THIRTY SEVENTH SESSION OF THE INDIAN LABOUR CONFERENCE

(New Delhi : May 18-19, 2001)

AGENDA

MINISTRY OF LABOUR
GOVERNMENT OF INDIA
NEW DELHI
# THIRTY SEVENTH SESSION OF THE INDIAN LABOUR CONFERENCE (NEW DELHI – MAY 18-19, 2001)

## AGENDA

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THIRTY SEVENTH SESSION OF
THE INDIAN LABOUR CONFERENCE
(NEW DELHI : MAY 18-19, 2001)

ITEM – I : ACTION TAKEN ON THE CONCLUSIONS OF THE THIRTY
SIXTH SESSION OF THE INDIAN LABOUR CONFERENCE

1. INDUSTRIAL SICKNESS

CONCLUSION – 1.1

There should be greater and on going efforts on the part of the
management to modernise and update technology in order to remain healthy and
competitive.

ACTION TAKEN

There is a growing awareness among the management of the need to
update technology in a fast changing world. Modernisation/upgradation of
production processes is part of the ongoing efforts to reduce costs, increase
productivity and remain competitive.

CONCLUSION – 1.2

There should be induction of managerial expertise and professionalism for
making accurate assessment of market situation and taking pre-emptive action
against industrial sickness.

ACTION TAKEN

The need for professionalising the Board of Directors of public enterprises
has been recognised by the Government since long. In March, 1992, the Deptt.
of Public Enterprises had issued detailed instructions on this subject which
stipulated that the number of full time directors should be about 50% of the actual
strength of the Board. Full time Directors who are professional experts thus
constitute a major component of the Board of Directors. Outside professional input is to come from the Non-official Directors whose number should be at least $1/3$rd of the actual strength of the Board. Non-official Directors consist of technocrats, management experts, consultants and professional managers in industry and trade with a high degree of proven ability. Selection of such Directors is made by the Search Committee in respect of Navratna/Miniratna, Public Sector Undertakings (PSUs) and jointly by the administrative Ministry, Deptt. of Public Enterprises and Public Enterprises Selection Board in respect of other PSUs.

In so far as below board level posts are concerned, the managements of the respective public enterprises enjoy autonomy in regard to appointment of personnel. The public enterprises select personnel for various posts according to job requirement of the posts. As the PSUs are presently operating in a competitive environment, each PSU is aware of the need of managing the affairs in a professional manner and appointing professional managers to man various posts.

CONCLUSION – 1.3

There should be greater accountability specially in cases of willful default and mismanagement of funds.

ACTION TAKEN

So far as proper management of funds is concerned, DPE has already issued guidelines in consultation with the Ministry of Finance on investment of surplus funds by the PSUs vide Office Memoranda dated 14.12.94, 1.11.95, 11.3.96, 2.7.96, 14.2.97 and 25.11.99.

CONCLUSION – 1.4

There should be greater transparency in restructuring of enterprises and workers should be consulted / taken into confidence during the restructuring process.
ACTION TAKEN

It has been emphasized from time to time that workers should be consulted/taken into confidence about various policies of the Government, including economic reforms, restructuring of PSUs, disinvestment, privatization etc. A meeting was held between the Prime Minister and the various Central Trade Union Organisations (CTUOs) on 12.8.2000 to discuss these issues. Another meeting was held between the Hon’ble Labour Minister and the CTUOs on 15.12.2000 to discuss various issues including privatisation and restructuring of PSUs.

CONCLUSION – 1.5

In the case of PSUs which can be rehabilitated, workers should be given incentives such as revision of pay scales if this has not been revised for several years.

ACTION TAKEN

Ministry of Labour has been emphasizing to the various administrative departments in-charge of PSUs that the rehabilitation package should be worked out in consultation with workers. If there is any scope for giving incentive to workers in terms of revision of pay scales etc., this should form a part of the rehabilitation scheme. After the revival plans are approved, the revision of pay scale etc., to employees/workers of PSUs are allowed as per the guidelines contained in Deptt. of Public Enterprises Office Memoranda dated 19.8.95, 14.1.99 and 25.6.99.

CONCLUSION – 1.6

A Restructuring Fund should be established for rehabilitation/ modernisation of PSUs. This should consist of a pool of plan funds, disinvestment proceeds, etc. These funds should be self-sustaining and "rolling" in nature.
ACTION TAKEN

This proposal is under consideration of the Government.

CONCLUSION – 1.7

There should be greater credit and marketing support for SSIs.

ACTION TAKEN

Special Task Force/Expert Groups have been set up by the Govt. to study various problems being faced by the SSI sector including those of credit and marketing support & give recommendations for improving the performance of this sector.

CONCLUSION – 1.8

There should be greater emphasis on skill training and education to meet the changing requirements of enterprises in a dynamic and competitive environment.

ACTION TAKEN

Advanced Vocational Training Scheme (AVTS) is already in operation for the skill up-gradation of industrial manpower.

- This scheme was launched in 1977 with UNDP/ILO assistance.
- The objective of the scheme is to upgrade and update the skills of serving industrial workers to specialize in the field of work.
- The scheme is implemented through 6 Advanced Training Institutes (ATIs) located at Mumbai, Chennai, Calcutta, Hyderabad, Ludhiana and Kanpur; and two Advanced Training Institutes – Electronics Process Instrumentation (ATI-EPIs) at Hyderabad and Dehradun. In addition, the training is also offered in 46 Industrial Training Institutes (ITIs) covering the length and breadth of the country.
• Training to industrial workers and technicians is provided at these institutes in a variety of advanced and sophisticated skills.

• In the 8 ATIs under DGE&T, about 3500 workers are being trained every year. Upto March, 2000, a total of 1,10,118 workers have been trained in these institutes.

• State Governments are also being requested to promote Industry-Institute interaction for Industrial Training Institutes (ITI) to upgrade skill levels and bring them more in line with the requirement of the local industry.

CONCLUSION – 1.9

BIFR should not be wound up until a better and alternative institutional mechanism is in place.

CONCLUSION – 1.10

Definition of industrial sickness should be such that this problem is identified in the early stages when remedial action is possible.

CONCLUSION – 1.11

There should be independent Operating Agencies to take a holistic view of revival instead of only a financial view.

CONCLUSION – 1.12

In case BIFR is to continue, there should be a full complement of Benches and greater professionalism and expertise among members.

CONCLUSION – 1.13

There should be greater decentralisation of the institutional mechanism for dealing with industrial sickness (Regional Benches of BIFR, State BIFRs, district and state level bodies for identifying sickness and taking remedial action, etc.)
CONCLUSION – 1.14

Closure of sick industrial units should be resorted to only when all possible options for revival have been exhausted.

CONCLUSION – 1.15

There should be a given time frame for revival and closure of sick units.

ACTION TAKEN (Conclusions - 1.9 to 1.15)

The repeal of Sick Industries Companies Act (SICA) and establishment of alternative mechanism for dealing with industrial sickness is presently under consideration of the Government. A Group of Ministers (GOM), headed by the Finance Minister, has been constituted to look into the existing short-comings of SICA and BIFR. It has been emphasized to this GOM that BIFR should not be wound up until a better alternative institutional mechanism is set up in place for tackling the problem of industrial sickness. The GOM, inter-alia, is to review the definition of industrial sickness so that the sickness is identified in the early stages when revival is possible. Greater professionalism is to be inducted for working out rehabilitation plans. Simultaneously the number of Benches for handling cases of industrial sickness are to be increased, de-centralized and strengthened. A strict time frame is to be fixed for both working out the rehabilitation plans as well as for taking decision of closure of unviable units. As a part of the suggestions to the GOM, it has also been emphasized that there should not be any restriction on recovery of workers’ dues when the company is declared sick. Furthermore, closure should be effected only when all possible options of revival have been exhausted.

CONCLUSION – 1.16

There should be augmentation of funds for the Voluntary Retirement Scheme (VRS) and the Voluntary Separation Scheme (VSS).

ACTION TAKEN

Guidelines in this regard have already been issued vide Deptt. of Public Enterprises Office Memorandum dated 5.5.2000.
CONCLUSION – 1.17

All statutory dues of workers should be paid during rehabilitation/before closure.

ACTION TAKEN

This is under consideration of GOM set up under the Deptt. of Public Enterprises.

2. WORKERS' PARTICIPATION IN INDUSTRY

Workers' Side

CONCLUSION – 2.1

Participation of workers in industry as a principle cannot be questioned. It should be implemented.

CONCLUSION – 2.2

Unions by and large are of the view that it should be brought about through legislation.

CONCLUSION – 2.3

They are in favour of workers' equity participation and profit sharing. The workers' participation should be a 3-tier participation, that is at the shop floor level, plant level and the Board level.

CONCLUSION – 2.4

The unions are of the view that the 1990 Bill should be activated in spirit, as a first step. Some of them are of the view that the Bill should go through a bilateral discussion as it is of 1990 vintage.
CONCLUSION – 2.5

All aspects of the industry and its business dynamics should come within the purview of the participative mechanism.

CONCLUSION – 2.6

One of the unions was of the view that the union having largest membership should nominate its members at different tiers.

CONCLUSION – 2.7

One of the unions was of the view that the decisions taken in different fora should be mandatory and not recommendatory.

CONCLUSION – 2.8

One of the unions expressed the view that the form, content and manner of workers' participation do not lead to any effective control by the workmen over the business processes. Therefore, a full play of workers' participation was sought.

CONCLUSION – 2.9

One of the trade unions was of the view that legislation in the field of workers' participation is not required and opposed legislation as a means of giving effect to the concept of workers' participation in industry. This union sought freedom to the workers to choose whether workers require workers' participation.

Employers' Side

CONCLUSION – 2.10

Employers also agreed on the principle of workers' participation in industry and stated that workers' cooperation and participation in industries are essential ingredients for any successful mechanism for improving efficiency.
and productivity with social justice. However, they feel that this process depends on components such as trust, faith, confidence, transparency and cooperation etc., which is a bilateral process and, therefore, workers' participation in industry should be through a voluntary mechanism and not through legislation.

CONCLUSION – 2.11

Any system that is transplanted without preparing the ground for consensus will not succeed.

CONCLUSION – 2.12

The employers are also of the view that steps for building confidence and trust among the stakeholders must begin through open communication (two way), transparency of transactions and sharing of information.

CONCLUSION – 2.13

Employers are also of the view that such a scheme could begin on a voluntary and selective basis so that the successful model can be demonstrated and replicated elsewhere.

CONCLUSION – 2.14

The confidence building measures should carry a time-frame which should be mutually acceptable to the stakeholders.

CONCLUSION – 2.15

As an example of workers' participation at Board level, it was pointed out that despite workers' participation in DCM and Banking sector for the last 25 years, the company has not done well and as such a hard look should be taken on the success and failure case studies, in this context.
ACTION TAKEN (Conclusions – 2.1 to 2.15)

The Participation of Workers in Management Bill, 1990 is already under the consideration of the Standing Committee of Parliament on Labour and Welfare. The comments of the Central Trade Union Organisations and Central Employers’ Organisations on the Bill have already been placed before the Standing Committee. Many of the concerns expressed by the CTUOs and Central Employers’ Organisations on the scheme of Workers’ Participation in Industry are already reflected in the comments of these organisations on the Bill. Certain procedural suggestions that have been made will be considered when the Rules are framed after the Bill is enacted into a legislation by the two Houses of Parliament.

3. WORKERS’ EDUCATION

CONCLUSION – 3.1

In the context of the changing economic environment, the ILC recommends that the concept of workers’ education need to be redefined and its scope, dimensions and coverage widened so as to encompass capacity building of workers in all respects.

CONCLUSION – 3.2

The ILC recommends that in view of the importance of labour education, the year 2000-2001 be declared as “Labour Education Year”.

CONCLUSION – 3.3

The ILC recommends that a national task force be constituted within ILC to study the status of labour education in the country and to suggest ways and means of enriching it.

CONCLUSION – 3.4

To widen the horizon of the workers and to expose them to the best practices in industry, the ILC recommends that Government and employers
send missions of workers to industries in different parts of the country.

CONCLUSION – 3.5

To create synergy among institutions engaged in workers’ education including National-Productivity Council, ILC recommends that these institutions be networked on a national basis.

CONCLUSION – 3.6

The ILC recommends constitution of a National Revolving Fund for labour education.

CONCLUSION – 3.7

In view of the growing participation of women workers in industry, the ILC recommends that special emphasis be laid on gender sensitivity in all labour education programmes.

CONCLUSION – 3.8

In view of the prominent role of the workers in the unorganised sector in the economic development of the country, the ILC recommends that special focus be given to education of workers in the unorganised sector.

CONCLUSION – 3.9

Sensitive to the transformation from the industrial age to the information age, ILC recommends that every effort be made to equip the workers to face the challenges of globalisation through training and education.

CONCLUSION – 3.10

To provide the children of labour quality education, the ILC recommends that State Governments set up Labour Academies as being experimented in Kerala.
ACTION TAKEN (Conclusions - 3.1 to 3.10)

The Central Board for Workers' Education has recently revised the syllabi of its various training programmes to suit the changing needs of the trade unions and industry. This has been done in the context of the changing economic environment with a view to cover the specific areas of interest and the need of the workers. In some of the training programmes of Central Board for Workers’ Education there is already a provision of study tours to facilitate the workers to have first hand information about industrial relations, productivity techniques, safety, work environment etc. The Board has also been collaborating with National Productivity Council, Safety Council, V.V. Giri National Labour Institute, Social Security Association of India etc. as and when necessity arises. The Board has been focusing on the gender sensitivity in the training programmes. The Board is also producing posters to highlight this issue. In the context of a court case relating to regularization of Rural Educators, a Committee constituted by the Ministry has given certain recommendations which aim at intensive coverage of unorganized sector through training programmes/camps at block/district level. The report of the Committee has already been discussed in the last meeting of the Governing Body of Central Board for Workers’ Education and further necessary action is being taken.

With regard to declaring 2000-2001 as Workers’ Education Year, the CBWE has already taken action. The various activities undertaken by the Board are as under:

(i) During the year, a stamp/seal with the wordings “Workers’ Education Year 2000-2001” on all the letters/envelopes was affixed.

(ii) An Essay Competition at national level on “Tasks ahead of CBWE in the next Millennium” was held. Also 13 Regional Directorates organised the same essay competition in regional languages.

(iii) At Indian Institute of Workers’ Education, Mumbai, a special One-day Tripartite Seminar on “Workers’ Education – Prospects & Retrospects” was organised. All the Regional Directorates also organised similar one day seminar.
(iv) 14 Regional Directorates conducted Elocution Competition on "Workers' Education in Retrospect/Role of Workers' Education at Enterprises of State level".

(v) Wide publicity was given through Print and Electronic Media.

So far as the setting up of Labour Academies by the State Governments on the Kerala Model is concerned, the State Governments have been requested to take necessary action.

A proposal on the upgradation of CBWE has been prepared in the Ministry and this was also discussed in the last Governing Body meeting of CBWE. Further action to hold a separate meeting to have detailed discussions on this proposal is being taken. All the recommendations of ILC regarding focus on unorganized labour, review of the programmes from the point of view of changing economic scenario etc. form part of the proposal relating to upgradation of CBWE. These issues will accordingly be studied in detail. In so far as NLI is concerned, discussions have taken place with officials from the International Training Centre at Turin (Italy) for collaboration with the Institute. Training programmes are also to be organised in collaboration with the International Training Centre, Turin. A Memorandum of Understanding between NLI and the Turin Centre is under consideration. A proposal to upgrade the Institute has also been formulated.

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ITEM – II : IMPACT OF GLOBALISATION ON INDIAN INDUSTRY,
LABOUR AND EMPLOYMENT

1. In the meeting of the SLC held on 14th February, 2001, it was suggested that the paper on impact of globalisation on Indian industry, labour and employment should be updated for a more in-depth discussion on the subject during the 37th session of the ILC. An updated and revised Note on the subject is placed at Annexure I. An attempt has been made in a supplementary Note placed at Annexure-II to collate additional information available from various studies and the latest surveys of the National Sample Survey Organisation (NSSO) which could help to map the changes that have taken place in the economy in recent years. The basic objective of this exercise is to assess the impact of globalisation on labour and employment with a view to deriving lessons for future action. However, not all the changes in the economy during the last decade or so should be attributed to globalisation.

2. Changes that have occurred in the economy represent a complex interplay of policy initiatives with the existing social and economic structures in the country. The impact of reforms may, therefore, not always be direct and may sometimes take several years to unfold. However, going by the present performance of the Indian economy some feel that the pace of reforms should be stepped up or a second wave of reforms should be launched in order to realize more substantive gains. Others are of the view that a careful and critical assessment of the reform process should take place for a better understanding of the same before proposing further policy changes. The discussion of the present agenda item is aimed at mapping the current trends in the economy so as to understand these better both in terms of achievements as well as areas of concern. The nature of the reform process may have to change in consonance
with the emerging needs of the people after assessing these needs through social dialogue and with the full involvement of the social partners.

3. Evidence collated from various sources shows that there is no uniform or unidirectional trend in the economy pointing towards universal gains from economic reforms and globalisation. There is, in fact, a cross-current of diverse trends from which it may be difficult to derive any definitive conclusions about the overall impact of these changes on labour and employment. An analysis of these trends reveals that some of the fears about the reform process may be unfounded just as some of the benefits of policy changes may be exaggerated. However, much greater analysis, research and documentation of evidence is required before arriving at any conclusive results.

4. The papers presented at Annexures I and II are a tentative attempt to put together some recent data and studies on the Indian economy that may facilitate discussion on the impact of reforms on labour and employment with a view to chalking out the agenda for future action. Some of the challenges and opportunities facing the economy have been described in paras 5.1 to 5.11 of Annexure I. Similarly, some tentative conclusions arrived at on the basis of available information may be seen at paras 10.1 to 10.4 of Annexure II.
IMPACT OF GLOBALISATION ON INDIAN INDUSTRY, LABOUR AND ECONOMY
(Note considered in the Thirty-Seventh Session of the Standing Labour Committee, duly updated and revised)

Globalization implies integration of domestic market with the international market by allowing free flow of goods and services and factors of production, viz., capital, labour, entrepreneurship, etc. across the borders of countries without restrictions. The degree / extent of such exchange varies from country to country depending on ideologies and policies pursued by the respective Governments, the prevailing international situation, the existing institutional framework / laws / agreements etc. both within and outside the country. However, just as there is no country that is completely integrated with the world economy, there is also no country that is completely isolated from the rest of the world. There is a belief that is corroborated by economic theory as well as practical experience of countries that globalization opens up windows of opportunity as well as poses challenges / threats, which, if tackled appropriately, result in enhanced general welfare of the people.

Impact of Globalisation on Developing Countries

1.1 There are two divergent views about the impact of globalisation on developing economies. One view is that wider access to markets of developed countries, inflow of advanced technology and foreign investments will create more job opportunities and fuel growth in developing countries. Taking advantage of cheap labour in developing countries, manufacturing activities will decline in developed countries and shift to developing nations. However, in the short run, there is likely to be a severe increase in the competitive environment within the third world economies resulting to some extent in loss of employment as firms try to restructure to meet this challenge. This is expected to last only for a short while, and in the long term there is expected to be increase in economic growth with expansion and intensification of manufacturing activities in the developing world. As the global economy gets larger, it is also expected that
there would be decentralization of activities with economies of scale giving way to economies of scope, speed and flexibility of response. Developing countries can take advantage of the telecommunication revolution to eliminate the disadvantages of being in the periphery.

1.2 The opposite view, however, is that globalisation will tend to perpetuate the continued exploitation of poor developing economies by rich countries and large multinational corporations. The investment in developing economies by developed economies will be neutralized by an outflow of profit, degradation of natural resources, exploitation of bio-diversity and traditional knowledge and life forms. When investment ceases to be financially / commercially viable, foreign investments / multinationals will move from one place to the next best place. Thus it is apprehended that globalisation will force developing nations to compete with one another and lead to erosion of living standards as poor economies strive to make their nations more attractive to global funds seeking low cost production havens.

1.3 Some of the perceived dangers of globalisation include inequalities in income distribution that persist despite following the policies of trade liberalization. There are also inequities in interchange of factors of production. Whereas capital can flow freely from developed to developing country, there are restrictions on flow of labour from developing to developed countries. There are also instances of developed countries restricting trade from developing countries by imposing Sanitary and Phyto-Sanitary (SPS) Measures and Technical Barriers to Trade (TBT).

1.4 However appropriate changes in national policies and good governance will help the developing countries to take advantage of the opportunities of globalisation and prevent its negative impacts. Globalisation may affect the economy of a country in basically two ways: (i) through an increase in foreign direct investment (FDI) and (ii) through changes in the national economic policy as result of pressure of world financial institutions or international markets. FDI alone is not as relevant as the internal factor in the economy which determines the utilisation of such investment. This is governed by education quality, technology policy, human resource development etc. Thus, it is the internal
management of FDI that is of key importance for developing countries. We can exploit the global opportunities and avoid marginalization with the development of physical and social infrastructure, financial institutions and labour markets. Developing countries with liberal trade regimes which have taken care of their physical and social infrastructure have benefited from globalisation.

Impact of Globalisation on Indian Economy

2. The extent of integration of the Indian economy with the rest of the world is at best modest compared to most countries of the world. India's trade forms around 20 per cent of its GDP and less than one per cent of the total world trade. The total FDI is barely 0.33 percent of GDP. Impact of policy changes that have been effected has to be viewed in the above context.

2.1 The details of the trends in the Indian economy during the nineties are highlighted at Annexure-II. However, some of the notable features of this change are as follows:

- The average annual growth rate in the post-reforms period was some what higher compared with the eighties. Average annual growth rate exceeding 6 per cent has been sustained during the nineties (Table-I). India is now one of the ten fastest growing economies of the world.

- Annual inflow of foreign investment in India increased from hardly US $ 100 million on an average in the 1980s to US $ 5181 million in 1999-2000.

- As per NSSO data, the incidence of poverty expressed as percentage of people below the poverty line declined from 55 per cent in 1973-74 to 39 per cent in 1987-88, 36 per cent in 1993-94 and 26 per cent in 1999-2000. (Table-7)

- The average annual growth rate of overall employment (both organized and unorganized sectors) after continuously declining from 2.8% in 1972-1978 to 1.8% in 1983-1988, increased to 2.4% in the period 1987-1994, but then declined to around 1 percent in 1999-2000. There was also a
sharp decline in the growth of labour force in 1999-2000 as a result of which the rate of unemployment did increased marginally. (Table-3)

- There was generally a declining trend of the rate of inflation in terms of the Wholesale Price Index (WPI) and the Consumer Price Index (CPI) for industrial workers. Structural changes in the Indian economy among with trade liberalizations and tariff reductions over the last decade have narrowed down the differentials between domestic inflation and international inflation.

Challenges before the Indian Industry

3.1 The biggest challenge before industry is to re-orient itself. High tariff barriers and/or non-tariff walls like import licensing etc. are no longer sustainable. Neither can industry continue to depend on the subsidies and doles to earn a profit. The earlier regime of import substitution at any cost is over. Indian industry will now have to benchmark itself against the best in the world. There is no enduring alternative to Indian industry but to gear itself to raise its efficiency and competitiveness to meet the international competition even in the domestic markets.

3.2 Two areas, which need special attention of our industry, are quality consciousness and the observance of environmental, health, safety and technical standards of the industrial countries. Indian industry as a whole may have to establish an image for quality, credibility and reliability in external markets. In a way, the pressure of competition in the domestic market may help the Indian industry to enhance its level of quality. However, total quality management in the entire set up of an organization will have to become a basic plank of corporate commitment. The building up of Indian brand names overseas in the near or distant future will hinge upon the determination of the industry to make a quantum jump in its quality and design standards.

3.3 As regards environmental, health, safety and technical standards, it must be noted that the environmental standards may become more stringent for a number of reasons. First is the increasing pressure on the Governments by green lobbies. Second, the technology required for complying with such
standards, including capital equipment, know-how and materials, resides with the enterprises of the industrial countries. There is, therefore, considerable scope for them to sell such technologies in the emerging markets of the developing world which seek to export goods to the developed countries. Pragmatism demands that Indian industry should concentrate its efforts on keeping abreast of the emerging standards and acquiring or developing technologies (including capital equipment, know-how, materials, etc.) to comply with them.

3.4 Indian industry is being increasingly subjected to anti-dumping duties and countervailing measures by the some countries. The application of anti-dumping duties and countervailing duties is at times not in consonance with the spirit of the agreements signed at the WTO. India may also have to enhance its institutional set up of speedily levying anti-dumping and countervailing duties on certain products from abroad.

3.5 Research into productivity has shown that more than fifty percent of the increase in productivity can be attributed to technological progress and innovation. Innovation has become essential for retaining the competitive edge. Acquiring technological know-how and its absorption by industry will hold the key to future growth. Technology is increasingly becoming a dominant force behind international competitiveness.

3.6 The availability of high quality, fairly priced and adequate infrastructure such as power, transport, telecommunications, ports and airports etc. is absolutely essential to enable Indian industry to meet competition and achieve substantial export growth. It needs to be emphasized that policies should be framed and implemented vigorously to encourage private investment, both Indian and foreign, in the infrastructure sector and to raise the level of efficiency of the public sector entities in the infrastructure sector. For a long time to come, the public sector enterprises would have a substantial role in this sector and the raising of the level of their efficiency is, therefore, as important as the encouragement of private sector investment in this field. Till this is achieved, a part of the tariff protection given to the Indian industry could indeed be a
protection given to them against the higher costs (including the unreliability costs) of the infrastructure facilities in the country.

Trends in Employment, Labour Market and Wages

4.1 Estimates derived on the basis of the data of the National Sample Survey Organisation’s (NSSO) indicate that the annual average growth rate of total employment during 1987-88 to 1993-94 increased to 2.37 per cent as compared to 1.77 per cent recorded during 1983 to 1987-88. However, it grew by around 1 per cent during 1993-94 and 1999-2000 as a result of notable deceleration in growth of labour force.

4.2 An analysis of the structure of employment in terms of the formal and informal sectors reveal that there has been a decline in the percentage of formal sector employment in the 1990s. The share of informal segment of the workforce has increased over a time from 90.1 per cent in 1987-1988 to 91.1 per cent by 1993-1994 and 92.2 per cent in 1999-2000.

4.3 In the last two decades there has been a consistent decline in the shares of both regular employment as well as of self-employment whereas there is a gradual increase in the proportion of casual workers, whose share has increased from 23 per cent in 1972-73 to almost 33 per cent by 1999-2000. This indicates that the incremental workforce is getting absorbed more as casual labour.

4.4 The reported rise in the share of casual workers is not necessarily disadvantageous if wage rates received by them ensure an adequate level of living. The NSS data on wage earnings of casual labourers have indicated that the average wage earnings of rural casual labourers have risen over time. Details of increase in real wages and labour productively are given in the Note at Annexure-II (para-7).

4.5 Subcontracting is another element in restructuring which influences employment. Reduction in tariff rates for the import of capital machinery has accentuated the flow of capital-intensive technology in the 1990s. These advanced technologies permit large scale quality control in one unit and contracting out of production to ancillary units. There is a fear that
subcontracting may result in evasion of labour laws, minimization of labour costs and enhancement of managerial control over the labour process by dividing the labour market of 'big' firms into non-union markets of 'small' firms etc. The increased use of subcontracting by large firms – both in the private and public sectors – has an effect of reducing the manpower requirements in the organized sector; and correspondingly increasing the demand for labour in the small/ancillary units in the informal sector.

4.6 Another discernible trend is the decline in the growth of public sector employment which came down from 2.17 per cent during the period 1983-84 to 1988-89 to 0.03 per cent during 1991-2000. The decline in the rate of growth of public sector employment could be attributed to: (i) The restructuring programmes of the public sector and (ii) imposition of a ban on recruitment in many State Departments/Institutions as a part of the 'economy drive' to reduce government expenditure.

Challenges And Opportunities – Agenda For The Future And Issues For Discussion

5.1 Despite measures to liberalise and open up the economy India still remains a largely closed economy with a low share of world trade and foreign direct investment. The tariff levels continue to be high by world standards. In fact, as a result of slow pace of domestic reforms infrastructure constraints continue to exist inhibiting trade and investment flows. However, it is clear that the process of reforms will continue though the nature and pace of its implementation may change with time. The basic question which needs to be addressed in this meeting of the ILC is what steps should be taken by each of the three social partners to counter the threats of globalisation while at the same time capitalizing on the opportunities that present themselves as a result of opening up of the economy.

Employment Growth and Quality Of Jobs

5.2 First and foremost is the apprehension / perceived threat to employment from globalisation. It is believed that a strategy of export-oriented industrialization would provide a solution to the problem of unemployment and
under-employment by accelerating the rate of economic growth and by stimulating growth of relatively employment intensive sectors. Using the data of the NSSO one finds that the rate of growth of employment during the eighties was not significantly lower than that during the nineties. In fact, employment growth has managed to keep pace with the growth of labour force which has increased at a higher rate compared to the previous decades given the present demographic composition of the population. There, however, appears to be a decline in the employment elasticity at the macro level. Thus, with acceleration in economic growth as a result of reforms, employment opportunities may not have grown in all sectors uniformly. The decline in the rate of growth of labour force and employment as revealed by the 55th Round of NSS Survey could also emerge as an area of concern.

5.3 In addition to the slowing down of rate of growth of employment is the concern about the quality of employment / employment conditions and whether these have also remained the same during the process of globalisation. It is believed that the quality of employment will improve as labour force moves from low productivity employment to high productivity employment. In India this transition has at best been very slow. Labour productivity in agriculture has remained low along with the wages and the gap between productivity / wages in agricultural and non-agricultural sectors may, therefore, have widened. In fact the share of casual wage employment in total employment has shown a tendency to increase whereas share of self employment and regular wage employment has shown a declining trend. However, the level of unemployment remained fairly stable and there were positive trends in some areas. There is also some evidence to show that the incidence of child labour declined quite significantly. There was a growth in real wages of casual labour and decline in the incidence of poverty. The quality of jobs at the lowest level may, therefore, have improved. At the aggregate level, however, the quality of employment may not have improved in the face of increase in the share of low quality employment in total employment. However, a complete picture regarding the net impact of the above-mentioned changes on the quality of jobs can only emerge after a study of time disposition of work and earnings from work. Some evidence of
changes in real wages and labour productivity based on the 55th Round of the NSS can be seen at Annexure-II (para 7).

5.4 The crux of the problem seems to be the slow growth in organized sector employment. It has often been mentioned that job security regulations and the existing wage system could have been the major hindrances in growth of employment in this sector and that the job security regulations make labour adjustments difficult and expensive. This could have also contributed to adoption of capital intensive technologies at the margin in the organized sector. Hence there is a demand for reforms in labour laws. There is a view point that job security should be replaced by income security and wages could be made responsive to changes in productivity and profitability. It is for consideration whether the practices of outsourcing / sub-contracting, etc., should be made a part of this flexible system with concomitant social security measures for the organized sector to sharpen its competitive edge in the world market.

Labour Reforms

5.5 Many of the labour laws were framed even before the Independence of this country. The Government is already in the process of amending the Contract Labour Act, the Industrial Disputes Act and other labour laws. The second National Labour Commission has been set up to suggest rationalization of labour laws within a given time frame. The members of ILC may like to give their views on how labour reforms can be brought about speedily and effectively with a view to improving the competitiveness of the Indian economy so that it is not left behind other countries in the years to come.

Removal of Quantitative Restrictions (QRs)

5.6 There is a perceived challenge to the Indian economy resulting from removal of quantitative restrictions (QRs) by April 2001. However, being a member of the WTO the country has to abide by the agreements entered into in this international forum and the decision of the Dispute Settlement Mechanism. Custom duty protection in India remains one of the highest in the world. This may have to decline further if tariffs are re-negotiated in the WTO. In this
scenario industries will need to concentrate on improving efficiency and relying less upon protection through policy changes. Policy changes, though possible, may have to be WTO compatible. Recent trends in the import-export scenario have been described in Annexure II (para 2).

**Safety Net**

5.7 It is inevitable that those industries that cannot compete may have to close down to allow flow of investment to those industries which have a comparative advantage. Hence, whereas some may lose jobs others may gain in terms of better work opportunities. However, for those who become jobless there is a need for building a credible safety net which is effective as well as sustainable. Presently, Government is funding the Voluntary Separation Scheme /Voluntary Retirement Scheme for employees of PSUs entirely from its own resources. There is a need to consider extending the safety net measures to the private organised sector and the unorganised sector through contributions of the management and the workers. Funds created in this manner could be managed with the cooperation of workers and management alike. There may also be a need to move away from lump-sum payments to monthly payments that can be sustained over a longer period of time. Furthermore, the concept of safety net could be expanded to include besides income support also health cover, unemployment insurance, etc. The ILC could give its views on what should be the scope, content, form and coverage of such a safety net and how it could be funded and managed.

**Labour Standards**

5.8 An equally important issue is one of labour standards. India along with some other developing countries has been opposing imposition of uniform labour standards and linkage of social standards with trade. Though this stand is appropriate for the time being, over the long run labour standards need to improve in developing countries including India. This can be done only when the existing inequities in world trade system are removed. In addition social welfare legislations may have to be further strengthened and health, safety and work norms may have to be upgraded. Simultaneously, while the existing labour laws
may be amended to make them more relevant to the times, there is an equally important need for enforcing the new and existing legislations rigorously so that there is no erosion in labour standards. Both the management as well as the workers’ unions have an added responsibility in this regard. It is worth recalling here that out of the eight core conventions adopted by the ILO enshrining the fundamental principles and rights, we have so far ratified four. The process of review of our laws, regulations and practices and consultation with social partners with a view to ratify the remaining core conventions, while living upto the ethos and culture of tripartism, is continuing.

Training and Skill Upgradation

5.9 Finally, globalisation does not only require measures to counteract threats to the workers but positive and proactive steps to sharpen the competitive edge of the economy in the coming years. Training and upgradation of skills plays a very important role in this regard. Low quality of jobs and low productivity is directly attributable to low level of skills. Significant increase in the labour force having low education standards and poor skills poses a serious challenge to integration of the labour force in the world economy and to improvement in labour standards. There is overwhelming evidence that whereas educated and skilled workers are generally able to derive some benefits of new opportunities as a result of globalisation, it is the uneducated and the unskilled workers on whom the burden of restructuring falls. Designing appropriate training system is, therefore, an important means to deal with labour market instabilities like underemployment, skill mismatch and redundancy.

5.10 Agri-business, small scale business activities, road transport, communication services, information technology services, construction and related services, financial services, tourism and hospitality industry, etc. are some of the areas identified with growth potential. In fact the services sector is going to emerge as the largest additional employment generating sector in the future. The workforce has to be equipped with necessary skills to meet the demand of these sectors. It is important to recognise that training of workers with a view to preparing them to meet changing skill requirements is an important way to minimise redundancies during the period of reforms. However, besides
the Government the private sector and the management have an equally important role to play in this regard.

5.11 Identifying good practices from contemporary training systems prevailing in other parts of the world, especially from south and south east Asia, may provide a valuable input in designing future policies on training. The Korean experience shows that an effective means of financing training was to levy a training tax on enterprises. In Singapore the Government has played a leading role in determining the direction the economy should take and has collaborated with the private sector in setting up a Skill Development Fund (SDF) with the objective of upgrading the skills of workers to minimise the labour displacing effect of technological change. Malaysia also has a large vocational training fund to which enterprises contribute.
Recent Trends in the Economy

1. Growth of the Economy:

1.1 During the protectionist regime in the sixties and the seventies the average rate of growth of the Indian economy did not exceed 3.5 per cent. The growth of the Indian economy has accelerated since then. The average annual growth rate of GDP rose to 5.8% between 1980-81 and 1990-91 and further to 6.4% between 1991-92 and 1999-2000 (Table 1). The real GDP growth rate in 2000-01 is estimated at 6%, showing a marginal deceleration from 6.4% growth rate achieved in 1999-2000. Despite this deceleration, India has the distinction of being one of the fastest growing economies in the world. The fact that the average annual rate of growth of the economy could be sustained at a level exceeding 6 per cent is partly attributable to policies pursued during the nineties.

1.2 The overall industrial growth during the reform period does not show any marked acceleration but is characterised by cyclical fluctuations with the peak level of industrial growth of 13% being achieved in 1995-96. Subsequently, the industrial growth has been around 6.5%. It has further decelerated to 5.1 percent during 2000-2001 (April-February) (Table 2). According to the use-based classification, mixed trends were observed in industrial growth with consumer goods (both durables and non-durables) showing an uptrend whereas growth of basic, capital and intermediate goods remained low.

1.3 When the industrial growth rate during the nineties is compared with the eighties, the following trends can be observed:

- The average growth rate of Industrial sector measured by the index of Industrial Production during the period 1992-93 to 1999-2000 was lower than that observed during the period 1980-81 to 1991-92. The growth rate was lower in all the three sectors, i.e. manufacturing, mining and electricity.

- In terms of use-based classification also there was a lower rate in basic and capital goods.
However, the GDP from manufacturing sector at constant prices showed higher growth rates during the period 1992-93 to 1999-2000 when compared to the period 1980-81 to 1991-92 at the aggregate (total) level and amongst both registered and unregistered segments.

1.4 The factors responsible for the slowdown of industrial growth during the last few years include lack of domestic demand for intermediate goods, low inventory demand for capital goods, high oil prices, existence of excess capacity in some sectors, business cycle, inherent adjustment lags in industrial restructuring and infrastructure constraints particularly in power, road and transport and a high interest rate environment due to continued high fiscal deficit. There is, however, no documented evidence to show that deceleration in industrial output is on account of rising imports/globalisation.

2. Imports, Exports and Quantitative Restrictions:

2.1 The average annual growth rate of imports between 1992-93 and 1999-2000 was 13.4 per cent which was higher than the average annual growth rate of 8.5 per cent between 1980-81 and 1991-92. Provisional import data from Directorate General of Commercial Intelligence and Statistics (DGCI&S) now available for the entire financial year 2000-2001 indicates that the imports grew by merely 0.27 per cent despite a 62.29 per cent surge in oil imports. This, however, does not imply that the impact of decelerating imports is felt uniformly by all the industries. Certain industries/units engaged in the manufacture of dry cells, toys, shoes, and certain consumers durables are finding it difficult to face the onslaught of foreign competition.

2.2 While imports from specific countries, like China, have increased, India’s exports to these countries have risen faster. Exports in 2000-2001 exhibited a sharp turn around with the growth rate of US dollar value of 20%. These figures exclude software exports. This growth has been achieved despite slow – down in the U.S. and the Japanese economies which are important trading partners of India. The long term trend in exports shows that the annual average growth between 1992-93 to 1999-2000 was 10 per cent compared with 7.6 per cent between 1980-81 and 1991-92.
2.3 Apprehensions have been expressed that the removal of Quantitative Restrictions (QRs) have resulted in a surge and dumping of imports into the country, specially from China, Nepal and certain East Asian countries, adversely affecting the domestic industry. QRs on 488 tariff lines were lifted during 1996-97. Subsequently QRs were removed on 132, 391 and 894 tariff lines during the next three years. Another 714 and 715 items have been removed from QRs in April 2000 and April 2001 respectively. However, data does not reflect any surge in imports as a result of lifting of QRs. In fact there has been a marked deceleration in imports during 1999-2000 as mentioned above.

3. Small Scale Sector:

3.1 During 1999-2000, the SSI sector recorded production growth of 8.23 percent over the previous year which was higher than the growth rate of industrial sector as a whole. In fact, growth of employment in this sector at more than 3 per cent per annum during the nineties has been much higher than the average rate of employment growth in the economy. However, in recent years, there is a trend of deceleration of both output growth as well as employment growth.

3.2 According to data compiled by the RBI, there were 3.06 lakh sick SSI units as on 31st March, 1999. Of these only 18,692 units were considered potentially viable by the banks with their outstanding back credit amounting to Rs.377 crore. The banks have identified 271,193 units with outstanding bank credit amounting to Rs.3,746 crore as non-viable.

3.3 There is no data on closure of small scale units. Going by data on production at constant prices and employment, there appears to be a deceleration of growth in this sector in recent years reflecting that some units are not in a position to compete. The policy of de-reservation of reserved items in the small scale sector aims to address this problem and make Indian industry more competitive in the world market. However, the existing competitive units in the SSI sector remain a source of strength for the economy contributing nearly 40 percent of India's exports and providing employment to millions.
4. Reforms in the Public Sector:

4.1 Out of roughly 235 Public sector units, nearly 100 are loss making units and 74 are with the BIFR. There is a viewpoint that Government with its elaborate bureaucratic structure, multiple layers of accountability and complex cross checks is not suited to conducting commercial operations and taking risks in a rapidly changing market. Delays currently inherent in the BIFR process have further constrained quick re-organization of sick companies, thus aggravating the problem. In these circumstances, the main elements of reforms in public sector enterprises relate to the following:-

- Bringing down Government equity in all non-strategic PSUs to 26 per cent or lower, if necessary.
- Restructuring and reviving potentially viable PSUs.
- Closing down PSUs which cannot be revived.
- Fully protecting the interest of workers.

4.2 It is recognized that CPSUs should be strengthened to compete in the new economic environment where global competition is a reality. Financial and business restructuring plans for a number of PSUs including SAIL and HMT have been approved. Since 1998 financial restructuring support was given to viable and potentially viable PSUs amounting to more than Rs.13,000 crore. However, not all PSUs can be revived. Government has decided to close down unviable PSUs. Before closing down or restructuring the PSUs, it is the policy of the Government to offer a Voluntary Separation Scheme (VSS)/Voluntary Retirement Scheme (VRS) to the workers. The compensation given to workers under these schemes is much higher than what is admissible as retrenchment compensation under the Industrial Disputes Act, 1947. A total of around 2.6 lakh workers have voluntarily opted for these schemes since their inception.

4.3 In order to concentrate on its key functions, the Government has decided to transfer non-strategic PSUs to the private sector. The resources thus generated would then be used in the social and infrastructure sectors. In order to streamline the process for privatization, the approach to disinvestment, has shifted from sale of small lots of shares to strategic sales of blocks of shares to
strategic investors. However, only two PSUs have been privatized so far. Care has been taken to protect the interest of workers at the time of disinvestment. No worker has so far been retrenched as a result of sale of share of PSUs.

5. Lay-off, Retrenchment and Closure:

5.1 Data on lay-off, retrenchment and closure as reported by the Labour Bureau do not show any increasing trend during the nineties as compared to the previous years. Workers affected as a result of lay-off, retrenchment and closure are higher in the State sphere than in the Central sphere. The Central sphere consists almost entirely of Public Sector establishments where the number of lay-off, retrenchments and closures have been lower.

6. Trends in Employment and Unemployment:

6.1 The National Sample Survey Organisation (NSSO), which provides estimates of the rate of unemployment, indicates decline in the unemployment rate from 1978 onwards in terms of the Usual Principal Status, Current Weekly Status and Current Daily Status (Table 3). Employment on the basis of Usual Principal Status on the other hand has grown from 240 million in 1978 to 269 million in 1983, 291 million in 1988, 335 in 1994 and 362 million (provisional) in 2000 at a rate which has generally been higher than the growth of labour force. However, based on the latest information available in the 55th Round of NSS, there appears to be a lower growth in employment and a notable decline in the Worker Participation Rates in all age groups and population segments resulting in a slower growth of workforce relative to the growth of population. It appears from this data that not only has the rate of employment slowed down but fewer people are opting for work, specially in the age group of 15-25 years. It is also notable that the elasticity of employment has shown a declining trend. In other words, for the same rate of growth of output, lesser jobs are being created. This reflects both increasing capital intensity of production and rising labour productivity.

6.2 Distribution of employment by category of employment has undergone significant changes during the last 20 years. The trend reveals an increase in the share of casual workers and decline in the share of self-employment with very marginal change in the share of regular salaried employment (Table 4).
6.3 Data also shows that share of employment in primary sector has declined whereas it has grown in the secondary and the tertiary sectors. Hence in the post liberalization phase there has been a movement of labour out of agriculture not only within rural areas but also migration to urban areas. Sector-wise share of employment is given in Table 5.

6.4 The organized sector accounts for around 8 per cent of the total employment in the country. In recent years, the share of organized sector employment in total employment has declined. The share of public sector employment in total organized sector employment has also been declining. During the 1990s whatever little growth there was in the organized sector employment, was due to the growth of jobs in the private sector. This is in contrast to the employment situation during the eighties when employment grew much faster in the public sector compared to the private sector.

6.5 The education profile of workforce has improved over the years with the share of illiterate and those who are literate up to primary level declining from 85.6% in 1977-78 to 72.6% in 1993-94. During the same period, the share of educated has gone up among the unemployed as well as employed implying there by that growth of the educated employed as well as educated in the labour force is growing faster than the overall growth in labour force and employment (Table 6). The latest Round of the NSS shows a significant rise in student-population ratios.

6.6 No conclusive evidence about the quality of employment can be derived from the above trends. Whereas deceleration in public sector employment and increasing casualisation of workforce are indicative of lessening of job security in the labour market, this could be compensated by improvement in the educational standard of the workforce giving them entitlement to remunerative jobs. Movement of labour from the primary to the secondary and the tertiary sectors is also expected to be beneficial to workers provided the higher wages and productivity levels in these sectors compensate for the loss of job security and social safety net provided by rural communities and extended families in these areas to workers engaged in primary sector activities.
7. Trends in Wages and Productivity:

7.1 There is evidence to indicate that both real wages and productivity of labour has registered an increase during the nineties. This growth is not confined only to certain isolated segments of the workforce but is across the board and even for casual workers. The NSSO data of wage earning of casual labourers has indicated rise in real wages in rural areas between 1977-78 and 1987-88. The tendency towards rise in real wages of casual labourers has continued between 1987-88 and 1993-94 and between 1993-94 and 1999-2000.

7.2 According to estimates made by K. Sundaram based on data of the 55th and 50th Rounds (1999-2000) of the NSSO, the average daily earnings of adult casual labourers in rural areas increased by 3.59 percent per annum for males and 3.19 percent for females between 1993-94 and 1999-2000. The average real wage earnings per day received by adult casual wage labourers in urban areas increased by 2.94 percent for males and 3.91 per cent for females during the same period.

7.3 There is evidence from other sources of data, like the Annual Survey of Industries (ASI) data for manufacturing sector, of a similar increase in real wages of workers. At a still more specific level, growth of emoluments of public sector employees also shows an uptrend. It has been estimated that the average emoluments of PSU workers went up by nearly 20 percent during 1999-2000 and the average annual per capita emolument was Rs.1.77 lakh.

7.4 Along with growth of real wages, there appears to have been an overall growth of productivity of workers. There has been a decline in proportion of illiterate workers in the workforce and an increase in the general education level of workers (Table 6) which could have contributed to growth in labour productivity.

7.5 Once again going by the estimates of Sundaram, the Gross Value Addition (GVA) per worker, for the economy as a whole, grew at a compound rate of over 6 percent per annum in real terms between 1993-94 and 1999-2000. In the agriculture (and allied activities) sector, which employs 60 percent of the
workforce or around 235 million workers, it increased by a little over 3.3 percent per annum in real terms.

7.6 Apart from agriculture, the three largest employing sectors are Manufacturing (44 million), Trade, Hotels and Restaurants (41 million) and Community, Social and Personal Services (33 million). In these three sectors, average labour productivity measured by GVA per worker increased at an annual compound rate of 6.1, 2.8, and 10.1 percent, respectively. Among the only two other sectors employing close to or above 15 million workers, namely Construction (17.4 million workers) and Transport, Storage and Communication (14.6 million workers), the GVA per worker virtually stagnated. In the two other infrastructure sectors (Electricity, Gas and Water) and Finance, Insurance and Business services, labour productivity grew at 12.2 and 6.3 percent per annum, respectively.

8. Poverty Estimates:

8.1 The overall increase in real wages and productivity is consistent with the reduction in poverty noticed during the 1990s. The consumer expenditure data of the 55th Round on a 30 day recall basis yields a poverty ratio of 27.09% in rural areas, 23.62% in urban areas and 26.10 for the country as a whole in 1999-2000. The corresponding figures from the 7 days recall period are 24.02 in rural areas, 21.59% in urban areas and 23.33% for the country as a whole.

8.2 Poverty estimates for the year 1973-74, 1977-78, 1983, 1987-88, 1993-94 and 1999-2000 shown in Table-7 indicate a definite declining trend in poverty ratios. Though the estimates of poverty in 1999-2000 may not be strictly comparable with the earlier estimates of poverty on account of difference in methodology for collecting data, the decline of more than 10 percentage points in poverty ratio gives some reason to believe that the general living standards of the workers may have improved along with the rest of the population despite a deceleration in the rate of growth of employment.

8.3 The above trends are further corroborated by the Market Information Survey of Households (MISH) of the National Council for Applied Economic Research (NCAER). An independent estimate of poverty, made by Deepak Lal,
Rakesh Mohan and I. Natarajan\(^1\) on the basis of MISH, indicates a more rapid reduction in poverty ratio compared to the official estimates made by the Planning Commission.

8.4 According to these estimates, the poverty ratio at the all India level declined from 38.86 percent in 1987-88 to 16.52 percent in 1997-98. It is claimed that the estimates of decline in poverty ratio made on the basis of MISH are more compatible with available data on growth of consumption of consumer durables, such as TV, tape recorder, electric fans, bi-cycle, two-wheeler as well as non-durable items, such as textiles, edible oils, footwear, etc.

9. Growth in Inequality:

9.1 Though aggregate data on poverty reduction may be construed by some to be an achievement of the reform process, at a more disaggregate level deprivation and income inequalities may have grown reflecting the uneven impact of growth on different sections of the population.

9.2 In the case of India, there has been an overall decline in employment elasticity of output which reflects the more capital intensive nature of the growth process. This decline is more pronounced in the secondary and tertiary sectors. According to the study made by R. Nagarajan\(^2\), the rural (nominal) per capita income as a proportion of urban per capita income has also declined. A similar comparison of (nominal) per capita income in the organized and unorganized sector shows that per capita Net Domestic Product (NDP) in the unorganized sector as a proportion of per capita NDP in the organized sector has also gone down. Income distribution across States shows that inequality measured by the co-efficient variation in per capita State Domestic Product (SDP) has nearly doubled since 1970-71. The divergence in per capita income between the top three and bottom three States has also widened sharply since mid 1980s. The distribution of value added between wages and profits in the private corporate sector also shows growing disparities in distribution between workers and
entrepreneurs. Hence, there is some crude evidence from the above study to show that growth has favoured urban India, organized sector, richer States and property owners as against rural India, unorganized sector, poorer States and wage earners. The period of growth during the 80s and 90s may, therefore, have also been the period of growing inequalities which are not reflected in the overall performance of the economy nor in the overall employment/unemployment statistics and general productivity data.

10. Summing up:

10.1 Information collected and compiled for this paper from various sources indicate that there have been some positive changes in the economy since the initiation of the process of reforms and globalisation. The growth of the economy has been sustained at around 6 per cent, growth of exports has accelerated, the Balance of Payments situation is comfortable and the rate of employment has more or less kept pace with the growth of labour force. The unorganized sector, which employs more than 90 per cent of the workforce, has experienced a much faster rate of growth of employment as compared with the organized sector. There has been a perceptible growth of average real wage earnings of workers and labour productivity at the aggregate level. The growth of real wage earnings is not confined to only a few segments of the workforce but is also experienced by both male and female casual labourers in urban and rural areas. These trends harmonize well with estimates of poverty derived from NSSO data as well as the NCEAR data both of which show a distinct declining trend in poverty at the aggregate all-India level during the nineties as compared to the previous decades/pre-liberalization era.

10.2. However, these positive changes should not lead to a sense of complacency. There is evidence of a declining elasticity of employment reflecting that the growth process is becoming more capital intensive. Recent data shows that the rate of unemployment has increased slightly even as the rate of growth of labour force has slowed down considerably. Further more, there is reason to believe that the impact of reforms and globalization has not been uniform across all sectors of the economy and all segments of the workforce. A large segment of the workforce still subsists on agriculture where the overall wage and productivity levels remain low despite some growth in recent years. A large
proportion of the workforce also has low levels of literacy and skill formation despite the improvement in the education status during the nineties. Investment on skill development, for both pre-service and in-service training, remains modest, specially in the unorganized sector. The rate of growth of output and employment in the labour intensive small scale sector is slowing down. There is an increase in casualisation of the workforce which also implies loss of job security for many. Social security cover does not exist for the majority of the unorganized and casual workers who have irregular jobs.

10.3 As regards the organized sector, there is clear evidence of a deceleration of growth of employment. The problem of industrial sickness in CPSUs and the SSI sector is also quite real and has resulted in loss of jobs for some. There is a perception that life of organizations is getting shorter and people who have not reached the middle age are losing their jobs at a time when their need for social security is high. In public sector undertakings, like banks, there is an apprehension that perhaps the most efficient and productive employees are opting for VRS. This may result in critical imbalances in the job market which in turn may impinge on the smooth functioning of these establishments unless a long term exercise in manpower planning is undertaken simultaneously.

10.4 Hence, it could be said that not everyone has gained equally as a result of reforms and liberalization and inequalities may have grown in some sections of the population as a result of this. There is a viewpoint that these inequalities could, to a large extent, be on account of the inability of a part of the workforce affected by restructuring to participate in the growth process. Education and skill development are perceived to be instruments through which the gains from the growth process could be made more equitable. It is seen that those who are equipped with proper education and skill training, have been able to avail opportunities resulting from globalisation and overcome challenges of a competitive job market much better than other who lack basic skills and education. Those who are not that fortunate in terms of acquiring new skills or finding new jobs in a dynamic market economy require the protection of a social safety net. Social dialogue and discussion on these important areas should throw light on agenda for future action.

***

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Table 1

Trend of Growth Rate of the Economy

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<th>Year</th>
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Source: Economic Survey 2000-2001 Appendix (Statistical Tables), S.10
Table 2

Trend in Industrial Growth Rate

(Based on Index of Industrial Production*)
(Base: 1993-94=100)

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<th>Period (Weight)</th>
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<tr>
<td>2000-01(April-Feb)#</td>
<td>5.1</td>
</tr>
</tbody>
</table>

* : Revised Index of Industrial Production
# : Figure for 2000-01 has been taken from Ministry of Industry
Source: Economic Survey 2000-2001 (p. 128)
### Table 3

**Unemployment Rates by Current Daily Status (Per Cent)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural Males</th>
<th>Rural Females</th>
<th>Urban Males</th>
<th>Urban Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977-78</td>
<td>7.1</td>
<td>9.2</td>
<td>9.4</td>
<td>14.5</td>
</tr>
<tr>
<td>1983</td>
<td>7.5</td>
<td>9.0</td>
<td>9.2</td>
<td>11.0</td>
</tr>
<tr>
<td>1987-98</td>
<td>4.6</td>
<td>6.7</td>
<td>8.8</td>
<td>12.0</td>
</tr>
<tr>
<td>1993-94</td>
<td>5.6</td>
<td>5.6</td>
<td>6.7</td>
<td>10.4</td>
</tr>
<tr>
<td>1999-2k</td>
<td>7.2</td>
<td>7.0</td>
<td>7.3</td>
<td>9.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural Males</th>
<th>Rural Females</th>
<th>Urban Males</th>
<th>Urban Females</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Self Employed</td>
<td>Regular Salaried</td>
<td>Casual</td>
<td>Self Employed</td>
</tr>
<tr>
<td>1977-78</td>
<td>62.2</td>
<td>10.8</td>
<td>27.0</td>
<td>56.3</td>
</tr>
<tr>
<td>1983</td>
<td>59.5</td>
<td>10.6</td>
<td>29.9</td>
<td>54.1</td>
</tr>
<tr>
<td>1987-88</td>
<td>57.5</td>
<td>10.4</td>
<td>32.1</td>
<td>54.9</td>
</tr>
<tr>
<td>1993-94</td>
<td>56.9</td>
<td>8.5</td>
<td>34.6</td>
<td>51.3</td>
</tr>
<tr>
<td>1999-2k</td>
<td>54.4</td>
<td>9.0</td>
<td>36.6</td>
<td>50.0</td>
</tr>
</tbody>
</table>

### Table 5

**Distribution of workers by Sectors (per Cent)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977-78</td>
<td>71.1</td>
<td>12.6</td>
<td>16.3</td>
</tr>
<tr>
<td>1983</td>
<td>68.6</td>
<td>13.8</td>
<td>17.6</td>
</tr>
<tr>
<td>1987-88</td>
<td>65.0</td>
<td>15.9</td>
<td>19.1</td>
</tr>
<tr>
<td>1993-94</td>
<td>64.7</td>
<td>14.8</td>
<td>20.5</td>
</tr>
<tr>
<td>1999-2k</td>
<td>53.8</td>
<td>18.4</td>
<td>27.8</td>
</tr>
</tbody>
</table>

Table 6

Distribution of workforce by Education status
(Education Level)

<table>
<thead>
<tr>
<th></th>
<th>RURAL</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Males</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Illiterate</td>
<td>Graduate+</td>
<td>Illiterate</td>
<td>Graduate+</td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td>52.9</td>
<td>1.3</td>
<td>87.1</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>1987-88</td>
<td>49.9</td>
<td>1.8</td>
<td>84.9</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>1993-94</td>
<td>44.4</td>
<td>2.5</td>
<td>79.8</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>1999-2k</td>
<td>40.3</td>
<td>3.1</td>
<td>74.9</td>
<td>0.8</td>
<td></td>
</tr>
</tbody>
</table>

|          | URBAN |          |          |          |          |
| 1983     | 22.6  | 9.9      | 60.4     | 6.8      |
| 1987-88  | 20.6  | 11.5     | 54.6     | 10.0     |
| 1993-94  | 16.5  | 14.3     | 48.4     | 12.6     |
| 1999-2k  | 16.4  | 16.6     | 44.1     | 14.7     |

Note: Data for 1999-2000 relates to workers 5 years and older.
### Table 7

**Poverty Estimates based on Expenditure Survey**

<table>
<thead>
<tr>
<th>Year</th>
<th>All India</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Poverty Ratio</td>
<td>Number</td>
</tr>
<tr>
<td>1973-74</td>
<td>321</td>
<td>54.9</td>
<td>261</td>
</tr>
<tr>
<td>1977-78</td>
<td>329</td>
<td>51.3</td>
<td>264</td>
</tr>
<tr>
<td>1983</td>
<td>323</td>
<td>44.5</td>
<td>252</td>
</tr>
<tr>
<td>1987-98</td>
<td>307</td>
<td>38.9</td>
<td>232</td>
</tr>
<tr>
<td>1993-94</td>
<td>320</td>
<td>36.0</td>
<td>244</td>
</tr>
<tr>
<td>1999-2000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30day recall</td>
<td>260</td>
<td>26.1</td>
<td>193</td>
</tr>
<tr>
<td>07day recall</td>
<td>233</td>
<td>23.33</td>
<td>171</td>
</tr>
</tbody>
</table>

Source: Economic Survey 2000-2001 (p.194)

Note: There was a change in the methodology using 30 day and 7 day recall period while compiling data on consumer expenditure survey for the 55th Round. Because of this change in methodology of data collection the estimates for 1999-2000 may not be strictly comparable with earlier estimates.
THIRTY SEVENTH SESSION OF
THE INDIAN LABOUR CONFERENCE
(NEW DELHI : MAY 18-19, 2001)

ITEM – III : CONSULTATION BY CENTRAL GOVERNMENT WITH SOCIAL PARTNERS ON LABOUR POLICIES

1. Introduction

1.1 Formulation of Labour policy has been basically an evolutionary process. It evolved in response to certain basic needs of the individual, of the society and the nation. Since these needs are not common but often conflicting, evolution of labour policy also becomes a process of reconciliation of the conflicting needs and interests.

1.2 The main parameters of the national labour policy during the last 50 years have been (i) recognition of the State as the catalyst of changes and welfare programmes; (ii) encouragement to the process of mutual settlement, collective bargaining and voluntary arbitration; (iii) intervention by the State in favour of the weaker sections of the society to ensure fair treatment to all; (iv) maintenance of industrial peace; (v) ensuring fair wage standards and provision of social security; (vi) cooperation for augmenting production and increasing productivity; (vii) adequate enforcement of legislation; (viii) enhancing the status of the worker in industry; (ix) recognition of the right of workers to peaceful direct action if justice is denied to them; and (x) tripartite consultation.

2. The Context

2.1 Over the years, some of these parameters have been well tested and their efficacy has been proved beyond doubt. However, the globalisation of the economy and liberalization of international trade and the consequent need for economic reforms and structural adjustments have necessitated a fresh look at some of these parameters.
2.2 Since independence, we have been adopting a policy of mixed economy with the State Sector playing a very crucial and prominent role in infrastructure and service sectors. Many of the industrial units set up by the public sector received support from the Government in the form of an assured and protected market, administered prices and long-term finances from budgetary sources and public financial institutions. The new economic policy introduced since 1991 had drastically altered the situation. Though the public sector continued its activities in areas assigned to it, it is now required to establish its viability in a competitive world competing with private sector enterprises and multi-national enterprises. The support and protection extended by the State to the public sector needs to be reconsidered as the government is now required to offer level playing opportunities to the private sector also. This change has consequently eroded the concept of unlimited financial support to economically unviable units in the public sector. There is, therefore, an imperative need for asking these units to be viable by laying emphasis on competitiveness and productivity. This change in approach may also involve rationalisation of labour force.

2.3 According to National Sample Survey Organisation (NSSO) 55th Round (1999-2000) estimates, the unemployment rate is 2.68 per cent of the workforce which is estimated to be about 380 million. The estimate of open unemployment is about 10 million. The Workers' Organisations have been apprehensive that the economic reform process would further increase the number of people who are openly unemployed and there is, therefore, a need to proceed further with caution. For instance, one of the key elements of the reform process, viz. disinvestment of Public Sector Undertakings has become very important. It is apprehended by workers' organisations that such disinvestment policies could result in loss of jobs in the public sector. However, the disinvestment process is to be seen in the context of the imperative need for the public sector to become viable by laying emphasis on competitiveness and productivity. These issues need to be clearly addressed by all social partners through consultation and social dialogue which could be made more constructive so that critical decisions including rationalization of labour force could be taken in a much more congenial atmosphere where all social partners repose trust and mutual confidence in each other.
3. Role of Tripartism and Bipartism in strengthening social dialogue

3.1 Tripartite consultation is a time-tested method for building mutual confidence and generating industrial climate conducive to encouraging production and productivity. History of tripartism in India dates back to pre-independence period. It was at the first session of the Labour Ministers' Conference held in 1941, where the recommendation of the Royal Commission of Labour to set up an Industrial Council consisting of representatives of Government, workers and employers to coordinate the matters pertaining to labour conditions all over India was considered. The emergence of such a conference was the result of the realisation that industrial problems cannot be solved unless the three partners- Government, workers and employers- act with a sense of responsibility with one another, exhibit more respect to the views of one another and agree to work in mutual interest.

3.2 In the Indian Labour Conferences which have been held in the past, several important recommendations were made including setting up of Central Training Institute for vocational skill training, norms for protective laws for child labour, norms for fixation of minimum wages, legislation for payment of gratuity, etc. Subsequent events show that these decisions have had considerable bearing on the Contract Labour (Regulation and Abolition) Act, 1970, Payment of Gratuity Act, 1972, and Child Labour (Prohibition and Regulation) Act, 1986, etc. They also paved the way for setting up of the Central Board for Workers' Education and a series of Vocational Skill Training Institutes at national and regional levels.

3.3 The tripartite principle is an important and integral component of labour policy in India. The premier policy advisory bodies in the labour field at the national level are the tripartite Indian Labour Conference (ILC) and its tripartite Standing Labour Committee (SLC) which consist of representatives of the Central Government, State Governments, Union Territory Administrations and Employers' and Workers' Organisations.
4. **Tripartism in Labour Legislations:**

4.1 Many Labour Legislations have incorporated this feature in the provisions relating to the composition of various advisory committees. This tripartite principle is adhered to in respect of the Employees' State Insurance Corporation, its Standing Committee and Regional Committees, Board of Trustees of the Employees' Provident Fund Organisation and the Regional Boards, Central Minimum Wages Advisory Committee and Committees under the Minimum Wages Act for fixation or revision of minimum wage rates, Central Labour Advisory Committees, Central Apprenticeship Council, Central Employment Council, National Council for Vocational Training, various advisory committees under the Statutory Labour Welfare Funds and similar bodies at the State level. Even important autonomous bodies under the Ministry of Labour like the Central Board for Workers' Education and V.V.Giri National Labour Institute follow this principle.

5. **ILO Convention on Tripartism**

5.1 As already mentioned in the preceding paragraphs, tripartite consultations among social partners viz. government, workers and employers on major labour and labour related issues has been a tradition in the history of labour in India. The Indian Labour Conference and the Standing Labour Committee provide a unique fora for the 3 groups of different interests to think, plan and act together for realisation of common goals which are in tune with the constitutional mandates of the dignity of the individual and unity and integrity of the nation.

5.2 This tradition has been further reinforced by the provisions of the ILO Convention (No. 144) concerning Tripartite Consultation (international labour standards), 1976. As per the requirement of Article 5 of Convention 144, the process of effective consultation involves inviting comments on specific issues pertaining to ILO Conventions from the social partners before the Government finalises its views on such issues. This process is being followed by the Government thus:
(a) Government's replies to questionnaires concerning items on the agenda of the International Labour Conference and Government views on the proposed texts to be discussed by the Conference are finalised only after inviting the views and comments of the social partners invariably.

(b) Similarly, the proposals to be made to the competent authority or authorities in connection with the Conventions and Recommendation pursuant to Article-19 of the Constitution of the ILO are finalised only after consultation with the social partners.

(c) Questions arising out of reports to be made to the International Labour Office (ILO) under Article-22 of the Constitution of the International Labour Organisation are taken up with the social partners before governments' views are finalised.

(d) Any proposal for denunciation of ratified Conventions is processed after obtaining the views and comments of the social partners.

(e) Proposals for ratification of Conventions adopted by the ILO are invariably placed before the social partners inviting their considered views before government takes a final decision.

5.3 The procedure of the tripartite consultations is working satisfactorily and no practical difficulties in the application have been experienced so far.

5.4 A Tripartite Committee constituted on ILO Conventions has not met for a long time. A meeting of the Committee is proposed to be convened in July 2001.

6. Emergence of Bipartism as a key issue in Labour Policies for enterprises to increase competitiveness and productivity

6.1 The role of bipartism has increasingly gained significance at the enterprise level in the context of globalisation and increased international competitiveness. The two social partners, viz. employers and workers have to
face the challenges posed by globalisation by coming together and addressing common issues relating to the economic viability of enterprises. These issues, among others, relate to wages, productivity, environmental protection, safety and health. Strengthening of bipartite dialogue between the two partners would only help to evolve a cogent strategy to face the growing challenges of international competition.

6.2 It has also become imperative to redefine the employer-employee relationship in enterprises. The traditional adversarial relationship between the employer and employee will have to give way to a much more wholesome, congenial, work-friendly relationship in which the two social partners are able to contribute toward the general improvement in levels of productivity and competitiveness of the enterprise. The future existence of any enterprise lies in building a strong employer-employee relationship which increases the stakeholders’ participation in the enterprise. A strong bipartite mechanism can only enable such a work-friendly relationship between the employer and employee as the two social partners are the ultimate stake-holders in the entire organisation. Interference by a third party would only be counter-productive in this relationship and, therefore, needs to be minimised to a large extent.

7. CONCLUSION

7.1 At the national and State levels the realities of facing international competition in the context of globalisation calls for a much deeper and involved dialogue between the social partners. The new economic realities, particularly with the introduction of economic reform process, has thrown up issues such as reduced protection of state to public sector which needs to be viewed in the context of the overall budgetary constraints of the Government. All the social partners will need to appreciate the compulsions of each other in adjusting to the economic reform process in the general interest of improving productivity, competitiveness and maintaining an amicable relationship with each other. There is, therefore, a need more than ever before to further strengthen the process of social dialogue by building mutual confidence in each other.
7.2 At the enterprise level the traditional adversarial relationship between the employer and employee has to give way to strong bilateral relationship between the two partners conducive to higher levels of productivity, competitiveness, efficiency and welfare of employees.
ITEM – IV : SOCIAL SECURITY OF WORKERS

1.1 It is estimated that globally, there are over 2 billion people who are not covered under any type of formal social security protection, i.e. neither by a contribution based social security scheme nor by tax-financed social assistance. This is a major challenge to the existing social security systems that have evolved in the last century as security and institutional support are required by all persons in order to face difficulties and to mitigate hardships in the event of losses due to sickness, injury, loss of income and inability to work.

1.2 The ILO's perception of the concept of social security is based on the recognition of the fundamental social right granted by law to all human beings who live from their own labour and who at some stage find themselves unable to work temporarily or permanently for reasons beyond their control. Thus social security is seen as an instrument for social transformation and progress and as a safety net against misfortune, ill health, old age and natural calamities.

2. The Workforce in India

2.1 The dimensions and complexities of the problem in India can be better appreciated by taking into consideration the extent of the labour force in the organized and unorganised sectors. The latest NSSO survey of 1999-2000 has brought out the vast dichotomy between these two sectors into sharp focus. While as per the 1991 Census, the total workforce was about 314 million and the organized sector accounted for only 27 million out of this workforce, the NSSO's survey of 1999-2000 has estimated that the workforce may have increased to about 370 million out of which only 28 million were in the organized sector. Thus, in about a decade, while there has been a growth of only about 1 million in the organized sector, the unorganised sector has grown by about 55 million.
2.2 The organized sector is primarily extant in establishments covered by the Factories Act, 1948, the Shops and Commercial Establishments Acts of State Governments, the Industrial Employments Standing Orders Act, 1946, etc. and there is already a structure through which social security benefits are extended to workers covered under these legislations.

2.3 The unorganised sector, on the other hand, is characterized by the lack of labour law coverage, dispersed nature of operations and processes, its manifestation in some cases in remote rural areas as well as sometimes among the most inhospitable urban concentrations, its lack of organizational support, low bargaining power and institutional back-up, make it extremely vulnerable to economic and social exploitation. In the rural areas, it comprises of landless agricultural labourers, small and marginal farmers, share croppers, persons engaged in animal husbandry, fishing, horticulture, bee-keeping, toddy tapping, forest workers, rural artisans etc. Where as in the urban areas, it comprises mainly of manual labourers in construction, carpentry, trade, transport, communication etc. and also includes street vendors, hawkers, head load workers, cobblers, tin smiths, garment makers, etc.

3. Social Security Coverage in India

(A) Organised Sector

3.1 Only about 10% of the workers in the organized sector in India are presently covered by social security schemes. About half of these are in the public sector, which provides their employees with budget-financed medical and old age benefits. At the beginning of the 21st Century, about 24 million workers were covered under various employees provident funds schemes and about 8 million workers were covered under the Employees State Insurance Scheme (ESIS), in addition to about 4.5 million under the Workmen’s Compensation Act, 1923 and about 0.5 million under the Maternity Benefit Act, 1961.
Social Security Laws

3.2 The social security legislations in India derive their strength and spirit from the Directive Principles of the State Policy as contained in the Constitution of India. These provide for mandatory social security benefits either solely at the cost of the employers or on the basis of joint contribution of the employers and the employees. While protective entitlements accrue to the employees, the responsibility for compliance largely rests with the employers. The major enactments are:

- The Workmen’s Compensation Act, 1923, which requires payment of compensation to the workman or his family in cases of employment related injuries resulting in death or disability;

- The Employees’ State Insurance Act, 1948, which covers factories and establishments with ten or more employees and provides for comprehensive medical care to the employees and their families as well as cash benefits during sickness and maternity, and monthly payments in the event of death or disablement;

- The Employees Provident Fund and Miscellaneous Provisions Act, 1952, which is applicable to all scheduled factories and establishments employing 20 or more employees and ensures terminal benefits of provident fund, superannuation pension, and family pension in case of death during service. Separate laws exist for similar benefits for the workers in the coal mines and tea plantations;

- The Maternity Benefit Act, 1961, which provides for 12 weeks wages during maternity as well as paid leave in certain other related contingencies;

- The Payment of Gratuity Act, 1972, which provides 15 days wages for each year of service to employees who have worked for five years or more in establishments having a minimum of 10 workers.
3.3 The details of the above legislations and their coverage under various social security schemes are given in Appendix - I.

(B) Unorganised Sector

3.4 In the unorganised sector, it is estimated that there are about 50 million workers in regular wage employment while a large majority are in the category of self-employment and casual employment. Some groups of these workers are organized into co-operatives and registered societies and in some cases, they too are reached by some form of Government-provided or self-devised social protection. Thus, more than 35 million landless agricultural workers are notionally covered by the life term LIC group insurance, and more than 10 million under the various labour welfare schemes sponsored by the Central and State Governments. A very small group, probably not more than 0.5 million workers, are covered by social insurance health or pension schemes sponsored by LIC or GIC, in collaboration with an NGO. Finally, more than 5 million people over 60 years of age benefit from the means-tested social assistance pension schemes sponsored by the State Governments.

3.5 The existing social security arrangements in the unorganised sector can be broadly classified into four groups as follows:

i) Centrally funded social assistance programmes;

ii) Social insurance schemes;

iii) Social assistance through welfare funds of Central and State Governments; and

iv) Public initiatives.

Centrally Funded Social Assistance Programmes

3.6 The Centrally funded social assistance programmes include schemes for both rural and urban areas under the National Social Assistance Programme (NSAP), which has the components i.e. National Old Age Pension Scheme, National Family Benefit Scheme & National Maternity Benefit Scheme,
Employment Assurance Scheme, Swarna Jayanti Gram Swarojgar Yojana, Jawahar Gram Samridhi Yojana and the Swarna Jayanti Shahri Rozgar Yojana. These programmes are implemented through the Ministry of Rural Development and the Ministry of Urban Employment & Poverty Alleviation. In addition, the Ministry of Textiles implements certain social security schemes for workers in the Handloom & Powerloom sector.

Social Insurance Schemes

3.7 The Social Insurance Schemes available to the unorganised sector are operated through the LIC under a number of Group Insurance Schemes covering IRDP beneficiaries, employees of shops and commercial establishments, etc. The most important and comprehensive scheme that has been launched recently, is the Janashree Bima Yojana under which the following benefits are available:

- Rs.20,000 in case of death
- Rs.50,000 in case of death by accident
- Rs.50,000 in case of accident with total disability
- Rs.25,000 in case of partial disability
- The premium for the above benefits is Rs.200/- per beneficiary and 50% of this premium i.e., Rs.100/-, is contributed by a fund created by the Ministry of Finance captioned “Social Security Fund of India”.

Janashree Bima Yojana is available to persons between age of 18 to 60 years and are living below or marginally above poverty line. The scheme is extended to groups of 25 members or above.

3.8 At present, the Ministry of Labour is in the process of finalizing a proposal for introducing a social security scheme for agricultural workers. The announcement regarding this scheme has already been made in Parliament in the Finance Minister’s Budget Address on 28th Feb, 2001. The proposal consists of a social security package for agricultural workers on a pilot basis in selected districts of the country. The scheme is proposed to be launched through the LIC.
Welfare Funds

3.9 The Central Government through the Ministry of Labour, also operates at present Five Welfare Funds for Beedi workers, Limestone & Dolomite Mine workers, Iron ore, Chrome ore & Manganese ore Mine workers, Mica Mine workers & Cine workers. These Funds are used to provide various kinds of welfare amenities to the workers in the field of Health care, Housing, Educational assistance for children, Drinking water supply etc.

3.10 In addition to the Central Government, a number of State Governments have also set up welfare funds for various categories of workers. The Govt. of Kerala have set up about 35 Welfare funds for different categories of occupations and sectors. These welfare funds cater to the needs of agricultural workers, auto rickshaw workers, cashew workers, coir workers, construction workers, fishermen and women, khadi workers, handloom workers etc. The Govt. of Assam have set up a statutory fund under Assam Plantation Employees Welfare Fund Act, 1959 for the benefit of the plantation workers. Similar funds have also been set up in Gujarat and Maharashtra under Bombay Labour Welfare Fund Act, 1953 and in Karnataka under Mysore (Karnataka) Labour Welfare Act, 1965 and in Punjab under the Labour Welfare Act, 1965. The State Governments of Andhra Pradesh and Uttar Pradesh have also set up Welfare Funds for various categories of workers. All these welfare funds, however, cater to a very small segment of the total workforce.

3.11 An important thrust area identified by the Ministry of Labour, Government of India, is the social security of workers in the fish processing industry. These workers constitute an extremely vulnerable and exploited category and are located in about 400 fish processing units in 9 coastal states of the country. The vast majority of these workers are migrant women in the age group of 16 to 35 years. A Task Force has been constituted by the Ministry of Labour to look into their living and working conditions and recommend suitable measures for their social security.
Public Initiatives

3.12 In addition to Governmental efforts, several public institutions and agencies are also imparting various kinds of social security benefits to selected groups of workers. Two of the outstanding examples are those of Self-Employed Women’s Association (SEWA) and the Mathadi Workers Boards in Maharashtra. A Note on their initiatives as well as those of some other outstanding NGOs is appended to this note as these pioneering contributions are significant and should not be overlooked.

3.13 The details of these programmes & schemes for the unorganised sector may be referred to in Appendix - II

3.14 In the initial years of development planning, it was believed that with the process of development, more and more workers would join the organized sector and eventually get covered by formal social security arrangements. However, experience has belied this hope. The opening up of the economy, under the regime of economic reforms, has only exacerbated the problem. There is now a stagnation of employment in the organized sector with the resultant increase in the inflow of workers into the informal economy. This highlights the need to focus greater attention on the social security needs of the unorganised sector.

3.15 The Second Labour Commission has been constituted by the Government in October, 1999 to suggest rationalisation of existing laws relating to labour in the unorganised sector and to suggest an umbrella legislation for ensuring a minimum level of protection to the workers in the unorganised sector. The Commission is expected to submit its report to the Government by Oct., 2001. On receipt of the recommendations of the Commission the matter will be examined by the Government.

4. A Perspective Plan for providing Social Security for all workers

4.1 Social security has now been widely accepted as an instrument which can help in alleviating hardships arising out of poverty. Although at present only about 10% of the workforce is covered under formal social security
arrangements, there is an increasing perception that this coverage should be extended not only within the organized sector but also to cover more and more sections of the unorganized sector. It is, therefore, important to look at the options available and to formulate a strategy for the future.

4.2. A considerable number of workers and their families, primarily in the unorganized sector, live in poverty and a significant proportion among them are women. The experience of SEWA and research by ILO indicates that an increasing number of such workers are willing and able to contribute to schemes that meet their priority social security needs. However, this constitutes a very small proportion of the total unorganised workforce of the country. Some of these who are unable to make any contribution, such as widows, orphans and old people, who are neither protected by employment income or by any other family protection, would need to be protected by tax-based social assistance schemes.

4.3 Social security for the hitherto uncovered sections of the workers can be thought of through the following two mechanisms:

(i) Extending the coverage of existing social security schemes

- At present the Workmen’s Compensation Act, 1923 is applicable to persons employed in hazardous employments specified in Schedule – II of the Act. So far 50 hazardous employments have been included in the Schedule. As the Act has wide applicability particularly in the unorganized sector, its coverage may be extended to more such employments. Further, the claims for death compensation are settled by the Commissioner of Workmen’s Compensation, an authority notified by the State Governments. The process is so time-consuming that it causes a great deal of hardship to the affected families. There is, therefore, a need to notify more than one authority within the district as well as fix a time limit for deciding such claims.
At present, the Employees Provident Fund Scheme is applicable to 180 establishments with employee wage limit of Rs.5,000/- pm for coverage. This will now get raised to Rs.6,500/- p.m. The scheme is applicable to establishments employing 20 or more persons. Thus, the law excludes establishments other than those listed, from the purview of the Act. It will also exclude workers drawing more than Rs.6,500/- pm and self employed persons. A suggestion has been given that the wage limit and schedule of industry restrictions should be done away with altogether and the number of persons for coverage be reduced from 20 to 10. The implementation of such a measure will increase the penetration of the existing schemes and expand the membership significantly. This would require building up of suitable capacity in the Employees Provident Fund Organisation to service the accounts and handle the additional work load.

The ESI Scheme is at present applicable to establishments employing 10 or more persons and drawing wages upto Rs.6,500/- pm. The Task Force on Social Security, in their report, has recommended that the coverage of ESI Scheme should be extended to establishments employing 5 or more persons. This is a recommendation that needs to be considered.

The ESI Scheme does not at present apply to seasonal factories i.e. those which work for less than 7 months in a year. Although this provision is now more or less irrelevant, because of advancements in technology, there may yet remain a few categories of factories which are still seasonal in nature. Hence there is a need to extend the ESI Scheme to such factories.

According to a survey of the ESI Corporation, there are 9.8 lakh workers who are coverable, but not yet covered under the ESI Scheme. Expansion of the ESI scheme is not taking place as per the programme due to inability of the State Governments to
complete medical arrangements in time. Although, the Corporation constructs hospitals and dispensaries at its own cost and also meets 7/8 of the expenditure incurred in running these hospitals/dispensaries yet the services in the States are stated to be not up to the mark. Co-operation of the State Governments and other social partners is required to expand the coverage and improve the health delivery system.

(ii) Devising new and innovative programmes to address the needs of the most vulnerable categories of workers who have yet no social protection.

- There is a need to evolve a National Social Security Policy for the unorganized sector and formulate a detailed action plan to cover as many segments of the unorganized workforce as possible under some form of social security with the ultimate goal of covering all unorganized workers in the long run. In the task of implementation of the action plan, it may be necessary to get the active participation of Panchayati Raj institutions and NGOs. There are a number of agencies and institutions e.g. SEWA in the country which impart various forms of social security for workers in unorganised sector. These could be strengthened and a national network created which would reinforce their efforts at all levels.

- Several NGOs, public and co-operative institutions, like SEWA and Mathadi Workers Welfare Boards, have undertaken innovative measures to provide social security to small segments of the underprivileged workforce. There is a need to carefully study their success stories with a view to replicating or adopting them in other regions according to their requirements.

- The welfare fund mechanism needs to be extended wherever feasible to hitherto uncovered sections of the unorganized sector. New welfare funds, such as a welfare fund for fish processing workers, carpet weavers, salt workers, leather workers, etc. may
be considered to be set up and funds generated may be utilized for extending the health facilities through ESIC scheme, wherever possible, or through alternate arrangements.

5. CONCLUSION

5.1 We need to improve the administration, delivery and coverage of the existing social security schemes. We have to learn lessons of successful experiments carried out so far to improve the coverage of social security for the workers in the unorganised sector where only negligible persons have been so far covered.

5.2 At present, a vast majority of the workers in the unorganised sector particularly in rural areas are below the poverty line. Unless there is greater flow of resources and faster economic growth with creation of more jobs/self-employment opportunities with better income distribution it will not be possible to bring economic well being to this segment of the work force, which is the real answer for their social security. More thrust needs to be given to poverty alleviation programmes, spread of education and skill training for ensuring better quality jobs. Given the vast network of existing schemes, legislations, policy initiatives and organizations already functioning in this sector, a grater degree of convergence would need to be established for achieving a faster pace of growth. A minimum degree of social security has also to be made a distinct reality. In order to achieve this goal, all concerned social partners need to work in a coordinated and purposeful way.
1. **WORKMEN'S COMPENSATION**

1.1 The Workmen's Compensation Act was passed in March, 1923 and it came into force on 1st July, 1924. Since then, it has been amended from time to time.

1.2 The Act is applicable to workers employed in certain special hazardous employments, such as factories, mines, plantations, transport and construction work, railways etc. The Central/State Governments are empowered to extend the provisions of the Act to any other employment which is considered hazardous. There is no wage limit for coverage under the Act.

1.3 Under the Act compensation is payable by the employers in case of injury caused by an accident arising out of and in the course of employment. Compensation is also payable to the workers who contract occupational diseases specified in schedule III to the Act.

1.4 No compensation is, however, payable if the injury, not resulting in death or permanent total disablement is caused by the fault of the worker arising from factors such as of drinks, drugs, willful disobedience of the order or rule, the willful removal or disregard of safety guard or other device etc. The amount of compensation payable is dependant on the nature of the injury, the average monthly wage of the worker and the age of the worker at the time of his disablement or death.

1.5 The minimum amount of compensation for permanent total disablement is Rs. 90,000/- and that for death is Rs. 80,000/-. The maximum amount of compensation for permanent total disablement can go upto Rs. 5,48,000/- and that for death to Rs. 4,56,000/-. In cases of temporary disablement, monthly payments at the rate of 50% of the wage are payable for a period of 5 years.
2. MATUREITY BENEFIT

2.1 The Maternity Benefit Act was enacted in 1961 and brought into force w.e.f. 1st November 1963. The Act is applicable to mines, factories, circus industry, plantations, shops and establishments. It can be extended to any other establishment or class of establishments by the State Government. There is no wage limit for coverage under the Act. The coverage under this Act is, however, restricted to women employees who are not covered by the ESI Act.

2.2 Under the Act maternity benefit is payable by the employer for a period of 12 weeks at the rate of average daily wages. There is also a provision for pre-natal confinement and post-natal care free of charge, failing which the employer is liable to pay medical bonus of Rs. 250/- per week. Maternity Leave benefit for six weeks is also available in case of miscarriage.

2.3 By Amendment of the Act w.e.f. 1.2.1996, the women employees have been made eligible for six weeks leave in the case of MTP and two weeks leave for tubectomy operation. Leave upto one month has also been provided in the case of sickness arising out of MTP/tubectomy etc.

3. THE EMPLOYEES' STATE INSURANCE ACT, 1948

3.1 The Employees' State Insurance Act, 1948 was passed in April, 1948 and enforced from 24.2.1952.

3.2 The ESI scheme is applicable to non-seasonal power using factories employing 10 or more persons and non power using factories and other establishments employing 20 or more persons.

3.3 The Scheme is being gradually extended area-wise in a phased manner. The wage ceiling for coverage under the Act which was initially Rs.400/-P.M. is now fixed w.e.f. 1.1.97 at Rs.6500/-P.M. As on 31.3.2000, the ESI Scheme covered 2.25 lakh establishments, 78.62 lakh employees at 656 centres in the country. The Corporation has constructed and
commissioned 138 ESI hospitals, 43 Annexes and 1443 dispensaries in different parts of the country.

3.4 The Employees' State Insurance Scheme provides for medical care and treatment, cash benefit during sickness, maternity, employment injury and pension for dependants on death of an insured worker due to employment injury and payment of expenditure on funeral of an insured person. Medical care has also been extended to the families of insured persons, depending on the medical facilities available.

3.5 Under the Act the employers are required to pay contribution at the rate of 4.75 percent of wages of the insurable workers. The rate of contribution for the employees is 1.75% of their wages. The State Government contributes 1/8th of the expenditure on medical care.

4. PROVIDENT FUND

4.1 The Employees Provident Fund Act was passed in 1952 to provide for the institution of provident funds for the employees in the factories and other establishments. The Employees' Provident Fund Scheme was accordingly framed and it came into force from 1st November 1952.

4.2 The Employees' Provident Fund Scheme is at present applicable to 177 industries/class of establishments employing 20 or more persons. The coverage under the scheme is, however, restricted to employees drawing pay plus dearness allowance exceeding Rs.5,000/- per month. Initially in 1952 the wage ceiling for coverage was Rs.300/- P.M which is being raised to Rs.6,500/- p.m.

4.3 As on 31.3.2000 there were 3.26 lakh establishments with 2.45 crore employees covered under the scheme. Under the Act, the employees are required to pay contribution at the rate of 10% of wages, with matching contribution from the employer. There is also an enabling provision empowering the Central Government to raise the rate of contribution in
respect of any establishment or class of establishments to 12 per cent. Accordingly the Central Govt. has enhanced the rate of contribution from 10% to 12% in respect of 175 industries/classes of establishments.

4.4 The members are entitled to withdraw the full amount standing at their credit in their Provident Fund Account, on retirement from service or on retirement on account of permanent and total incapacity for work or on termination of service in the case of mass or individual retrenchment. During service, advance from the provident fund account is admissible to members for financing their life insurance policies, for construction or purchase of houses and for certain other contingencies like illness, daughter's marriage or post-matriculation education of children. All the advances under the scheme are non-refundable.

5. FAMILY PENSION

5.1 On a review of the working of the Employees' Provident Fund it was found that Provident Fund was no doubt affecting old-age and survivorship benefit but in the event of premature death of the employee, the accumulations in the Provident Fund were not sufficient to render adequate and long-term protection to his family. This led to introduction with effect from 1st March 1971 of the Employees' Family Pension Scheme for the employees covered under the Act.

5.2 The scheme applied compulsorily to all employees who have been members of the Provident Fund on or after 1 March 1971, but it was left to the option of those employees who had become members of the provident fund earlier to that. The scheme was financed by diverting out of contributions to the provident fund, the employees' share of contribution at the rate of 1-1/6% of their wage with an equal amount of employer's share. The Central Government also contributed at the rate of 1-1/6% of the wages of the employees to Family Pension Fund.
5.3 The Family Pension Scheme provided for payment of family pension and an assurance benefit to the widow or other dependants of the deceased member and retirement-cum-withdrawal benefit to the surviving members. The grant of family pension was subject to completion of three months' membership of Family Pension Fund.

5.4 This scheme was found wanting because it did not provide pension on retirement, superannuation or on death after service. The Government accordingly considered the matter in consultation with the CBT, EPF and framed a new Pension Scheme called the Employees' Pension Scheme, 1995.

6. THE EMPLOYEES' PENSION SCHEME, 1995 (EPS)

6.1 The Scheme came into force w.e.f. 16.11.1995. The Pension Scheme is compulsory for all the members of the ceased Family Pension Scheme. It is also compulsory for the persons who become members of the Provident Fund from 16.11.95. Minimum 10 years' membership of the Fund is required for entitlement to the pension.

6.2 Normal superannuation Pension is payable on attaining the age of 58 years. Pension on a discounted rate is also payable on attaining the age of 50 years. The Scheme provides for payment of monthly pension in the contingencies of superannuation, death, total permanent disablement etc. The amount of monthly pension will vary from member to member depending upon his pensionable salary and pensionable service. On completion of 33 years' contributory service 50% of the pay is payable as pension.

6.3 Under the scheme the rate of minimum widow pension is Rs.450/- p.m. The maximum may go upto Rs.2500/- p.m. payable as normal member's pension on completion of nearly 33 years service. Family pension upto Rs.1,750/- p.m. is also payable to the widow of the member who has contributed to the pension fund just for one month.
6.4 In addition to the widow pension, the family is also entitled to children pension. The rate of children pension is 25% of the widow pension for each child payable up to two children till they attain the age of 25 years. Under the Scheme, the employees have an option to accept the admissible pension or 10% reduced pension with return of capital equivalent to 100 times of the original pension.

6.5 The scheme is financed by diverting the employer's share of PF contribution representing 8.33% of the wage to the Pension Fund. The accumulations of the ceased family Pension Scheme constitute the corpus of the new Pension Fund. The Central Government also contributes to the Pension Fund at the rate of 1.16% of the wage. As on 28.2.2001, there were Nine lakh persons receiving pension under the E.P.S.

7. EMPLOYEES' DEPOSIT LINKED INSURANCE

7.1 The Employees' Deposit Linked Insurance Scheme, 1976 (EDLI Scheme) was introduced from 1st August, 1976. It applies to all employees who are members of the Provident Fund in the exempted as well as the un-exempted establishments.

7.2 Under this scheme, in the event of death of a member while in service the person entitled to receive the Provident Fund accumulations is paid an additional amount equal to the average balance in the Provident Fund account of the deceased during the preceding one year.

7.3 The maximum amount of benefit payable under the scheme is Rs.60,000/-. The employees are not required to pay any contribution under the EDLI Scheme. The employers, however, contribute to the Insurance fund at the rate 0.5% of pay of the members.
8. GRATUITY

8.1 The Payment of Gratuity Act, 1972 was enacted and brought into force from 16th September, 1972. The Act provides for the payment of gratuity to employees employed in any factory, mine, oilfield, plantation, port, railway, company and every shop and establishment employing 10 or more workers. It has also been extended to motor transport undertakings employing ten or more persons.

8.2 Under the Act, gratuity is payable at the rate of 15 days wages for every completed year of service subject to a monetary ceiling of Rs.3.50 lakh. In the case of employees employed in seasonal establishments, gratuity is payable at the rate of seven days' wages. A worker is entitled to gratuity in the contingency of superannuation, retirement, resignation, death or disablement due to accident or disease, subject to completion of 5 years continuous service. The condition of 5 years is, however, not applicable in the case of death or disablement.
I. CENTRALLY FUNDED SOCIAL ASSISTANCE PROGRAMMES

1. National Social Assistance Programme (NSAP)

1.1 The Central Government, through the Ministry of Rural Development, have introduced the National Social Assistance Programme (NSAP) since 15th August, 1995. It is a major step towards the fulfillment of the mandate contained in the Directive Principles of State Policy under Article 41 and 42 of the Constitution of India. The programme reflects, for the first time, a National Policy for social assistance for poor households in the case of old age, death of primary bread winner and maternity. The programme has three components:

- NATIONAL OLD AGE PENSION SCHEME (NOAPS);
- NATIONAL FAMILY BENEFIT SCHEME (NFBS); and
- NATIONAL MATERNITY BENEFIT SCHEME (NMBS).

1.2 These schemes were partly modified in 1998 based on the suggestions received from the State Governments and concerned agencies.

2. Employment Assurance Scheme (EAS)

2.1 The Employment Assurance Scheme (EAS) was launched on October 2, 1993 for implementation in 1778 identified backward panchayat samitis of 257 districts situated in the draught prone areas, desert areas, tribal areas and hill areas in which the revamped public distribution system was in operation. Gradually it has been extended by 1997-98 to all the 5448 rural panchayat samitis of the country. Based on the experience of last five years of implementation of the programme, the EAS has now been restructured with effect from April 1, 1999.
3. **Swarna Jayanti Gram Swarojgar Yojana (SGSY)**

3.1 The Swarna Jayanti Gram Swarojgar Yojana (SGSY) has been launched with effect from April 1, 1999 by amalgamating certain erstwhile programmes viz. Integrated Rural Development programme (IRDP), Development of Women & Children in Rural Areas (DWCRA), Training of Rural Youth for Self-Employment (TRYSEM), Supply of Improved Toolkits to Rural Artisans (SITRA), Ganga Kalyan Yojana (GKY) and Millions Wells Scheme (MWS). SGSY has been conceived as a holistic programme of micro-enterprises covering all aspects of self-employment, viz. organization of the rural poor into self-help groups and their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing.

4. **Jawahar Gram Samridhi Yojana (JGSY)**

4.1 The Central Government have launched the Jawahar Gram Samridhi Yojana (JGSY) on April 1, 1999 by restructuring the erstwhile Jawahar Rojgar Yojana (JRY) to ensure development of rural infrastructure through the Ministry of Rural Development. The primary objective of JGSY is creation of demand driven infrastructure for the community at the village level. The secondary objective, however, is generation of wage employment for the rural unemployed poor.

II. **SOCIAL INSURANCE SCHEMES**

5.1 Group insurance schemes for Beedi and Cine workers have been introduced with effect from 1st April, 1992 and 1st April, 1997 respectively to provide social security measures to those beedi and cine workers who are not covered under the Employees Provident Fund and other social security benefits. The premium is paid from the Welfare Funds. The benefits are comparable to similar group insurance benefits provided by LIC under various schemes.

5.2 Mine workers involved in accident are also paid compensation from the Welfare Funds. Their children are paid monthly scholarship for education.
III. WELFARE FUNDS

6.1 The Central Govt. have set up five Welfare Funds for mica mine workers, iron ore, manganese ore and chrome ore workers, limestone and dolomite mine workers, beedi workers and cine workers. These funds have been set up under the following Acts:-

- **Mica Mines Labour Welfare Fund Act, 1946**, provides for the levy and collection of cess on all mica exports at a rate not exceeding 6 ¼% ad valorem or as may be fixed by the Central Government. (Current rate is 4 ¼%).

- **Limestone and Dolomite Mines Labour Welfare Fund Act, 1972**, provides for levy and collection of a cess on limestone and dolomite produced in any mine, for consumption or sale, at such rate not exceeding one rupee per metric tonne as the Central Government may fix. (Current rate is Re.1.00 per metric tonne).

- **The Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare Fund Act, 1976** provides the enabling mechanism and the **Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare Cess Act, 1976**, provides for the levy and collection of a cess for purposes of the Welfare Fund on all iron ore, manganese ore and chrome ore produced in any mine, a duty where such ore is consumed or other wise disposed of at rates not exceeding Rs.1 per metric tonne in the case of iron ore, Rs.4 in the case of manganese ore and Rs.6 in the case of chrome ore. (current rates are Re.1 for iron ore, Rs.2 for manganese ore and Rs.4 for chrome ore).

- **Beedi Workers Welfare Fund Act, 1976**, provides the enabling mechanism and the **Beedi Workers Welfare Cess Act, 1976**, provides for the levy and collection by way of a cess on manufactured beedis at such rate which shall be not less than fifty paise or more than Rs.5 per thousand manufactured beedis as the
Central Government may fix. (Current rate is Rs.2 per thousand beedis).

- **The Cine Workers Welfare Fund Act, 1981**, provides the enabling mechanism and the **Cine Workers Cess Act, 1981** originally provided for the levy and collection as a cess at the rate of Rs.1000 per feature film produced. This provision has since been modified to provide levy and collection of the cess at differential rates depending on the language of the film. (Current rates are: Hindi films - Rs.20,000/- per film and Other language films - Rs.10,000/- per film).

6.2 The proceeds collected under the Welfare Funds are used for providing various kinds of welfare benefits to the workers who are covered under those Funds. These include about 4.5 million beedi workers, about 1.50 lakh workers in mica mines, iron ore, manganese ore, chrome ore mines and limestone & dolomite mines as well as to about 63,000 cine workers. Out of 4.5 million beedi workers in the country already 3.8 million workers have been issued the identity cards. Every year, such workers receive benefits to the tune of fifty crores of rupees from the Welfare Funds. The benefits include health care facilities through hospitals and dispensaries specially set up for such workers, educational assistance to children of such workers, housing assistance and in certain cases, for provision of drinking water, worksheds and godowns etc.

6.3 The Central Government have also enacted a legislation for building and construction workers which is captioned the **Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996** which provides for the setting up of Welfare Funds by the State Governments concerned. Under the **Building and Other Construction Workers’ Welfare Cess Act, 1996**, provision has been made for levy and collection of cess at a rate not exceeding 2% but not less than 1% on the cost of construction incurred by employers (the current notified rate is 1%). It may, however, be pointed out that except for the State Government of Kerala and Tamil Nadu who had made similar provisions under their own legislations, other State Governments are yet
to notify the authorities and implement the Act. The proceeds from the cess on
construction are to be used by the State level Welfare Boards set up under the
Act, to dispense such welfare measures as may be decided by the Boards.

6.4 The Govt. of Kerala have set up about 35 welfare funds for different
categories of occupations and sectors. These welfare funds cater to the needs
of agricultural workers, auto rickshaw workers, Cashew workers, coir workers,
construction workers, fishermen and women, khadi workers, handloom workers
etc. The Govt. of Assam have set up a statutory fund under Assam Plantation
Employees Welfare Fund Act, 1959 for the benefit of the plantation workers.
Similar funds have also been set up in Gujarat and Maharashtra under Bombay
Labour Welfare Fund Act, 1953 and in Karnataka under Mysore (Karnataka
Orissa, Andhra Pradesh and Uttar Pradesh also have Welfare Funds for various
categories of workers.

IV. PUBLIC INITIATIVES

a. Self-Employed Women's Association (SEWA)

7.1 SEWA, a women's organization, is promoting social security through the
formation of co-operatives. It aims to provide need based services to the women
on demand and on payment of affordable charges. The co-operatives promoted
by SEWA are the Mahila Lokswasthya Mandli for health services, the Sangini
Child Care Mandli and the SEWA Co-operative Bank.

7.2 The social security experiments of SEWA started in 1975 with a demand
from members for a maternity protection scheme followed by health care and
child care. This was followed by starting of an insurance programme in
collaboration with insurance companies. The insurance scheme started by the
SEWA Bank was based on a realistic estimate of the capacity of the members to
pay the premium.
7.3 An Integrated Insurance Scheme introduced by SEWA for its members, offers several benefits for a consolidated premium of Rs.45/- per annum. While SEWA itself provides some of the benefits, it works as a nodal agency to get cover under various policies separately for specific benefits from different insurance companies. The risk covered includes health costs up to Rs.1000/-, maternity benefit of Rs.300/- and payment of varying amounts up to Rs.10,000/- in case of natural or accidental death including disablement of the member or her husband. The insurance scheme has turned out to be both popular and financially viable. The total coverage of SEWA social security scheme is about 50,000 women.

7.4 The experience of SEWA reveals that in order to become effective, the social security scheme for the unorganized sector should be locally managed and controlled. Further, only such schemes will become viable which are need based and integrated with the economic activities of the local people. If poor people are supported through capacity building and necessary linkages are provided with their own economic activities the chances of success of social security efforts increases significantly. Further, it has demonstrated that, it is not only necessary to search new social security programmes but new social security organizations to run them.

b. Mathadi Workers Welfare Boards

8.1 A mathadi is a worker who carries a load on his head, back, neck or shoulders. Normally his work consists of loading, unloading, carrying, shifting, weighing, tapping, banding and stacking goods. The work is generally performed in batches known as gangs or tolies. In the State of Maharashtra, the Mathadi Labour Market is regulated by Mathadi Tripartite Boards set up since 1969. There are about 50,000 registered employers and 1,50,000 workers registered under 30 different Boards in the State. Each Board is headed by a Chairman appointed by the Government of Maharashtra and there are equal number of representatives from the unions and the employers associations. The Boards have their own staff including Secretary, Personnel Officer, Chief Accountant, Inspectors and Clerks.
8.2 The Mathadi Workers Boards, besides settling disputes between unions and employers, are actively involved in imparting social security benefits to their members. One of the major achievements of the Mathadi Workers Boards has been the setting up of hospitals. At present there are two hospitals with an annual budget of Rs.2 crores which are run by six Mathadi Boards. In addition to this, there are 12 dispensaries. The hospitals have 75 beds for indoor patients. Each of the six Boards contributes 2% of their levy and each worker contributes Rs.20 per month. These hospitals provide diagnostic services such as radiology, pathology and sonography for around 40,000 workers and their families. There is a dental unit in each of the hospitals and specialists in ophthalmology, orthopedics, general surgery, skin, chest and cardiology are also available. There are 35 medical officers, 35 specialists, 60 paramedical and 30 non-medical staff with the hospitals. Everyday, around 2500 workers get treatment. Daily 5 surgeries are done. The hospitals have also been organizing educational programmes and exhibitions at workplace sites to bring AIDS related awareness among workers. Almost 80 to 90 per cent of the workers come to the hospitals with fractures, spondylitis, hernia and other similar problems.

8.3 During the last few years, some of the Mathadi Boards have been able to get the workers registered with them insured against accident, injuries and death. For example, Mathadi Boards in Pune are paying Rs.152/- per annum as premium out of the Board's administrative account to cover workers for a benefit of Rs.25,000/- in case of injury and Rs.2,00,000 in case of death to each worker. This scheme has been worked out by the Mathadi Board with the General Insurance Corporation.

8.4 There are other important initiatives too and their contribution too should not be ignored in this broad-brush portrayal of the status.

c. Other initiatives

9.1 Organizations like Co-operative Development Foundation (CDF), SAMAKHYA, Trivandrum District Fishermen Federation (TDF), the Association of Sarwa Sewa Farms (ASSF), the Society for Promotion of Area Resources
Centre (SPARC), Voluntary Health Services (VHS) in Tamil Nadu and the Working Women’s Forum have experimented for providing social security to small groups of people. The VHS in Chennai, the SAMAKHYA in Andhra Pradesh and the Association for Health Welfare in Nilgiris (ASHWINI) in the tribal areas of Gudalur in Tamil Nadu have made efforts to provide medical care to very specific target groups. The approach of these agencies is based on collecting of contribution from the beneficiaries themselves for their future contingencies in line with the insurance principles. The amount collected is utilized for running health centres and hospitals. ASSEFA, an NGO which specializes in credit, operates a number of health care centres at several villages in Kiriapathi block to provide preventive and curative health services for minor ailments.

9.2 Lokswasthya, a co-operative, runs two municipal hospitals as part of the SEWA movement. The co-operative provides primary health care services, health education and also provides medicines below the open market prices. Similarly, Apollo Hospital Association (AHA), a non-profit organization registered as a society, provides health care as an intermediary for Mediclaim policy with insurance companies. This organization also offers credit facility to the insured members in case of hospitalization and helps in settling claims with the insurance agencies. The CDF has started an innovative scheme of death relief fund covering about 26,000 members in 40 Thrift and Co-operative Regional Associations (TCA) in the States of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. In the event of death between the age of 18 and 60 years, the members’ nominee receives a maximum of Rs.20,000/- depending on the age and the amount contributed.