of social security measures is to provide economic and political protection against risks. Thus, the social security has vital importance in mitigating the unplanned contingencies face by the workers.

In India, social security measures were undertaken after independence social security schemes are introduced in two broad ways by: i) social insurance -under this, both employers and employees contribute regularly for benefits of employees. ii) Social Assistance - under this, the state provides certain benefits like medical facilities in govt. hospitals, free enrolment in schools etc to the people without any direct contribution.

Like other countries, India enacted many laws to provide social security to the labour. These are the Employees' State Insurance Act, the Employees' provident funds etc. the following are some of the major laws formulated by government of India as social security measures for benefits of workers.

- **Workmen's Compensation Act of 1923:** This act was enacted by the government of India in 1923 to provide compensation to the workers by the employers for industrial injuries and accidents. The amount of compensation depends on the type of injury and the salary of the worker. This covers industrial units like factories, mines, plantations, mechanically propelled vehicles, construction worker and other hazardous units. The maximum amount of compensation for death was fixed at Rs. 90,000 and for permanent disablement was Rs. 1,14,000. For partial disablement the workers are compensated at 50 percentof wages for maximum of 5 years period.
- **Employee's State Insurance Act:** This act is passed in 1948 by the government of India. The main objective is to provide compulsory and contributory health insurance to employees. The act covers the workers whose wages are below Rs. 6,500 per month. It does not take into account the armed force employees. The major benefits include:
  - **Sickness benefit:** under this head, the benefit can be availed by an insured worker for certified sickness. The benefits can be incurred through cash payment for maximum of 91 days in any continuous period of one year. The daily payment under this is calculated as half of average daily wages.
  - **Medical benefits:** medical benefits are provided to the worker claims for sickness benefits, maternity benefits or disablement benefits. It provides free medical treatment ad it can be avail if the

worker take treatment in the dispensary or hospitals run by the Employee's' State Insurance Corporation. This benefit can be availed by all the family members of the insured worker.

- **Maternity Benefit:** this benefit is to provide cash payment to the insured women worker for a period of 12 weeks. She gets benefit for 6 weeks before and 6 weeks after the delivery.
- **Disablement benefits:** This benefit is provided to the insured worker who suffers from injury, accident and occupational disease. For temporary disablement the 70 percent of the wage is paid during the periods of disablement. But the worker does not get benefit for disablement for the period less than the three years. For permanent disablement, the payment is made for worker's life and the rate of benefit is determined on the basis of the degree of disablement.
- **Dependent's benefits:** This benefit is offered to dependents of the insured worker who died of industrial accident or injury. The rate of benefit depends on the relationship between the deceased worker and the dependent. The dependents are widow, minor children and parents.
- **Funeral benefits:** the funeral benefit is provided for the expenditure of funeral of the deceased worker. This benefit is given to the eldest family member of the deceased worker.

- **Maternity Benefit Act:** This Act is enacted in 1961. Under this Act, the benefit is made to a woman for a total period of six months. She is provided benefits for 6 weeks before and six weeks after the child birth. There is no wage limit.
- **Employees' Provident Funds and Miscellaneous Provisions Act:** This Act is enacted in 1952. It covers the industrial or factories with 50 or more employees. It covers six major industries: iron and steel, textiles, engineering, cement, paper and cigarettes. This is compulsory and contributory in nature. Thus, this Act provides for provident fund, family pension and deposit linked insurance for the employees in factories and industries.

- **Death Relief Fund:** It is set up under the Employees' Provident Fund Scheme in 1964. The main motive is to provide financial assistance to the nominee/heir of the deceased worker whose wage is excess of Rs. 1000 per month at the time of death.
- **Employees' Deposit Linked Insurance Scheme:** This scheme was introduced for the members of the Employees' Provident Fund. In this scheme, the workers do not need to contribute to the insurance, only the government and employers are required to contribute.
- **The Payment of Gratuity Act:** This Act was passed in 1972. Under this, a gratuity is made to a worker on termination of his employment i.e. at retirement, retrenchment etc. In case of death of the worker, the gratuity is made to the dependents of the deceased worker. This is for the workers of mines, factories, oil fields, plantations, ports, railways, companies, shops and other establishments.
- **Employee's Pension schemes:** The governments of India introduced two types of pensions schemes- the Coal Mines Family Pension scheme and Employees' Family Pension Scheme in 1971. The main aim was to provide long-term financial support to family of a worker who met premature death. In the year 1995, Employees' Pension Scheme replaced this. Under this scheme, 50 percent pay is payable to the employees at the retirement or retrenchment on completion of 33 years of contributory service. To avail this scheme, 10 years' service is mandatory.



CHECK YOUR PROGRESS

Q 7: What is meant by social security?

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Q 8: Name five different types of social security measures available in India. .....

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9.10 PROBLEMS IN LABOUR MARKET AND SUGGESTIVE MEASURES

9.10.1 Definition of Labour Market

According to Oxford Dictionary of Economics, labour market are the processes by which workers and employers are brought into contact, and wages and conditions of work are decided. Some of these involve formal institutions: contacts between workers and employers may be arranged by employment exchanges or agencies, either public or private. Wages and conditions of work are frequently decided by negotiation between trade unions representing workers and associations representing employers. Thus, labour market is an institutionwhichbrings workers and employers into contact of each other and facilitates conditions for the determination of wages and conditions of work.

9.10.2 Problems of Labour Market

The major problems of Indian Labour Market are as follows: -

- **Unskilled labour:** The majority of Indian labour force is illiterate and unskilled. They lack proper education, vocational education, skill development programmes, training, technical know-how etc. As a result of this their employment in organised or formal sector is very much limited leaving agriculture to absorb this pool of unskilled labours.
- **Lack of absorption of skilled labour:** In India it is not only the unskilled labourers who remain unemployed but the absorption rate of educated and skilled labour force is also very poor. A huge chunk of technically educated youths after completing their technical education like engineering, vocational courses etc. are finding it difficult to get themselves absorbed in the secondary sector, resulting in the problem educated unemployment in India.

- **Surplus labour:** India is a populous country in the world next to China. Every year a large number of labours join the labour market. But due to lack of adequate job avenues, a large proportion of labours don't get jobs. The presence of surplus labour is thus a problem faced by the Indian labour market. These labourers turn out to be disguised in nature and are an important factor behind low productivity and slow growth of the Indian economy.
- **Unemployment:** As a corollary to the above, every year a large proportion of people join the labour force but due to inadequate employment avenues most of the people remain as unemployed or partially employed in the unorganised sectors. Presence of disguised unemployment, seasonal unemployment, cyclical employment, structural unemployment etcresult in low productivity and hence the low level of per capita income of Indian. Again, the presence of educated unemployment is another serious issue in this regard. Thus, unemployment has emerged as one of the most serious problems faced by the Indian labour market.
- **Trade Union activities and its political interest:** The main objective of trade union is to protect the interests of labours. It tries to promote overall development of labours. But this leads to protest of workers against employers by the means of strikes, lockouts etc. which adversely affects the production capacity of an economy by influencing the work culture in derogatory manner. Again, the agenda of different political parties also influences functioning of the trade union. Sometimes, there is conflict of ideas between the leader and the members of the work force as the later intuitively try to promote his/her ownbenefit through sacrificing welfare of millions of labours. The aggressive behaviour and unpeaceful attitude of trade union have a negative impact on the economy of India.
- **Lack of Labour Reforms:** Labour market in India is also suffering

from lack of adequate labour reforms provision. Economic reforms introduced in the country during the 1990s have changed economic scenario of the country. But the country is lagging behind in adopting necessary labour reforms as per the need in the present context.

- **Not proper utilisation of social security measures:** Social security measures are introduced in the labour market to minimise the risks associated with uncertainty in the production, unseen calamities, bad weather, demise of the labour, disease etc. the main motive of social security measures is to protect the labours from the death of poverty and low standards of living. In many countries, the security measures are introduced many years ago, but in India, social security measures are introduced just after the independence. Again, implementation of social security measure is also not up to the mark due to unsensitive behaviour of employers and weak strength of labour union.

9.10.3 Suggestive Measures

We have seen that the labour market in India has been suffering from the aforesaid serious problems. Thus, the Government should chalk out proper policy for bringing necessary reforms in the labour market for the greater interest of the country as well as for the interest of labour force (both working and non-working) in general. The following suggestions can be made in this regard.

- Expansion of educational facilities
- Encouraging internal leadership.
- Implementation of one industry, one union.
- Control of political interference.
- Strengthening of their financial position.
- Providing proper training.
- Co-operation of employers.
- Eliminationist-union rivalry.

- Reforming the structure of unions.
- Setting up of employment ventures.



CHECK YOUR PROGRESS

Q 9: What is meant by labour market?

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Q 10: Mention the problems faced by Indian labour market?

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9.11 LET US SUM UP

- Majority of Indian workers are employed in the unorganised sectors due to lack of proper education, vocational education, skill development, communication skills etc.
- Low level of education, no job security, no provision of institutional finance, workers are paid on daily basis, low wage rate, no social security measures, easy entry, low operationsetc are prevailing features of unorganised/informal sector in India.
- The Agriculture labour Enquiry Commission defines agricultural labourers as those derive their main source of income by working on farms of others for a wage.majority of unorganised workers engaged in agriculture.
- The presence of disguised employment in agriculture sector of India is responsible for lower productivity in agriculture.
- The industrial labour refers to all those workers, who are employed in manufacturing units. Low literacy, low productivity, low efficiency, poverty, lack of organisation, migration, lack of information, superstition and religious beliefs, lack of skills and specialisation, no punctuality and discipline, bad habits etc are important features of industrial labour in India.

- Conflicts of interests between employees and employers may result in industrial disputes. Lock outs, strikes etc., are different forms of industrial disputes. The emergence of disputes results in low industrial productivity in India.
- Conciliation and arbitration (voluntary and compulsory arbitration) are different methods for settlement of industrial disputes in India.
- In 1947, Government of India passed The Industrial Disputes Act 1947, which was implemented from 1956.
- Formation of work committees, conciliation board, court of enquiry, labour court, industrial tribunals, industrial truce,National Arbitration Promotion Board, conciliation officers are some of the major criteria for settlement of industrial disputes in India.
- There are various social security measures exist in India for protecting workers against economic and social adversity.
- Indian labour market is volatile, diverse, and vibrant in nature. Though today, India is the fastest growing economy, the employment generation is not adequate to absorb all the qualified young employees. This is the major problem of Indian labour market till date.
- The government of India should take actions to create job opportunities, to expand educational facilities, to provide vocational and skill development trainings,to encourage internal leadership,to implement one industry, one union, to control of political interference, to strengthen their financial position, to promote co-operation among employers, to eliminate inter -union rivalry, to reform the structure of unions, to setting up of employment venturesetc for well-functioning of Indian labour market.



9.12 FURTHER READING

1) Datt, G and Mahajan, A. (2016). Datt & Sundharam's Indian Economy. New Delhi: S. Chand & Co.
2) Dhar, P. K. (2013), "Indian Economy: Its Growing Dimensions",Kalyani Publishers, New Delhi

3) Kapila, U. (2003), "Indian Economy: Issues in Development and Planning and Sectoral Aspects", Academic Foundation, New Delhi.
4) Kapila, U. (2018), "Indian Economy Since Independence", Academic Foundation, New Delhi
5) Misra, S. K. And V.K. Puri (2000), "Indian Economy-Its Development Experience", Himalaya Publishing House, Mumbai.
6) Mukherjee, D. (2019), "Indian Economy Since Independence", NVBA, Kolkata

9.13 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: The unorganised sector is the sector which is not registered with the government. In this sector, employment terms are not fixed and regular.Further, employees do not get any social security.

Ans to Q No 2: The full form of NCEUS is National Commission for Enterprises in the Unorganised Sector.

Ans to Q No 3: The full form of NCRL is National Commission on Rural Labour.

Ans to Q No 4: The informal workers are those workers who employ whether in the formal sector or informal sector don't get any social security benefits.

Ans to Q No 5: Industrial labourers refer to all those workers, who are employed in manufacturing units.

Ans to Q No 6: The clearly registered first trade union in India was Madras Labour Union formed in 1918.

Ans to Q No 7: Social security is the protection which society provides for its members through a series of public measures against the economic and social distress resulting from sickness, maternity, employment injury, unemployment, invalidity, old age and death.

Ans to Q No 8: Five different types of social security available in India are:

i) maternity benefit ii) disablement benefit
iii) sickness benefit iv) medical benefit
v) death relief benefit.

Ans to Q No 9: Labour market is defined as an institutionwhich brings workers and employers into contact of each other and facilitates conditions for the determination of wages and conditions of work.

Ans to Q No 10: Refer to the section 12.10.2.



9.14 MODEL QUESTIONS

Very short questions (Answer each question in about 50 words)

Q 1: What do you mean by informal or unorganised sector?

Q 2: Mention one feature of informal economy.

Q 3: Define informal worker.

Q 4: When did Indian National Trade Union Congress establish?

Q 5: What is the full form of NCEUS?

Q 6: What is the full form of A.I.T.U.C?

Q 7: What do you mean by 'Adjudication'?

Q 8: What do you mean by lockouts?

Q 9: What is conciliation process in settlement of industrial disputes?

Q 10: Mention one major cause of industrial disputes.

Q 11: What do you mean by social security?

Q 12: What do you mean by trade union?

Q 13: When was the first National Commission on Labour set up?

Short Questions (Answer each question in about 150 words)

Q 1: What are the characteristics of Indian informal sector?

Q 2: What do you mean by industrial disputes?

Q 3: What are the main reasons behind industrial dispute in India?

Q 4: What is the present status of agricultural labourers in India?

Q 5: What are the methods of settlement of industrial disputes in India?

Q 6: What are social security measures for welfare of Indian labour?

Q 7: What are the problems of labour market in India?

Q 8: What do you suggest for the betterment of Indian labour market?

Q 9: What are the major recommendations of National Rural Labour Commission?

Q 10: Write short notes on:

a) National commission on rural labour

b) Trade union

c) Social security measures

Long Questions (Answer each question in about 300-500 words)

Q 1: Discuss about the present status of Indian Agricultural labourers.

Q 2: Explain the trade union movement in India.

Q 3: Explain the main causes of industrial disputes in India.

Q 4: How does the industrial disputes settle in India?

Q 5: Discuss the recommendations of National Rural Labour Commission in India.

Q 6: What are the weaknesses of the trade union in India? Explain.

Q 7: Write a note on social security measures undertaken in India for betterment of Indian labour.

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