

**THIRTY EIGHTH SESSION OF  
THE INDIAN LABOUR CONFERENCE  
(NEW DELHI : SEPTEMBER 28-29, 2002 )**

**AGENDA**



**MINISTRY OF LABOUR  
GOVERNMENT OF INDIA  
NEW DELHI**

**THIRTY EIGHTH SESSION OF  
THE INDIAN LABOUR CONFERENCE  
(NEW DELHI : SEPTEMBER 28-29, 2002)**

**AGENDA**

<b>S.No.</b>	<b>Item</b>	<b>Page No.</b>
1.	Impact of globalization on the Indian economy particularly on employment, and how to meet the challenges.	1
2.	Social Safety Net.	14
3.	Disinvestment policy of the Government	34
4.	Problems and challenges being faced by the small-scale industries and their remedies.	49
5.	Report of Second National Commission on Labour	62

**THIRTY EIGHTH SESSION OF  
THE INDIAN LABOUR CONFERENCE  
NEW DELHI**

**ITEM-I : IMPACT OF GLOBALISATION ON THE INDIAN  
ECONOMY PARTICULARLY ON EMPLOYMENT AND  
HOW TO MEET THE CHALLENGES**

**EXECUTIVE SUMMARY**

1. That globalisation is now a reality has come to be reckoned by all sections of the society. The Government has introduced a series of far-reaching economic reforms in trade and industry as well as in external, financial and public sectors. These reforms have had a salutary effect on the economy resulting in higher GDP growth, reduction in poverty, lowering of inflation, increase in foreign direct investment etc. There is, however, deceleration in the growth of employment from 2.23% per annum in pre-reform era (1987-88 to 1993-94) to less than 1% in post-reform period (1993-94 to 1999-2000). The major areas of concern are the informalisation of jobs as well as stagnancy of employment in the organized sector at 2.8 crore. Although there is no empirical evidence to suggest the specific causes, it is the general impression that globalisation necessitating adoption of capital intensive technologies could be the main factor behind this unusual phenomenon. Further, an opinion is often expressed that outdated labour laws are also partly responsible for the tardy growth.
2. The globalisation has thrown up major challenges of raising production and productivity in synchrony with employment generation. The strategy evolved by the Government is to accelerate the pace of economic growth from around 6% at present to 8% during the 10<sup>th</sup> Plan with particular emphasis on sectors having potential for additional employment and better spread of income to the low income segments. The recommendations of the two Expert Committees set up by the Planning Commission, namely, the Task Force on Employment Opportunities and the Special Group for creating gainful employment for one crore people per year would constitute core of the future strategies for employment generation and poverty reduction in the country.
3. The globalisation has further brought to the fore that henceforth the demand would be mostly for labour with skills and multi-skills. As only 5% of our labour force in the age group 20-24 have skills acquired through formal training, there is need to have higher investment in skill

development & training and modernization of training system. A proper testing and certification system for skills acquired through informal means would also be desirable.

4. The scheme for counselling, retraining and redeployment of rationalized workers of the CPSUs needs to be further strengthened by bringing under its ambit the employees of State PSUs and the corporate sector. The Ashraya Bima Yojana launched last year may be modified/revamped in the light of experience hitherto gained.

5. The National Commission on Labour has recently submitted its report to the Government. Its recommendations relating to strategies for growth and employment in the face of a competitive globalised market need to be seriously considered.

\*\*\*\*\*



## **THIRTY EIGHTH SESSION OF THE INDIAN LABOUR CONFERENCE NEW DELHI**

### **ITEM-I : IMPACT OF GLOBALISATION ON THE INDIAN ECONOMY PARTICULARLY ON EMPLOYMENT AND HOW TO MEET THE CHALLENGES**

#### **1: BACKGROUND**

1.1 India is passing through a very crucial phase of its history. The entire country is under the spell of globalisation and there is hardly any individual, group, sector or section which is not touched by it. Implications of globalisation on various facets of society have been discussed and debated at umpteen conferences, seminars, symposia, workshops organized by varied interest groups. The Ministry of Labour has also been seized of the matter. 'Globalisation : its impact on Indian industry, labour and economy' as an agenda item was discussed at the 37<sup>th</sup> Session of the Standing Labour Committee held on 14<sup>th</sup> February, 2001. The 37<sup>th</sup> Session of the Indian Labour Conference (ILC) held on 18-19 May, 2001 also took up for consideration the 'Impact of globalisation on Indian industry, labour and employment' as one of the themes for detailed discussion. Although, there was no consensus in these deliberations on the precise fall out of globalisation, the critical consciousness of the nation, has been churned towards recognising the utmost importance and urgency of addressing this vital issue. The "Impact of globalisation on the Indian economy with special reference to employment and how to meet the challenges" has, therefore, been again included as one of the agenda of this Conference.

#### **2. CONCLUSIONS OF THE 37<sup>TH</sup> ILC SESSION**

2.1 As this august body will recapitulate, one of the major conclusions at the last session of the Conference was that the adverse effects of globalisation have to be handled with seriousness by the social partners and the Government. There was also a consensus of opinion that India cannot afford to remain isolated in the world economy and, therefore, it must continue to be a member of WTO. However, steps have to be taken to negotiate from within WTO by building understanding where appropriate, with other developing and under-developed countries, which could help in correcting decisions that are inequitable. It was also concluded that there is distinct deceleration in the growth rates of employment in the organized sector. Casual employment is growing.

Therefore, adverse impact of liberalization on quality employment will have to be tackled effectively. Furthermore, the last ILC felt that a recent trend observed globally was the widening of income disparities, particularly between highly skilled and those with low level of skills. There is, hence, an imperative need to give more attention to continuing upgradation of skills of the workforce by educational / training institutions, social partners and the Government.

### 3. GLOBALISATION AND ECONOMIC REFORMS

3.1 As is well known, globalisation as a philosophy implying growing economic interaction with the world economy in trade, investment, flow of information, knowledge and technology, financial flows, travel, greater mobility of labour etc. has been accepted the world over. In India, barriers in trade, commerce and industry during the seventies constrained the process of globalisation. Far reaching reforms implemented in industrial, external and financial sectors during the nineties have progressively reduced these barriers to facilitate the process of globalisation. Almost all the key industrial sectors have been decontrolled and de-licensed. An investor-friendly, foreign investment policy has been put in place. Foreign investment has been largely permitted through the automatic route and sectoral caps to foreign equity participation have been significantly enhanced.

3.2 Tariff rates on major imports have been substantially rationalized and the bulk of imports have been placed on the Open General Licence List. The Indian rupee has been made fully convertible in the current account. The Foreign Exchange Management Act (FEMA) has replaced the erstwhile FERA. Special measures have been taken for promoting exports.

3.3 The country is now in the second phase of economic reforms. In the current period, the focus is on achieving fiscal consolidation, amending outdated legislations, state level reforms, revamping public sector enterprises, strengthening basic and social infrastructure, developing India's comparative advantage in information technology and knowledge-based industries and increasing the strength and vibrancy of capital markets and financial institutions.

### 4. IMPACT OF GLOBALISATION ON INDIAN ECONOMY

4.1 The reform measures, introduced in the Indian economy since 1991, have substantially improved the balance of payments scenario of the country, improved the external debt situation and enhanced the inflow of foreign investment. Overall economic growth has picked up well making India one of the ten fastest growing nations in the world during



1990s. The average annual growth in the post-reforms period of 1992-93 to 2000-01 has been of the order of 6.1 per cent, which is higher than the average growth of 5.8 per cent during the pre-reforms year of 1980-81 to 1990-91. There is, however, deceleration in the growth since last year due perhaps to the global recession. The positive impact is also evident on inflation, which at 2 per cent is all-time low now. The poverty ratio has perceptibly declined from 38.9 per cent in 1987-88 to 36.0 per cent in 1993-94 and further down to 26.1 per cent in 1999-2000.

## 5. INDUSTRIAL RELATIONS

5.1 The accelerated growth during the nineties is generally attributed to new economic policy pursued by the Government in the context of globalised economic order. However, a climate of harmonious industrial relations conducive to higher investment and growth cannot be considered less significant. For this, both the management and the workers deserve special appreciation. A review of data on work stoppages arising out of industrial disputes reveals a significant improvement in industrial relations scenario in the nineties as compared to the eighties. The number of industrial disputes i.e. strikes and lockouts has shown not only a declining trend but also a steep fall; the number having dipped from 1825 in 1990 to 555 in 2001. The total number of strikes and lockouts has also shown a declining trend both in public and private sector, the most pronounced being in public sector where the number dropped drastically from 628 in 1990 to 112 in 2001. The private sector too has witnessed a perceptible drop in industrial disputes from 1197 in 1990 to 443 in 2001.

5.2 The decline in the number of strikes is more conspicuous than the lockouts reflecting a sense of discipline and responsibility among workers. The share of strikes in total work stoppages which was 80% in 1990 has slid to just 53% in 2001. The total number of strikes which was as high as 1459 in 1990 has come down to a low of 293 in 2001. The decline in the case of public sector units from 606 to just 87 is remarkable; the corresponding figures for private sector being 853 and 206 respectively. The details are given in **Annexure**.

5.3 The number of workers involved in these strikes and lockouts as also the loss of mandays therefrom have also generally followed a similar declining trend as the number of strikes and lockouts.

## 6. EMPLOYMENT AND UNEMPLOYMENT SCENARIO VIS-A-VIS GLOBALISATION

6.1 Assessment of employment and unemployment situation is made through the Labour Force Surveys conducted by the National Sample



Survey Organisation (NSSO) from time to time. Last such survey was carried out in 1999-2000. The results of the surveys indicate that during the period 1993-94 to 1999-2000, the labour force has increased from 38.2 crore to 40.6 crore i.e. by around 1.03% per annum against the employment moving up from 37.4 crore to 39.7 crore exhibiting a growth of 0.98% per annum. This marks a substantial deceleration in comparison to their growth of 2.37 per cent and 2.23 per cent respectively during 1987-88 to 1993-94. As a result, the picture of open unemployment as observed during 1993-94 (7.5 million) has not substantially gone up during the year 1999-2000 being of the order of only 9 million. The most significant departure in the trend in the growth of employment is at the sectoral level. The entire growth during 1993-94 to 1999-2000 has come about through growth in the unorganized sector where employment has gone up from 34.6 crore to 36.9 crore whereas the employment in the organized sector has remained stagnant at 2.8 crore. The debilitating state of organized sector employment although it constitutes only 7 per cent of the total employment, is a matter of concern. There is no empirical enquiry to assess the factors causing this unusual phenomenon. It is, however, generally believed that globalisation has impacted on employment especially in the organized sector. An opinion is often expressed that obsolete labour laws are also partly responsible for the tardy growth in organized sector employment.

6.2 Further, the results of the NSSO surveys also show that a large number of workers (around 30%) are living below the poverty line. This indicates that the productivity as well as income level of the workers working in various industries are very poor and require a substantial step up. This possibly is due to the new entrants being pushed into the labour market in the unorganized sector which at present is not able to absorb them. Excess supply of labour is resulting in low productivity, low wages and poor social security. Keeping this in view, the concept of decent work aiming at high quality employment by raising productivity and income level is being advocated in various fora including the International Labour Organisation.

## 7. STRATEGY TO MEET THE CHALLENGES OF GLOBALISATION

7.1 Even though it has not been possible to segregate the precise impact of globalisation on economy due to the complexity of multi-variate inter-linkages and there is a need for concurrent empirical enquiry, we have to devise our response on the basis of indicative leads. As agreed to at the last ILC Session, globalisation has to be taken as a universally accepted irreversible event. The response has to be such as to meet the challenges of international competition through improvement in productivity and efficiency and at the same time ensure industrial



harmony, employment augmentation and reasonable labour standards in terms of welfare, health, safety and sanitary conditions. Striking a delicate balance between growth of economy and generation of employment would require requisite degree of cooperation between the social partners, viz. employers' and employees' organizations with the Government playing the role of a facilitator. With a view to have a focused attention, it is intended to confine the discussion on strategy to meet the challenges of globalisation on the employment. Some of the strategies adopted to generate higher employment are outlined below.

**(i) Plan Strategies:**

7.2 Employment as a subject has not been assigned to any particular Ministry and the work is coordinated by the Planning Commission which tries to attain the objective of employment growth through Plan Schemes administered by various Ministries. The approach to Tenth Plan focuses on providing gainful high quality employment to the additions to the labour force and it is listed as one of the monitorable objectives for the 10<sup>th</sup> Plan and beyond. The growth strategy of 10<sup>th</sup> Plan lays emphasis on rapid growth of those sectors which are likely to create high quality employment opportunities and deal with the policy constraints which discourage growth of employment. Particular attention would be paid to the policy environment influencing a wide range of economic activities which have a large employment potential. The Planning Commission has taken special initiative in this regard by setting up two Expert Committees.

**(a) Task Force**

7.3 Planning Commission set up the Task Force on Employment Opportunities under the Chairmanship of Dr. M.S. Ahluwalia, the then Member, Planning Commission, in January 1999 with a view to examine the existing employment and unemployment situation in the country and to suggest strategies of employment generation for achieving the target of providing employment opportunities to 10 crore people over the next ten years (one crore per year). The Task Force has already submitted its report and suggested various sectors with sufficient potential for employment generation. The Task Force has recommended intervention in five major areas as under :-

- Accelerating the rate of growth of GDP, with a particular emphasis on sectors likely to ensure the spread of income to the low-income segments of the labour force.
- Pursuing appropriate sectoral policies in individual sectors which are particularly important for employment generation.

These sector level policies must be broadly consistent with the overall objective of accelerating GDP growth.

- Implementing focused special programmes for creating additional employment on enhancing income generation from existing activities aimed at helping vulnerable groups that may not be sufficiently benefited by the more general growth promoting policies.
- Pursuing suitable policies for education and skill development, which would upgrade the quality of the labour force and make it capable of supporting a growth process which generates high quality jobs.
- Ensuring that the policy and legal environment governing the labour market encourages labour absorption, especially in the organized sector.

7.4 The emphasis of the Task Force is on accelerating the pace of economic growth with focus on services sector as the primary sector, namely, agriculture did not hold promise. The Task Force has also stressed on the reforms in labour market.

#### **(b) Special Group**

7.5 Subsequently, the Planning Commission constituted a Special Group under the Chairmanship of Dr. S.P. Gupta, Member, Planning Commission to suggest strategies and programmes in the Tenth Plan for creating gainful employment opportunities for one crore people per year during each year of the Tenth Plan. The Group has submitted its report and recommended that the employment strategy for future to meet the Plan's employment goals is to encourage the use of labour intensive and capital saving technology in general and to rejuvenate the growth of the unorganized sector in particular, which at present contributes 92 per cent of the country's employment and enjoys more than 10 times labour intensity per unit of production, as compared to the organized sector. However, the unorganized sector needs to be made more productive to sustain itself against the domestic and international competition by proper choice of programmes and policies compatible with India's economic reforms and the WTO rules. The activities where there is a major potential of large new job opportunities are agriculture including social forestry, animal husbandry, fishing, horticulture and related areas and small and medium industries, construction, tourism, information technology, financial sector, education and health. A major portion of these activities is in the unorganized sector. This sector also includes a large number of self-employed and artisans.



7.6 The recommendations of the above two Expert Committees would form the basis of future strategy and programmes for employment generation in the country.

**(ii) Skill Building and Training:**

7.7 As has already been indicated, our focus needs to be more on the unorganized sector, as distinct from the capital intensive corporate sector, since this is the sector that is identified as the main job giver in future and also where viability is at stake under global competition. The answer is, therefore, to increase the productivity of the labour in this sector and to make it attractive to improve its job quality. World employment report while depicting the global situation has also indicated that in the present context of globalisation : -

- (a) Demand of unskilled / under-skilled labour has declined
- (b) Demand for skilled labour has increased
- (c) Increase in demand for multi skills

7.8 Given the present situation where hardly 5% of the labour force in the age group 20-24 has skills acquired through formal training, the large scale revamping of the skill development and training are of prime concern. The need in the present context, therefore, is:

- (a) Investment in skill development and training
- (b) Effective increase in educational and skill level of workers
- (c) Modernisation of training system
- (d) Effective cooperation of all partners

7.9 It is also conceded that with the present economic scenario, large-scale investment by Government in the formal training system may not be possible. Skill Development Fund, therefore, deserves consideration for skill building. The skill acquired through the informal means will have to play a prominent role in the years to come. It may, therefore, be desirable to develop a proper testing and certification system for such skills acquired through informal means.

**(iii) Rationalisation of Manpower and Safety Net :**

7.10 The restructuring exercise in the Central Public Sector Undertakings usually involves financial and manpower rationalization. However, the interests of the workers have been kept in mind while framing any revival package. The intention has been to maintain the workforce wherever possible. In situations demanding reduction in workforce, the government has tried to protect the interest of workers to the utmost possible. The Government has introduced the scheme for

counselling, retraining and redeployment of rationalized employees of the Central Public Sector Undertakings from the year 2001-02. The thrust of the present scheme is on self-employment of the rationalized employees. In order to have wide coverage of the scheme and its proper implementation at the national level, nodal agencies have been selected from different States to cater to the needs of the rationalized employees of the CPSUs. The ambit of the scheme needs to be enlarged to cover rationalized employees of State PSUs as well as the corporate bodies and the cost of the programme be proportionately shared by them.

7.11 The Ashraya Bima Yojana was started last year to provide compensation upto 30 per cent of last drawn annual pay for a period of one year to workers who lose their job and were drawing salary upto Rs.10,000 per month. In the light of last year's experience the scheme could be modified/ revamped to serve its larger objective.

#### **(iv) Labour Reforms :**

7.12 The emerging economic environment involving rapid technological changes, globalisation of economy, liberalization of trade and industry requires that industry should become more competitive in terms of price and quality. Taking into consideration the need of productivity, competitiveness, employment generation, foreign investment and economic reforms, a need has been felt to make amendments in certain labour laws. Accordingly, a few labour laws, viz. Trade Unions Act, 1926, Workmen's Compensation Act, 1923 have been amended. Some of the other laws, namely, Industrial Disputes Act, 1947, Contract Labour (Regulation & Abolition) Act, 1970, Employees Provident Fund & Miscellaneous Provisions Act 1952, Factories Act, 1948, Mines Act, 1952, etc. are under examination. The Government is proceeding in the matter with utmost care so that the interests of workers are not hurt. However, any reform in labour related matters would be possible only with the whole-hearted cooperation of social partners in which case each party has to act in a symbiotic manner for larger benefit of the economy. Legislation alone won't do. To quote James Cardinal Gibbons, "Reform must come from within, not from without. You cannot legislate for virtue".

#### **(v) Observations and Recommendations of the National Commission on Labour**

7.13 The National Commission on Labour has recently submitted its report to the Government. The recommendations of the Commission cover a wide range of issues including review of laws, social security, women & child labour, skill development, labour administration, unorganized sector and other matters. The Commission has also made observations on the impact of globalisation on the Indian economy and



suggested certain responses necessary to improve competitiveness of the industry. These observations/ suggestions need to be given serious thought in evolving future strategies for growth and employment.

## **8. CONCLUSIONS**

8.1 That globalisation is now a reality has come to be reckoned by the country. The Government has introduced a series of far-reaching economic reforms in trade, industrial, external, financial and public sectors. These reforms have shown positive results in terms of higher economic growth, reduction in poverty ratio, lowering of inflation rate and increase in foreign direct investment. There is, however, deceleration in the growth of employment in the organized sector showing a stagnancy at 2.8 crore. This unusual phenomenon is often attributed to globalisation as also the outdated labour laws.

8.2 The Government has evolved a multi-pronged strategy to meet the challenges of globalisation by raising production, productivity and employment. Stepping up annual growth from around 6% to 8% during the 10<sup>th</sup> Plan with emphasis on sectors with potential to generate employment and better spread of income in the light of the recommendations of the Task Force and the Special Group would constitute the core of the future policy and programmes. As there is going to be greater demand for labour possessing skills and multi-skills, there is need to have higher investment in skill development, training and modernization of training system. A proper testing and certification system for skills acquired through informal means would also be desirable.

8.3 The Scheme for counselling, retraining and redeployment of rationalized workers of the CPSUs needs to be further strengthened by including the employees of State PSUs and the corporate bodies. The Ashraya Bima Yojana launched last year may be modified/ revamped in the light of experience hitherto gained.

8.4 The National Commission on Labour has recently submitted its report to the Government. Its recommendations relating to strategies for growth and employment in the face of a competitive globalised market need to be seriously considered.

## **9. ISSUES FOR DELIBERATIONS/DISCUSSION**

9.1 The globalisation has brought in its wake many challenges and opportunities. The main challenge before the country is enhancing the pace of economic growth besides generating more jobs for unemployed

and under-employed. The issues for deliberations of the ILC are as under:-

1. Adequacy of the Plan strategies for employment generation and suggestions thereto.
2. Suggestions for skill upgradation & training to meet the demand of a competitive globalised market.
3. Suggestions regarding counselling, retraining and redeployment and appropriate safety net for rationalized workers.

\*\*\*\*\*

## Annexure

## NUMBER OF STRIKES AND LOCKOUTS IN PUBLIC AND PRIVATE SECTOR

YEAR	STRIKES			LOCKOUTS			STRIKES & LOCKOUTS		
	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL
	SECTOR	SECTOR		SECTOR	SECTOR		SECTOR	SECTOR	
1990	606	853	1,459	22	344	366	628	1,197	1,825
1991	471	807	1,278	182	350	532	653	1,157	1,810
1992	296	715	1,011	321	382	703	617	1,097	1,714
1993	184	730	914	175	304	479	359	1,034	1,393
1994	168	640	808	148	245	393	316	885	1,201
1995	206	526	732	137	197	334	343	723	1,066
1996	221	542	763	160	243	403	381	785	1,166
1997	187	606	793	261	251	512	448	857	1,305
1998	134	531	665	149	283	432	283	814	1,097
1999(P)	87	453	540	78	309	387	165	762	927
2000(P)	85	341	426	40	305	345	125	646	771
2001(P)	87	206	293	25	237	262	112	443	555

(P) = Provisional

Source: Labour Bureau, Shimla



## THIRTY EIGHTH SESSION OF THE INDIAN LABOUR CONFERENCE NEW DELHI

### ITEM-II : SOCIAL SAFETY NET

#### EXECUTIVE SUMMARY

1. Globalisation and rapid technological changes are transforming the world of work. Social Security is increasingly seen as an integral part of the development process. Social Security is the means to achieve increase in productivity and competitiveness as also the means to improve the workers' health, safety, conditions of work and incomes.
2. Of the total workforce of around 397 million in the country, 28 million are employed in the organised sector and 369 million are employed in the unorganised sector which includes 236 million workers employed in agricultural and related activities. The existing arrangement for social security cover only 35 million. A prime concern is the challenge of closing the existing coverage gap, which affects about 92% of the workforce.
3. In India, the principal social security schemes, mainly in the organised sector, are provided by Workmen's Compensation Act, 1923, Maternity Benefit Act, 1961, Payment of Gratuity Act, 1972, Employees' State Insurance Act, 1948 and Employees' Provident Fund & Miscellaneous Provision Act, 1952.
4. The EPFO has embarked upon an ambitious programme entitled 'Reinventing EPFO' enabling 'any-time any-where' service across all EPFO offices in the country for settlement of a claim within 2-3 days of the receipt. It also seeks to provide unique Social Security Number to every subscriber member to identify each member uniquely regardless of the employer. Schemes are also being worked out by the EPFO for providing Unemployment Insurance and de-linking the pension schemes from provident fund so that pension benefits can be provided to workers in the unorganised sector.
5. ESIC is in the process of forming area-wise and occupation-wise schemes to extend coverage to the unorganised sector. It is setting up a Model Hospital in each State to provide complete Secondary Care Treatment and setting up a revolving fund in each State for speedy transfer of funds for Super Speciality Treatment.



6. In the unorganised sector, despite several social security arrangements by Central/State Govts., there is a huge gap in coverage and lack of institutional framework and resources to implement the social security programmes. Further, majority of workers in the unorganised sector being poor are unable to participate in social security schemes/programmes run on contributory basis.

7. Convergence of all Central and State Govt. programmes for optimum utilisation of resources as also the active involvement of NGOs/Self Help Groups/Social Partners, Local bodies and Panchayati Raj institution is a pre-requisite, for effective implementation.

8. It is crucial to build awareness as a compulsory measure to prevent exploitation of workers in the unorganised sector. Steps need to be initiated for inviting active participation from the voluntary organizations, trade unions and other committed individuals, to generate such social awareness with the object of empowering workers who are currently vulnerable to exploitation.

\*\*\*\*\*

## **THIRTY EIGHTH SESSION OF THE INDIAN LABOUR CONFERENCE NEW DELHI**

### **ITEM-II : SOCIAL SAFETY NET**

#### **1. INTRODUCTION**

1.1 Globalisation and rapid technological change are transforming the world of work. What people want from development is not just rising average income but greater security and protection. Coherent social and economic policies can improve the workers' health, safety, condition of work and incomes while achieving increase in productivity and competitiveness. Social Security is the appropriate means to achieve these ends, both to strengthen the social fabric of societies over long term and to provide adequate support in situations such as accidents, illness, deprivation and natural disasters.

1.2 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.

1.3 Today, the concern of the international community is focused on providing social security. The International Labour Conference in June, 2001 had wide ranging discussions on Social Security among Governments and Employers' and Workers' organisations. It was agreed that everyone in society should have access to social security and that the highest priority should be given to policies and initiatives aiming at extending it to those-forming the majority of the populations of the world-who still do not have it. It was also agreed that social security should play a positive role in promoting gender equality. It was underlined that if properly managed, social security can enhance productivity and support economic development.

#### **2. THE WORK FORCE IN INDIA**

2.1 Social Security in India is increasingly seen as an integral part of the development process. It helps to create a more positive attitude not just to structural and technological change but also the challenge of



globalization and to its potential benefits in terms of greater efficiency and higher productivity.

2.2 In the last five decades, considerable progress in extension of social security cover at both State and Central level has been made. However, a universal social security programme for the country remains a distant goal. Improved health care and resultant increase in longevity call for redoubled effort to plan for and put in place appropriate institutional mechanisms and programmes to cover a much wider population base.

2.3 Out of a total labour force of 406 million, around 397 million are in the workforce, remaining 9 million (2.2% of total workforce) are what is known as "openly unemployed" i.e. they did not have any work during last 365 days. Out of this 397 million workforce in the country, 28 million are employed in the organized sector. 369 million workers are in the unorganized sector which include about 236 million workers employed in the agricultural and related activities. The remaining 133 million are in the non-agricultural activities which include about 19 million workers employed in the small scale industries, 30 million home based workers (6.5 million handloom weavers, 4.5 million artisans and craft persons, 4.4 million beedi workers, etc.).

2.4 There is a vast gap in coverage of the employees under the social security net in India. Out of the total workforce, only around 8% is covered in the organized sector. The rest of the workforce is in the unorganised sector. While the fruits of the various social security schemes are available to the workers in the organized sector, the large workforce in the unorganised sector by and large do not come under the social security net. However, some workers in the unorganised sectors like beedi, construction, brick kiln, incense stick makers, leather, papad making, etc get the benefits under the social security schemes. In fact, as on 31.3.2001, 20 lakh workers in beedi establishments had been extended statutory benefits under the Employees Provident Fund Scheme.

2.5 It is the endeavour of the Government to minimize this gap and to bring the workers under the social security programmes. The social security programmes in India, at present provide for medical care, sickness benefit, the employment injury benefit and the old age and survivors benefit in the form of provident fund and pension.

### **3. ORGANISED SECTOR**

3.1 In India, the principal social security schemes are:

**(a) Workmen's Compensation Act, 1923:**

3.2 The Act covers employees employed in 50 notified hazardous employments. The workers employed in construction/repair of any building, road, bridge, canal, loading/unloading of any vehicle, tapping of palm trees, plantations, driving/diving, horticulture operations, forestry, beekeeping, farming, catching of fish in sea, cultivation of land, spraying/dusting of insecticides/pesticides in agricultural operations, mechanized harvesting and threshing operations etc. are covered under the W.C. Act. The objective of W.C. Act is to provide social security cover to the workers mainly in unorganized sector where the ESI Scheme is not in operation. In order to provide social protection to all workers employed in the hazardous employments recently the W.C. Act has been amended and from 8.12.2000 all casual workers without any exception have been made eligible for compensation on account of death/disablement due to employment injury. The hazardous employments covered by the W.C. Act generally engage workers on casual and informal basis. The minimum amount of compensation under the W.C. Act is Rs.80,000/- and the maximum may go upto Rs.5.48 lakh effective from 8.12.2000.

**(b) Maternity Benefit Act, 1961**

3.3 The Maternity Benefit Act, 1961 regulates employment of women in certain establishments for a certain period before and after childbirth and provides for maternity and other benefits. The Act applies to mines, factories, circus industry, plantation, shops and establishments employing ten or more persons, except employees covered under the Employees' State Insurance Act, 1948. It can be extended to other establishments by the State Governments. There is no wage limit for coverage under the Act.

**(c) Payment of Gratuity Act, 1972**

3.4 The Payment of Gratuity Act, 1972 is applicable to factories, mines, oil fields, plantations, ports, railways, motor transport undertakings, companies, shops and other establishments. The Act provides for payment of gratuity at the rate of 15 days' wages for each completed year of service subject to a maximum of Rs.3,50,000. In the case of seasonal establishment, gratuity is payable at the rate of seven days' wages for each season. The Act does not affect the right of an employee to receive better terms of gratuity under any award or agreement or contract with the employer.



**(d) Employees State Insurance Act, 1948**

3.5 The Employees State Insurance Act is applicable in the first instance, to non-seasonal factories using power and employing 10 or more persons and non-power using factories employing 20 or more persons. Under the enabling provisions contained in the Act, the Act is being extended by the State Governments to new classes of establishments, namely, shops, hotels, restaurants, cinemas, including preview theatres, road, motor transport undertakings and newspaper establishments employing 20 or more persons. It covers employees drawing wages not exceeding Rs.6,500 with effect from 1<sup>st</sup> January, 1997. The Act provides medical care in kind and cash benefits in the contingency of sickness, maternity and employment injury and pension for dependents in the event of the death of a worker because of employment injury. Full medical care including hospitalization is also being progressively made available to members of the family of the insured persons.

3.6 The scheme is applicable in 25 States and Union Territories. Currently over 85 lakh insured persons and about 3.13 crore beneficiaries are covered under the scheme. The corporation has constructed and commissioned 140 ESI hospitals, 43 Annexes and 1453 dispensaries in different parts of the country. The ESI Scheme provides following benefits to the Insured workers :

- (i) Medical Benefit
- (ii) Sickness Benefit
- (iii) Maternity Benefit
- (iv) Disablement Benefit
- (v) Dependant Benefit
- (vi) Funeral Expenses.

**(e) Schemes under the EPF and MP Act, 1952:**

3.7 The object of the Act was the institution of compulsory contributory Provident Fund for employees to which both the employee and the employer would contribute. EPFO covers 180 Industries/class of establishments with 3.40 lakh establishments. As its beneficiaries, the total number of employees covered are 263 lakh. The total corpus managed by EPFO, as on 31.3.2002, is a staggering Rs.1,02,163.05 crore.

3.8 Presently the following three Schemes are in operation under the Act:

- (i) Employees' Provident Funds Scheme, 1952

- (ii) Employees' Deposit Linked Insurance Scheme, 1976
- (iii) Employees' Pension Scheme, 1995

**(i) Employees Provident Fund Scheme:**

3.9 The scheme came into effect from 01.11.1952. The coverage under the scheme is restricted to employees drawing pay plus dearness allowance not exceeding Rs. 6,500/- p.m. The employees and employers contribute to the fund @ 12% of the basic wages, dearness allowance and retaining allowance, if any. The rate of contribution is 10% in respect of brick, beedi, jute, coir, guar gum and establishments registered with BIFR. The benefits to the subscribers under the scheme are :

- accumulation plus interest upon retirement, resignation and death; and
- partial withdrawals for specific expenses such as house construction, higher education, marriage, illness.

**(ii) Employees Deposit Linked Insurance Scheme, 1976:**

3.10 The scheme came into effect from 1.8.1976 and applies to all employees who are members of the Provident Fund in the exempted as well as in the unexempted establishments. The employees are not required to pay any contribution. However, the employers contribute 0.5% of wages of the members. It provides lumpsum benefits upon death upto Rs. 25,000/- plus 25% of excess in the Provident Fund account upto a maximum of Rs. 60,000/-.

**(iii) Employees Pension Scheme, 1995:**

3.11 The scheme was introduced with effect from 16.11.1995. It is compulsory for all the members of the ceased Family Pension Scheme, 1971. It is also compulsory for the persons who became members of the fund with effect from 16.11.95. The pensioners who are drawing benefits under the erstwhile Family Pension Scheme will continue to draw the Family Pension under the EPS,95. The scheme is financed by diversion of 8.33% of the PF contribution from employer share and the Central Govt. contributes 1.16%. 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. As on 31.1.2002, there are 11.29 lakh pensioners under the scheme.



3.12 In all the above schemes, the wage ceiling of Rs. 6,500/- p.m. is applicable w.e.f 1.6.2001.

#### 4. INITIATIVES BY EPFO

4.1 A multiprong approach is being adopted to increase the coverage under the EPF scheme. It is proposed to amend the EPF & MP Act, 1952 so as to do away with the schedule of industries/establishments to which the scheme is applicable, and to have a negative list instead. It is also proposed to reduce the threshold limit of employees from the existing level of 20 for coverage under the scheme. The monetary ceiling limit for coverage under the scheme is being revised periodically; the last revision was done on 1<sup>st</sup> June 2001.

4.2 EPFO has embarked on an ambitious programme, entitled '**Reinventing EPFO**', so as to provide user friendly service to its clients. The project seeks to comply with the three key objectives of enabling geometric growth of membership, enabling settlement of a claim within 2-3 days of receipt, enabling 'any time any where' service across all EPF Offices in the country and enabling more effective and efficient contribution, collection and curtailment of under-reporting or non-reporting of membership and liability. The plan is proposed to be initially implemented in six pilot offices namely Hyderabad, Indore, Gurgaon, Patna, Kota and Mangalore by October, 2003. This will be replicated in the rest of the field offices by the year 2005.

4.3 The modernization plan of the EPFO provides for issuance of Social Security Number (SSN) to every subscriber member to identify each member uniquely regardless of his employer. The number will not change even after the member changes his employment.

4.4 The EPFO has proposed that the existing Employees Deposit Linked Insurance Scheme (EDLI) may be merged into proposed Employees Multi Benefit Insurance Scheme and the unemployment Insurance benefit may be provided in addition to the Assurance benefit already being provided under the existing EDLI scheme. Details are being worked out. The scheme would require amendment to the EPF & MP Act, 1952.

4.5 At present, under the EPF&MP Act, 1952 the composite benefits of the three schemes, i.e. PF Scheme, EDLI Scheme and EPS, 95 are available to the workers. A member of the provident fund has to be compulsorily a member of EPS & EDLI. It is proposed to delink the pension scheme from the rest of the two schemes and to extend the pension scheme to workers in the unorganised sector who cannot afford to contribute in respect of composite scheme. This would require



amendment to the EPF & MP Act, 1952. Details are being worked out by the EPFO.

## **5. INITIATIVES BY ESIC**

5.1 Employees State Insurance Scheme is implemented area-wise depending upon the speed with which the State Governments are able to provide necessary facilities for providing medical care to the coverable workers and their families. Extension of the ESI Scheme has not been taking place as per the phased programme due to inability of the State Governments to provide medical benefits because of financial and other constraints. In order to overcome these problems, the Corporation has decided to explore the feasibility of providing medical care directly in such areas where the State Govt. is not able to provide such facilities, by entering into contract with private medical practitioners and tie-up arrangements with private medical institutions. This will also ensure extension of the Scheme to a large number of areas where the Scheme is presently not in force.

5.2 In order to extend the coverage under the ESI Scheme to the unorganised sector, the corporation is in the process of forming area-wise and occupation-wise Schemes. A pilot Project for covering transport workers such as auto/taxi drivers and cycle rickshaw pullers etc. is being examined.

5.3 ESIC has adopted several other measures for improvement in Medical services such as setting up one Model Hospital in each State to provide complete secondary care treatment, setting up of a revolving fund in each state for speedy transfer of funds for Super Specialty treatment and implementation of a Project for control of HIV/AIDS for ESI beneficiaries through setting up of STD Clinics, Blood Banks etc.

5.4 Government had constituted the Satyam Committee in 1998 to review the medical facilities available in ESI hospitals/dispensaries. The committee submitted its report on 14.1.1999. Most of the recommendations of the Committee have been accepted and are at different stages of implementation.

5.5 ESIC celebrated its Golden Jubilee during the year 2001-2002. On this occasion, a national seminar on "Evolving a National Policy on Social Security" was held on 23.2.02, which was inaugurated by the Prime Minister. Besides, a seminar on Social Security for unorganised sector at Kolkata, a multi speciality medical conference at Mumbai and a seminar on review and restructuring of the ESI Scheme at Bangalore were also organized.



## 6. UNORGANISED SECTOR

6.1 The term 'unorganised labour' has been defined as those workers who have not been able to organise themselves in pursuit of common objectives on account of constraints like casual nature of employment, ignorance and illiteracy, small and scattered size of establishments and position of power enjoyed by employers because of the nature of industry etc.

## 7. CHARACTERISTICS OF UNORGANISED LABOUR

7.1 The unorganised sector with its complexity of problems has not been amenable to any statistical accuracy and precision in the same sense as the organised sector.

7.2 Though surveys have been conducted in respect of few sectors of employments, they do not throw adequate light on all aspects and has not helped in building up an adequate data base.

7.3 The unorganised sector suffers from the seasonality of employment. Majority of the rural workers do not have sustainable avenues of employment. Those who appear to be visibly employed are not gainfully and substantially employed, a phenomenon known as disguised unemployment.

7.4 The workplace is scattered and fragmented. The workers do the same kind of job(s) in different habitations and may not work and live together in compact geographical areas.

7.5 There is no formal employer-employee relationship between small and marginal farmers, share croppers and agricultural labourers as they work together in situations which may be marginally favourable to one category, but may be broadly described as identical.

7.6 In rural areas the society is highly stratified in as much as the sociological factor based on caste and community considerations is based on the structure of relationship and functioning in that society. In urban areas while such considerations are much less apparent, it cannot be assured that they are altogether absent, as bulk of the unorganised workers in urban areas are basically nothing but migrant workers from rural areas.

7.7 While the landlords and moneylenders belonging to the upper strata of the society do not cultivate the land themselves and practically monopolise all resources including land and agricultural labourers, the share croppers who are mostly landless and who belong to Scheduled Caste and Scheduled Tribe communities are heavily dependent on the landlords and moneylenders for everything.

7.8 Workers in the unorganised sector are usually surrounded by various fads, taboos, and outmoded social customs like child marriage, excessive spending on ceremonial festivities etc. which lead to indebtedness and bondage.

7.9 The exploitation of a large section of unorganised workers, particularly, those belonging to Scheduled Caste and Scheduled Tribe, can be attributed to the existence of malfunctional and dysfunctional middlemen.

7.10 Primitive production technologies and feudal production relations which are rampant in the unorganised sector do not permit or encourage the workmen to imbibe and assimilate higher technologies and better production relations. The ignorance and illiteracy and limited exposure to the outside world are also responsible for poor absorption.

7.11 The unorganized sector is growing due to lack of adequate employment opportunities in the formal sector, impact of economic restructuring, inappropriate legal and institutional framework, decentralization of production units, casualisation of work, etc.

7.12 The unorganized sector enterprises face great difficulties for credit, infrastructure in terms of land and equipment and machinery and find difficulties in mobilising technical as well as financial resources. They also face difficulties in marketing of their products.

7.13 The decent work deficit is more serious in the unorganized sector particularly women and youth.

## **8. SOCIAL SECURITY IN THE UNORGANISED SECTOR**

8.1 The Government has taken up various initiatives through enactment of legislations, creation of welfare funds, promoting workers' education and through supporting non-governmental organisations to bring this deprived class into the mainstream of our work force. Some of the important legislations which provide welfare measures to the unorganised workers include Minimum Wages Act, 1948; Workmen's Compensation Act, 1923; Maternity Benefit Act, 1961; Employees State Insurance Act, 1948; Payment of Gratuity Act, 1972; Equal Remuneration Act, 1976; Beedi and Cigar Workers (Conditions of Employment) Act, 1966; etc.

8.2 The existing social security arrangements in the unorganised sector can broadly be classified into four groups given 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.

## **9. Centrally Funded Social Assistance Programme :**

9.1 National Social Assistance Programme comprising of National Old Age Pension Scheme, National Family Benefit Scheme and National Maternity Benefit Scheme for the people below the poverty line.

9.2 Employment Oriented Schemes and Programmes implemented by the Government such as Swarnjayanti Gram Swarojgar Yojana, Pradhan Mantri Gram Sadak Yojana, Jaiprakash Rojgar Guarantee Yojana, Jawahar Gram Samridhi Yojana, and Employment Assurance Scheme have been merged with Sampooran Gramin Rojgar Yojana w.e.f. September, 2001.etc.

9.3 Annapoorna and other programmes providing food grains to ensure food security to the poor, particularly persons below the poverty line.

9.4 Social security programmes for handloom weavers/artisans such as Thrift Fund Scheme, Health Package Scheme, Workshed-cum-Housing Scheme, Insurance Scheme, Pension Scheme for master crafts-persons.

9.5 Social insurance schemes broadly covering unorganised workers such as social security group insurance scheme covering over 24 occupational groups, Janshree Bima Yojana, Krishi Shramik Samajik Suraksha Yojana-2001, Janraksha.

9.6 Five Welfare Funds have been set up for the benefit of beedi, mine and cine workers. The schemes are in operation to provide assistance for health, education of children of the workers, recreation, etc. The beedi and cine workers are also covered under insurance package.

## **10. Social Insurance Schemes**

10.1 The Social Insurance Schemes available to the unorganised sector are operated through the Life Insurance Corporation (LIC) under a number of Group Insurance Schemes covering Integrated Rural Development programme (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. 50% of this premium i.e., Rs.100/- is contributed by the beneficiary and remaining 50% is contributed by the Government from Social Security Fund.

## 11. **Social Assistance through Welfare Funds of Central and State Governments**

11.1 The Central Government through the Ministry of Labour operates Five Welfare Funds for the workers such as Beedi, Limestone & Dolomite Mine, Iron Ore, Chrome Ore & Manganese Ore, Mica Mine & Cine. 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. 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 has set up 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 Government of Tamil Nadu has set up Manual Workers Welfare Board/Fund to provide social security benefits to certain occupational groups in the unorganised sector. The Government of West Bengal had launched state assisted provident fund scheme for self employed and other workers on pilot project basis. The Government 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.

## 12. **Public Initiatives;**

12.1 Non-Government Organisations (NGO), Voluntary organisations like Self Employed Women's Association (SEWA), Mathadi Boards, etc. are also implementing various schemes and programmes for the benefit of workers in the unorganised sector.



### **13. SCHEMES FOR SOME SPECIFIC CATEGORIES OF UNORGANISED WORKERS**

#### **Agricultural Workers**

13.1 According to NSSO about 60% of the workforce is engaged in agricultural and allied activities. A proposal to enact a comprehensive legislation for this category of workers is under consideration of the Government. The draft legislation contained provisions to provide social security and welfare measures to the agricultural workers who constitute the largest segment of the unorganized workers. The proposal was considered at various fora including State Labour Ministers Conference where the views of the State Governments were obtained. A Conference of State Labour Ministers was held in January, 2000. There was no consensus at this conference and as such the proposal could not be processed further. However, in order to meet the social security needs of the agricultural workers, Krishi Shramik Samajik Suraksha Yojana-2001 was launched on 7<sup>th</sup> July, 2001. The scheme is being implemented through Life Insurance Corporation of India in identified 50 districts covering 10 lakh agricultural workers over a period of three years. The scheme envisages to provide life-cum-accident insurance, money-back, pension and superannuation benefits. The agricultural workers in the age group of 18-50 years are eligible for registering under the scheme. The agricultural worker is required to pay Re.1/- per day or Rs. 365/- per year and the contribution of the government is Rs. 2/- per day or Rs. 730/- per year. About 1.01 lakh agricultural workers have been covered and Rs. 2.11 crore had been collected as premium under the scheme by LIC during the year 2001-02.

#### **Building and Other Construction Workers**

13.2 The Government has enacted two legislations namely Building and Other Construction Workers (RE&CS) Act, 1996 and Building and Other Construction Workers' Welfare Cess Act, 1996. There is provision for constitution of State Welfare Board and State Welfare Fund to provide following welfare measures to the construction workers registered with the State Welfare Board.

- Immediate assistance in case of accident.
- Pension to those who have completed 60 years of age.
- Loans & advances for construction of houses.
- Payment of premium for Group Insurance Scheme of beneficiaries.

- Financial assistance for children's education.
- Medical assistance for treatment of major ailments of beneficiaries.
- Maternity benefits to female beneficiaries.

13.3 Under the Act, there is the concept of appropriate Government. In the Central sphere, the Government of India have formulated Rules, constituted Central Advisory Committee and notified authorities for implementation of the Act. The State Governments are required to frame State Rules, constitute Welfare Board/Welfare Fund, notify authorities for the implementation of the Act and also constitute State Advisory Committees.

13.4 In the case of Union Territories, the Union Ministry of Home Affairs has delegated the similar powers of the State Governments to the Union Territory Administrations under the Act vide notification dated 14th July, 2000. The Government of Kerala has started implementation of the Act and the Government of Tamil Nadu has constituted Welfare Board under the State Act under which social security measures are provided to the workers.

### **Home Based Workers**

13.5 A major category of unorganized workers is home based workers who are engaged in the production of goods or services for an employer or contractor in an arrangement whereby the work is carried out at the place of the workers' own choice, often the worker's own home. The issues and problems of home based workers are very complex because of the absence of any direct master-servant or employer-employee relationship between the home worker and the person or organization for whom he works. Home based worker is subjected to exploitation in various forms.

13.6 In India, there is no authentic data on home based workers. The Census of India, does not recognize these workers as an independent category, but have included them in the broad category of those working in house-hold industries. The home based workers are not visible in national statistics. It has been estimated that over 3 crore workers in the country are home based workers. About 45 lakh workers are employed in beedi rolling, 65 lakh in handloom weaving, 48 lakh rural artisans and craft persons. The other major occupations are agarbatti makers, zari workers, papad makers, cobblers, lady tailors, carpenters, etc.



13.7 The government has enacted the Beedi and Cigar Workers (Conditions of Employment) Act, 1966 and Beedi Workers Welfare Fund Act, 1976. Under these legislations the conditions of service of these workers are regulated and a number of schemes for their welfare are in operation.

13.8 The Office of Development Commissioner for Handlooms and Handicrafts, Ministry of Textiles also implements schemes and programmes covering various aspects such as skill upgradation, insurance coverage, housing, health, etc.

13.9 With a view to providing legislative protection, welfare measures and social security to a large number of home based workers, the possibility of formulating a National policy on Home Based Workers is being explored in consultation with other concerned Ministries/Departments, State Governments, etc.

#### **14. Social Security Challenges**

14.1 The existing schemes and programmes extend social security measures to a very small segment of about one crore workers out of about 37 crore workers employed in the unorganised sector. This being the magnitude of the workforce, it is a great challenge how to cater to their needs.

14.2 The Krishi Shramik Samajik Suraksha Yojana-2001 has been launched in identified 50 districts to cover 10 lakh agricultural workers over a period of three years. It appears to be very difficult to extend the scheme to other districts as it involves huge financial implication.

14.3 Home based workers constitute one of the major segments of the workforce in the unorganised sector. Efforts are being made to have a National Policy for them. The main problems to formulate this policy include lack of data, lack of employer-employee relationship, highly scattered nature of work place, etc.

14.4 With a view to regulate employment conditions and provide safety, social security and welfare measures to the construction workers, the Building and other Construction Workers (RECS) Act 1996 has been enacted. It has provisions of pension, insurance and other social security benefits to the construction workers. The State governments are primarily responsible for its implementation. In spite of the continuous efforts of the Central Government, the State Governments are not coming forward to implement the Act in its letter and spirit.

14.5 The Welfare Funds have been set up for the benefit of beedi, mine and cine workers. The schemes implemented under these funds cover

insurance, health and other aspects concerning social security. However, the coverage is very limited due to lack of awareness among the workers, poor delivery mechanism, etc.

14.6 The Inter-State Migrant Workmen (RECS) Act, 1979 which is applicable to the migrant workers who migrate through contractors/agents also has provisions to provide the prescribed medical facilities to the workmen free of charge, protective clothing, etc. It has been observed that provisions of the Act have not been put in place by both the states of origin of migrant workers and borrowing states as most of the workers move from one place to another on their own.

14.7 In the process of globalisation, privatisation and move towards market led economy, there is a shift of working force from organised sector to the unorganised sector and it is expected to accelerate in the years to come.

14.8 The increase in the magnitude of workforce in the unorganised sector due to shrinkage of organised sector and demographic changes necessitate higher government spending for their social security often at the cost of expenditure on other important public goods and services and thus will be a serious drain on government finance.

14.9 Demographic transition coupled with poor coverage under the existing social security arrangement suggests that we will have a gigantic number of destitute elderly. A social security net for elders or poverty alleviation programmes which aims to pay even a modest subsidy would require a staggering expenditure – much beyond the capacity of the government.

14.10 A far greater challenge before us is to expand the social security net to cover millions of unorganised workers without putting too heavy burden on our budgetary resources.

14.11 Unorganised sector have large number of workers getting seasonal work, low level of income, living below or marginally above the poverty line and unable to contribute or share the cost of any Social Security Scheme/ Programme.

14.12 There is a serious threat that a majority of the workers in the unorganised sector, who may not be below the poverty line in their working life, might sink below the poverty line in their old age, simply because they have not accumulated enough saving during their years in the workforce.

14.13 Due to scattered nature of work places, there is a problem of collecting their contribution, monitoring and administration of social security programme involving a huge financial implication and manpower requirement.



14.14 The agricultural workers, construction workers, rickshaw pullers, porters, workers in the restaurants and shops and such other businesses in the informal economy are today deprived of even a minimal social security support.

14.15 Workers in the unorganised sector often do not have any regular employment and among them large number of workers are illiterate, migrant and women workers. They need protection against losses caused by natural calamities and coverage for health care, disability, maternity etc

14.16 Need to focus on how to improve the efficiency and output of the large existing infrastructure and institutional arrangements already available to cater to the social security needs of the workers in the unorganised sector.

14.17 Need to change the outlook as social security is considered as a state assisted and administered programme, whereas it has to be an integrated and comprehensive programme involving whole society, institutional and organisational arrangements beginning with family itself. The government should act as facilitator.

14.18 How to strengthen and activate all the non-state providers of social security so that they can become an excellent interface between the vast unorganised sub-sectors on the one hand, and the state and other organised providers of social security. Here too, the state can play the role of a regulator and facilitator. However, the state can contribute partly to various social security schemes in operation for the poorest of the poor.

## 15. CONCLUSION

15.1 At present, in India 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 substantial investments in social and physical infrastructure and 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 greater degree of convergence would need to be established for achieving a faster pace of growth.

15.2 A gigantic task of this nature would require a multi-dimensional, multilevel well integrated and efficiently delivered structural response which would include legislation, its enforcement, enhancement of social awareness, involvement of voluntary organizations and committed individuals, while simultaneously improving the mobility, capability for



better supervision and effectiveness of the enforcement machinery and of the schemes meant for the welfare of the unorganised labour.

15.3 The Second National Commission on Labour was set up with a view to suggest rationalisation of existing laws relating to labour in the organised sector and to evolve an umbrella legislation for ensuring a minimum level of protection to the workers in the unorganised sector. The Commission has since submitted its report to the Government. The recommendations of the Commission cover wide range of issues including social security and the unorganised sector.

15.4 The role of Social Security cannot be over emphasized. In the dynamic global scenario and the macro level changes being effected in the Indian context, putting an effective social security net in place is imperative. In fact, the mantra is to have a human face to the reforms and to have a vibrant economy which can respond to change in a smooth manner. However, the constraints in this path are many. In a nutshell, the availability of new avenues of resource generation, development of an effective delivery system and a consensus based approach, whereby the workers, the employers and the Government join hands in this endeavour, will go a long way in putting an effective social security net in place.

## **16. ISSUES FOR DELIBERATION**

16.1 To provide self-sustained and self-financed social security system with minimal government involvement.

16.2 Segmental approach on the lines of Welfare Funds already in operation.

16.3 Cooperation from State Governments/UTs and others to implement the existing legislations like Building and other Construction Workers Act, 1996 without further delay.

16.4 Extension of existing social security net such as Employees Provident Fund, Insurance, Health Care arrangements under ESI Scheme to identifiable groups of workers in the unorganised sector in a phased manner.

16.5 Explore possibility of replication of Kerala model catering to the social security needs of workers in the unorganised sector in other states.

16.6 To strengthen and involve the NGOs/Self Help Groups/Social Partners/Local Bodies such as Panchayats in the social security programmes for unorganised workers as it will reduce overheads, help in effective targeting, transparent and comfortable delivery of benefits and mobilisation of local resources to set up self-sustainable social security system.



16.7 Having a job or work is the greatest security. Therefore, to begin with employment has to be generated for the unemployed and grossly under employed. Enhancing employability through vocational training / re-training and skill upgradation is the other priority.

\*\*\*\*\*

## THIRTY EIGHTH SESSION OF THE INDIAN LABOUR CONFERENCE NEW DELHI

### ITEM-III : DISINVESTMENT POLICY OF THE GOVERNMENT

#### EXECUTIVE SUMMARY

1. The main elements of the present disinvestment policy can be summarized as restructuring and reviving potentially viable Public Sector Undertakings (PSUs), closure of PSUs that cannot be revived, bringing down the Government's equity in all non-strategic PSUs to 26% or below if necessary and to protect the interests of the workers. A new Ministry of Disinvestment has been established to enable systematic policy approach to disinvestment and privatization. It is responsible for implementation of disinvestment decisions including appointment of the advisors, pricing of shares and drafting other terms and conditions of disinvestment.
2. Since 1991, 48 PSUs have been taken up for disinvestment and Rs.30738 crores have been realized. Of these 48 PSUs, where disinvestments have been carried out, 12 companies have been sold through strategic sale. These include Lagan Jute Machinery Co. Ltd., Modern Food Industries Ltd., Bharat Aluminium Co. Ltd., IBP Ltd., VSNL and Hindustan Zinc Ltd.
3. The protection of interests of the employees/workers is an integral part of the disinvestment policy. Prior to disinvestment in a public sector undertaking, the concerns and apprehensions of the employees of these PSUs are heard and an attempt is made to create an atmosphere conducive to disinvestment. Besides, suitable provisions are included in the shareholders' agreement with a view to safeguard the workers' interests including those belonging to the socially disadvantaged category.
4. Recent privatizations have revealed that not even a single person has been retrenched from these privatized companies. In fact, some of the privatized companies have gone in for additional recruitment and have also increased the wages of their employees. It is possible that in the near future some of these companies may restructure and may also accept some voluntary retirement applications. However, the voluntary retirement schemes offered by such companies would normally be higher or equal to the VRS given by the Government to the Central Public Sector Employees.



## **THIRTY EIGHTH SESSION OF THE INDIAN LABOUR CONFERENCE (NEW DELHI)**

### **ITEM-III : DISINVESTMENT POLICY OF THE GOVERNMENT**

#### **1. INTRODUCTION**

1.1 The planning strategy adopted at the time of India's Independence was that of import substitution. The emphasis was on self-reliance through the development of basic and heavy industries. It was felt that given the scarce resources and the daunting objectives of growth with equity, the involvement of the Government directly in productive activities was a necessary concomitant for achieving these objectives within a reasonable time frame. This view was strengthened by the international experience in the wake of the Great Depression and the success of the Soviet Economy. It was in this context that the public sector was assigned the crucial role of developing industries, which were considered essential for sustained, and rapid economic growth but where the private sector was either unable or unwilling to participate.

1.2 The 1990s saw the move towards privatization and global integration. Countries all over the world, whether developing or developed, started undergoing tremendous economic changes in the form of decline in the role of the state in commercial activities and privatization of the state owned enterprises. Acceptance of the WTO regime by most of the countries, leading to reduction in the quantitative restrictions and in duties, strengthened the market forces and toughened the competition.

1.3 In the emerging economic environment, the PSUs, by their very nature of Government 'control' and hence time consuming procedures and layers of supervision (CAG, CVC etc.) were found to be wanting in their ability to take quick and timely decisions. It was in this milieu that the New Economic Policy of 1991 was introduced and the process of deregulation and delicensing was initiated with a view to enlarging competition. It was emphasized that the state involvement in the economic activities should be restricted to providing a regulatory framework and as a provider of social goods and services such as infrastructure, exploration of oil and mineral resources and technology development. It was felt that disinvestment in PSUs would not only release the scarce resources which could be better utilized through investment in the social sector but also expose the privatized companies to market discipline and thereby force them to become more efficient.

## 2. DISINVESTMENT POLICY: ITS EVOLUTION

2.1 The disinvestment policy, as it exists today, has evolved over a decade on the basis of the policy statements by successive governments. In the initial phase, the emphasis was on divestment of 20% of the government equity in selected PSUs in favour of the public sector institutional investors. The objective was to broaden equity, improve management practices, enhance availability of resources for these PSUs, promote greater accountability and yield resources for the exchequer.

2.2 The report of the Committee on the Disinvestment of Shares in PSUs [Rangarajan Committee (1993)] and later the Disinvestment Commission have given a definitive shape to the Disinvestment Policy as it stands today. The Rangarajan Committee clearly spelt out the "need for substantial disinvestment and stated that while the percentage of equity to be divested should be no more than 49% for the industries explicitly reserved for the public sector, it should be either 74% or 100% for others." It was felt that there should be an independent recommendatory body for determining the extent of disinvestment on a case-to-case basis. This became the basis for setting up the Disinvestment Commission in 1996. The Disinvestment Commission, as in the case of the Rangarajan Committee gave priority to the strategic/trade sales with transfer of management rather than disinvestment through public offerings. Of the 72 PSUs that were referred to the Disinvestment Commission during 1996-99, it gave recommendations on 58 PSUs, of which change in management/ownership through strategic sale was recommended in 31 PSUs (Annexure-A).

2.3 However, ownership changes as recommended by the Disinvestment Commission came into effect only from 1998-99. In 1998-99, the Government decided to bring down its shareholding in the PSUs to 26% in the generality of cases. The Government's strategy towards the public sector undertakings was to be a judicious mix of strengthening strategic units, privatizing non-strategic ones through gradual disinvestment or strategic sale and devising viable rehabilitation strategies for the weak units.

2.4 In order to remove the ambiguity regarding the type of activities that would be classified as strategic, the government clearly defined the 'strategic areas' to include:

- a) Arms and ammunitions and the allied items of defence equipment, defence aircrafts and warships.



- b) Atomic energy (except in areas related to the generation of nuclear power and applications of radiation and radio-isotopes to agriculture/ medicine and non-strategic industries).
- c) Railway transport.

All other public sector undertakings are considered as non-strategic and the pace and extent of disinvestment is to be determined on a case-to-case basis. The extent of divestment, that is, whether the Government's stake was to be reduced to 51% or to 26% would depend on the necessity of the public sector as a countervailing unit or of a proper regulatory mechanism to protect the consumer interests. In 2000-01, the Government went a step further and announced that stakes in non-strategic PSUs may be reduced to even below 26%, if necessary.

2.5 Thus, the main elements of the present disinvestment policy can be summarized as restructuring and reviving potentially viable PSUs, closure of PSUs that cannot be revived, bringing down the Government's equity in all non-strategic PSUs to 26% or below, if necessary and to protect the interests of the workers. In line with this policy during the last two financial years, financial restructuring of 20 PSUs has been approved. As a result, many PSUs have been able to restructure their operations and improve productivity.

### 3. SYSTEMS AND PROCEDURES OF DISINVESTMENT

3.1 There is a three-tier mechanism for decision-making and implementation of the disinvestment policy of the Government. These are:

- a) Cabinet Committee on Disinvestment (CCD)
- b) Core Group of Secretaries on Disinvestment (CGD)
- c) Inter-Ministerial Group (IMG)

3.2 The CCD chaired by the Prime Minister considers the policy issues relating to the disinvestment programme, decides the price band for the sale of Government share and also decides the final pricing of the transaction and the strategic partner in case of strategic sales. The CGD supervises the implementation of the decisions while the inter-Ministerial Group is responsible for the day-to-day implementation of the disinvestment decision.

3.3 A new Ministry of Disinvestment has been established to enable systematic policy approach to disinvestment and privatization. This Ministry is responsible for implementation of disinvestment decisions,



including appointment of the advisors, pricing of shares and drafting other terms and conditions of disinvestment.

3.4 The disinvestment process is carried out with the assistance of an advisor who assists the government on all aspects of privatization and also suggests measures to enhance sale value, evaluate bids and assist during negotiations with prospective buyers.

#### **4. RATIONALE FOR STRATEGIC SALE AND THE PROCEDURE FOLLOWED**

4.1 Public Sector Undertakings were initially created to serve a certain purpose at a time when there was hardly any private capital in the country and a non-existent capital market. Over the last 50 years there has been a drastic change in the scenario. While the private sector has matured into a vibrant sector, the public sector has been reduced to a symbol of inefficiency. Commercial entities need efficient management, quick decision making to withstand competition and infusion of funds. Therefore, there is a need for greater private and public sector participation. This can be done by transferring these assets to private management. However, in doing so the government has to be careful in choosing a partner so that business value enhances after disinvestment and employees' interests are protected.

4.2 Strategic sale is one of the methods through which shares are sold to the private partner and this partner gets management control. Since it involves management control, the private partner is willing to pay a control premium and, therefore, it yields best value to the Government for its shares. Disinvestment of shares through the open market, as was done in the past, gets lesser value per share for the Government as the management control remains in the hands of the Government and the company is also denied the private sector dynamism as also the infusion of funds that the private management would have brought into the company.

4.3 Strategic sale involves two elements i.e., transfer of a block of shares to a strategic partner and transfer of management control to him. In a strategic sale, there are a number of stakeholders. The obvious ones are the Government and the Strategic Partner. However, there are others also who are affected by the transactions. These affected parties are the other shareholders and the employees. The concerns of the various stakeholders are taken care of through the Shareholders' Agreement, Share Purchase Agreement and Parent Guarantee Agreement.

4.4 The Shareholders' Agreement (SHA) governs the issues related to transfer of management control. Typically, it addresses issues relating



to raising of capital, exit mechanism, protecting the interest of the employees and against asset stripping etc.

4.5 The Share Purchase Agreement (SPA) governs issues related to transfer of shares. It states the number of shares being transferred by the government to the strategic partner, the price per share at which the transfer will take place and the total consideration. The SPA closes when the Strategic Partner purchases the shares and the Government receives the payment.

4.6 The Parent Guarantee Agreement (PGA) comes into existence whenever the strategic partner or the consortium which is bidding, takes over the company through a Special Purpose Vehicle (SPV). Through the guarantee agreement each of the persons who form the SPV basically give a guarantee that they would jointly, severally, irrevocably and unconditionally guarantee to the Government that the SPV shall, at all times fully and faithfully perform and discharge all its obligations under the transaction agreements (SHA/SPA) and that the SPV shall, at all time, duly comply with all the terms and conditions of the transaction agreements.

## 5. ACTUAL DISINVESTMENT SINCE 1991

5.1 In total, 48 PSUs have been taken up for disinvestment since 1990-91 to 30<sup>th</sup> June, 2002 and Rs. 30738 crore have been realized. The table indicating the actual disinvestments, the methodologies adopted for such disinvestment and the extent of disinvestment in different CPSUs/subsidiaries is at Annexure-B.

5.2 It is apparent from the table that till 1999 much of the divestment was in the form of sale of minority stake in profit making enterprises. The price realized through the sale of minority stakes, even in blue chip companies such as Indian Oil Corporation, Bharat Petroleum Corporation Ltd. and Videsh Sanchar Nigam Ltd. was low as indicated by the price to earning ratios as compared to price realized through strategic disinvestment as indicated in Annexure-C.

5.3 Of the 48 PSUs where disinvestments have been carried out, 12 companies have been sold through strategic sale by 30<sup>th</sup> June, 2002. These include Lagan Jute Machinery Company Ltd., Modern Foods Industries Ltd., Bharat Aluminium Co. Ltd., CMC Ltd., IBP Ltd., VSNL, Paradip Phosphates Ltd., Hindustan Zinc Ltd., Maruti Udyog Ltd. and Indian Petrochemicals Corporation Ltd and Hotels of ITDC and HCL (Annexure-D). It is important to note that the total face value of the equity sold so far through strategic sale is Rs. 879.5 crore and the realization has been of the order of Rs. 11164 crore. However, equity sold through



strategic sale is only a little over 1% of the total equity held by the Central Government in Central Public Sector Undertakings.

## **6. EMPLOYEES' ISSUES: PROTECTION OF THEIR INTERESTS**

6.1 The protection of the interest of the employees/workers is an integral part of the disinvestment policy. Before disinvestment in any public sector undertaking, the concerns and the apprehensions of the employees of these PSUs are heard and the Government's policy on this matter explained to the employees so as to create an atmosphere conducive to disinvestment while protecting the legitimate and reasonable interests of the employees. Suitable provisions related to "employees' interests are included in the shareholders' agreement signed at the time of disinvestment. A "best efforts" clause is also incorporated in the Shareholders' Agreement mentioning the benefits given by the Government to the members of Scheduled Castes/Scheduled Tribes/physically challenged persons and other socially disadvantaged categories of the society stating that the strategic partner shall use its best efforts to cause the company to provide adequate job opportunity to such persons.

6.2 The major concern among the employees at the time of disinvestment is that their new employer may retrench them or that their pay scales and service conditions may be changed to their detriment. Recent privatizations have shown that these fears are totally unfounded. It may not be out of context to mention that during the last ten years, the workforce in the Public Sector Undertakings has reduced from 2.3 million to 1.7 million even without any privatization or strategic sale. In fact, the companies that have been privatized have not retrenched even a single person. Some of these companies are, however, now in the process of restructuring and would accept some voluntary retirement applications. The VRS being given by these companies are at scales which are normally higher or equal to the VRS given by the Government to the Central Public Sector Employees.

6.3 Apart from this, the privatized companies have gone in for additional recruitment and have also increased the wages of their employees. A case in point is that of Modern Foods Industries Ltd. (MFIL). Hindustan Levers, which is the strategic partner in MFIL, has taken steps to financially restructure the company and bring it out of BIFR. Moreover, the wages of its employees have been increased by an average of Rs. 1600 per employee. Another case is that of BALCO where wages had not been increased after 1.4.1999, even though a revision was due. However in October 2001, in spite of a loss of about Rs. 200 crores due to strike, an ex-gratia payment of Rs. 5000 was paid to all employees and a long term wage agreement was entered into by



the management with the employees which guaranteed a benefit of 20% of basic pay to each employee, besides increase in a number of allowances. In case of Paradeep Phosphates Ltd., the strategic partner (Zuari Maroc Phosphates Private Ltd.) had committed that revision of pay scales would be implemented within 30 days of their becoming strategic partners and that they would finalise the modalities of payment of arrears within 90 days. The new management has implemented the revised wages w.e.f. March 2002. The revision would mean that average increase in salary would be Rs. 2789 per month for 1140 regular employees leading to an increase in average salary by 28.74%.

6.4 Apart from all this, it is also pertinent to note that as long as a venture is an 'industrial establishment' the protection provided to the employees under the various labour laws continues. These labour laws are applicable to the company irrespective of whether it is a public sector undertaking or is in the private sector.

## 7. CONCLUSION

7.1 In the changing economic framework characterized by removal of restrictions on global trade, services and capital, the survival of an enterprise would depend on its ability to adapt itself to the changing requirements, take timely decisions, innovate and invest in new technology. As explained in para 1.3, Public Sector Undertakings find it difficult to adapt to these challenging situations. With this in the background, and taking cognizance of the national and international experience, it is imperative that the PSUs be privatized and the involvement of the government in commercial activities be reduced to a minimum.

7.2 There is also a widespread agreement on the fact that the government must invest in social sectors such as primary health, basic education, and water supply and in providing physical infrastructure. These sectors, which are likely to play an important role in enabling the economy to reach a higher growth path and sustain development in the long run, are such where private investment is usually not forthcoming. It is, therefore, essential that the government redeploys its resources in favour of such sectors. Thus, release of scarce resources through privatization of PSUs could be better utilized through investment in the social sectors.

8. **ISSUES FOR DISCUSSION**

- ❖ Rationale for disinvestment.
- ❖ Addressing Employees' concerns at the time of disinvestment

\*\*\*\*\*



Annexure –A**RECOMMENDATIONS OF THE DISINVESTMENT COMMISSION ON MODE OF DISINVESTMENT**

<b>Mode of Disinvestment recommended</b>		<b>No. of Companies</b>
A.	Involving change in ownership/management	
	1. Strategic Sale	31
	2. Trade sale	8
B.	Involving no change in ownership/management	
	Offer of shares	5
C.	No Change	
	Disinvestment deferred	8
D.	Closure / Sale of assets.	4
E.	Employees buy-out (Strategic Sale)	2
GRAND TOTAL		58

**Annexure – B****ACTUAL DISINVESTMENT FROM APRIL 1991 ONWARDS AND  
METHODOLOGIES ADOPTED**

Year	No. of Cos. in which equity sold	Target receipt for the year (Rs. in crore)	Actual receipts (Rs. in crore)	Methodology
1991-92	47 (31 in one tranche and 16 in other)	2500	3038	Minority shares sold by auction method in bundles of "very good", "good", and "average" companies.
1992-93	35 (in 3 tranches)	2500	1913	Bundling of shares abandoned. Shares sold separately for each company by auction method.
1993-94		3500	Nil	Equity of 7 companies sold by open auction but proceeds received in 94-95.
1994-95	13	4000	4843	Sale through auction method, in which NRIs and other persons legally permitted to buy, hold or sell equity, allowed to participate.
1995-96	5	7000	362	Equities of 4 companies auctioned and Government piggy backed in the IDBI fixed price offering for the fifth company.
1996-97	1	5000	380	GDR (VSNL) in international market.
1997-98	1	4800	902	GDR (MTNL) in international market.
1998-99	5	5000	5371	GDR (VSNL) / Domestic offerings with the participation of FIIs (CONCOR, GAIL). Cross purchase by 3 Oil sector companies i.e. GAIL, ONGC & Indian Oil Corporation



Year	No. of Cos. in which equity sold	Target receipt for the year (Rs. in crore)	Actual receipts (Rs. in crore)	Methodology
1999-00	2	10000	1829	GDR—GAIL VSNL-domestic issue, BALCO restructuring, MFIL's strategic sale and others
2000-01	4	10000	1870	Strategic sale of BALCO, LJMC; KRL (CRL), CPCL (MRL)
2001-02	10	12,000	5640 #	Strategic sale of CMC – 51%, HTL –74%, VSNL – 25%, IBP – 33.58%, PPL– 74%, and other modes: ITDC, HCI, STC, MMTC
2002-03	6	12,000	4590 #	Strategic sale of JESSOP-72%, HZL – 26%, MFIL-26%, IPCL – 25% and other modes : HCI, ITDC and Maruti
Total	48 *	78,300	30738 #	

\* Total number of companies in which disinvestment has taken place so far.

# Figures (inclusive of amount expected to be realised, control premium, dividend/dividend tax and transfer of surplus cash reserves prior to disinvestment etc.)

Annexure - CPRICE TO EARNING RATIOSSALE OF SHARES Vs. STRATEGIC DISINVESTMENT

	Sale of Shares 1991-99		Strategic Disinvestment 2000-2002	
1.	IOC	4.9	BALCO	19
2.	BPCL	5.7	CMC	12
3.	HPCL	5.9	HTL	37
4.	GAIL	4.4	MFIL	very high as earning per share was negative.
5.	VSNL	6.0 (in monopoly days)	LJMC	- do-
6.			PPL	- do-
7.			JESSOP	- do-
8.			IBP	63
9.			VSNL	11 (inclusive of income from dividend etc.) (after the end of monopoly)
10.			HZL	26
11.			MARUTI	89
12.			IPCL	58



**Annexure - D****Strategic Disinvestment beginning 1999-2000**

Rs. in crore

Sl. No	Name	Equity sold	Realisation	Govt. borrows @ 10% interest on realization annually	Dividend recd by Govt. on equity sold average of last 8 years upto 2000
1a.	MFIL	9.63	105	10.5	0.48
1b.	MFIL- Phase II	3.38	. 44 **	4.4	0.17
2.	BALCO	112.52	826.5	82.65	5.69
3.	CMC	7.73	152	15.2	0.8
4.	HTL	11.1	55	5.5	0.29
5.	LJMC	0.77	2.53	0.25	Nil
6.	ITDC-13 HOTELS				
a)	Agra	1.83	3.93	0.39	NIL ##
b)	Gaya	0.47	2.01	0.20	- do -
c)	Hassan	0.22	2.51	0.25	- do -
d)	Mamallapuram	0.91	6.80	0.68	- do -
e)	Madurai	0.77	5.48	0.55	- do -
f)	Bangalore	0.96	39.41 (up-front fee); (4.11-MGAP)	6.00 *	- do -
g)	Qutab	0.91	36.75	3.96 *	- do -
h)	Lodhi	1.04	76.22	9.02 *	- do -
i)	Laxmi Vilas Palace, Udaipur	0.60	7.5	0.75	- do -
j)	Manali	0.69	4.0 **	0.4	- do -
k)	Kovalam	2.03	43.69 **	4.36	- do -
l)	Aurangabad	1.27	17.40 **	1.74	- do -
m)	Airport Kolkata	0.72	20.00 **	2.00	- do -
	<b>Sub-total</b>	<b>12.42</b>	<b>264.64***</b>	<b>30.32 *</b>	<b>NIL ##</b>

Sl. No.	Name	Equity sold	Realisation	Govt. borrows @ 10% Interest on realization annually	Dividend recd by Govt. on equity sold average of last 8 years upto 2000
7.	HCI-3 HOTELS				
a)	Juhu, Bombay	8.95	153	15.3	Nil
b)	Rajgir	1.72	6.51	0.65	Nil
c)	Airport, Bby.	4.0	83	9.96 *	NIL
	<b>Sub-total</b>	<b>14.67</b>	<b>242.51</b>	<b>25.91*</b>	<b>NIL</b>
8.	IBP	7.44	1153.68	115.36	1.84
9.	VSNL	71.25	3689^	368.9	10.4
10.	STC	-----	40	4	-----
11.	MMTC	----	60	6	-----
12.	PPL	320.16	151.70	15.17	(-) 71#
13.	JESSOP	68.13	18.18**	1.8	(-) 55#
14.	Hindustan Zinc Ltd.	109.85	445	44.5	3.5
15.	Maruti Udyog	66.00	2424^^ **	242.4	13
16.	IPCL	64.5	1490.84	149	16.24
	<b>Grand Total</b>	<b>879.55</b>	<b>11,164.58</b>	<b>1,121.86</b>	<b>-73.59</b>

\* Including MGAP& lease rentals

## Loss making for latest years

\*\* expected

^ including dividend & divi. Tax

\*\*\* dues and 10% share of IHCL to be adjusted

^^ (minimum amount to be received over 3 tranches; could go up to Rs. 3158 crore)

# Restructuring/Conversion of Loan into equity & waiver of interest - hence a loss. Companies at Sr. No. 5,7,13 are subsidiaries. Sale at 13 to be approved by Govt./BIFR

\*\*\*\*\*



## **THIRTY EIGHTH SESSION OF THE INDIAN LABOUR CONFERENCE NEW DELHI**

### **ITEM-IV : PROBLEMS AND CHALLENGES FACED BY SMALL SCALE INDUSTRIES AND THEIR REMEDIES.**

#### **EXECUTIVE SUMMARY**

1. The Small Scale Sector (SSI) which has 34 lakh units, provides employment to 193 lakh persons and exports goods worth Rs.60,000 crores, has a pivotal role to play in the industrial development of the country. The SSIs are administered by a number of State and Central Authorities under various Acts, which may entail visit of more than 60 inspectors and filing of 165 returns. As average employment in a SSI is about 6 persons, it is a herculean task for these enterprises to attend to such large numbers of inspectors and maintain various registers and returns.
2. The Labour Laws (exemption from furnishing Returns & Maintaining Registers by Certain Establishments) Act, 1988 prescribes combined returns under 9 Acts. Though the registers and returns prescribed for SSIs were minimised, the Act did not touch upon some of major laws impacting SSI sector such as the Employees State Insurance Act, 1958, Employees Provident Fund and Miscellaneous Provisions Act, 1952, Workmen's Compensation Act, 1923, Standards of Weights & Measures Act, 1976 and Maternity Benefit Act, 1961. Moreover, the three registers & one return prescribed, required the same information as sought earlier. Also, the Act extended the formalities of filing the returns to establishments employing less than 10 workers.
3. To tackle the problem of Labour Laws for SSIs, the Ministry of Small Scale Industries is of the view that tiny units should be exempted from labour laws except the Minimum Wages Act. For SSIs employing less than 100 workers, there should be a separate but simple legislation on labour matters. The proposed law could lay down basic requirement of compliance with registration, safety and health, working hours and welfare etc. While minimum wages could be payable as prescribed, this law could substitute a plethora of laws such as Payment of wages, Payment of Bonus, Payment of Gratuity, Maternity benefits, ESI, EPF Acts etc. The Act could provide for bonus and social security allowances as well as cases of removal/separation from services. A bare minimum of

Sl. No.	Name	Equity sold	Realisation	Govt. borrows @ 10% Interest on realization annually	Dividend recd by Govt. on equity sold average of last 8 years upto 2000
7.	HCI-3 HOTELS				
a)	Juhu, Bombay	8.95	153	15.3	Nil
b)	Rajgir	1.72	6.51	0.65	Nil
c)	Airport, Bby.	4.0	83	9.96 *	NIL
	<b>Sub-total</b>	<b>14.67</b>	<b>242.51</b>	<b>25.91*</b>	<b>NIL</b>
8.	IBP	7.44	1153.68	115.36	1.84
9.	VSNL	71.25	3689^	368.9	10.4
10.	STC	-----	40	4	-----
11.	MMTC	-----	60	6	-----
12.	PPL	320.16	151.70	15.17	(-) 71#
13.	JESSOP	68.13	18.18**	1.8	(-) 55#
14.	Hindustan Zinc Ltd.	109.85	445	44.5	3.5
15.	Maruti Udyog	66.00	2424^^ **	242.4	13
16.	IPCL	64.5	1490.84	149	16.24
	<b>Grand Total</b>	<b>879.55</b>	<b>11,164.58</b>	<b>1,121.86</b>	<b>-73.59</b>

\* Including MGAP& lease rentals

## Loss making for latest years

\*\* expected

^ including dividend & divi. Tax

\*\*\* dues and 10% share of IHCL to be adjusted

^^ (minimum amount to be received over 3 tranches; could go up to Rs. 3158 crore)

# Restructuring/Conversion of Loan into equity & waiver of interest - hence a loss. Companies at Sr. No. 5,7,13 are subsidiaries. Sale at 13 to be approved by Govt./BIFR

\*\*\*\*\*



## **THIRTY EIGHTH SESSION OF THE INDIAN LABOUR CONFERENCE NEW DELHI**

### **ITEM-IV : PROBLEMS AND CHALLENGES FACED BY SMALL SCALE INDUSTRIES AND THEIR REMEDIES.**

#### **EXECUTIVE SUMMARY**

1. The Small Scale Sector (SSI) which has 34 lakh units, provides employment to 193 lakh persons and exports goods worth Rs.60,000 crores, has a pivotal role to play in the industrial development of the country. The SSIs are administered by a number of State and Central Authorities under various Acts, which may entail visit of more than 60 inspectors and filing of 165 returns. As average employment in a SSI is about 6 persons, it is a herculean task for these enterprises to attend to such large numbers of inspectors and maintain various registers and returns.

2. The Labour Laws (exemption from furnishing Returns & Maintaining Registers by Certain Establishments) Act, 1988 prescribes combined returns under 9 Acts. Though the registers and returns prescribed for SSIs were minimised, the Act did not touch upon some of major laws impacting SSI sector such as the Employees State Insurance Act, 1958, Employees Provident Fund and Miscellaneous Provisions Act, 1952, Workmen's Compensation Act, 1923, Standards of Weights & Measures Act, 1976 and Maternity Benefit Act, 1961. Moreover, the three registers & one return prescribed, required the same information as sought earlier. Also, the Act extended the formalities of filing the returns to establishments employing less than 10 workers.

3. To tackle the problem of Labour Laws for SSIs, the Ministry of Small Scale Industries is of the view that tiny units should be exempted from labour laws except the Minimum Wages Act. For SSIs employing less than 100 workers, there should be a separate but simple legislation on labour matters. The proposed law could lay down basic requirement of compliance with registration, safety and health, working hours and welfare etc. While minimum wages could be payable as prescribed, this law could substitute a plethora of laws such as Payment of wages, Payment of Bonus, Payment of Gratuity, Maternity benefits, ESI, EPF Acts etc. The Act could provide for bonus and social security allowances as well as cases of removal/separation from services. A bare minimum of

registers/records could be specified and a procedure of self-certification be put in place in lieu of submission of returns. Inspections could be on written, verifiable and signed complaints from stakeholders only, which could include employees, trade unions and neighbours.

4. Most of the SSIs employ less than 10 workers and are not protected by social security measures. There is a need to provide some welfare and social security benefits for them such as the insurance coverage against death, disease and disability. Similarly a mandatory terminal benefit of 3 months wages in case of retrenchment, removal, etc would go a long way in eliminating hardship to such workers in unorganized sector.

\*\*\*\*\*



## **THIRTY EIGHTH SESSION OF THE INDIAN LABOUR CONFERENCE NEW DELHI**

### **ITEM-IV: PROBLEMS AND CHALLENGES FACED BY SMALL SCALE INDUSTRIES AND THEIR REMEDIES.**

The Small Scale Sector in India has a pivotal role to play in the overall industrial development of the country. There are today over 34 lakh SSI units in the country providing employment to more than 193 lakh persons and exporting goods worth Rs. 60,000 crores. By their very nature, SSI operations tend to be labour intensive and it has been the constant endeavour of the Government to promote SSIs as they in turn provide employment.

2. Basic reforms in the industrial and economic policies were started in the year 1991. The industry sector was substantially delicensed. The overall objective was to remove the fetters on industry and put in place an appropriate regime of policies and regulations so as to spur industrial growth and create an appropriate environment for its integration with the international economy. Besides industrial delicensing, a major area of reforms perceived was the creation of an administrative regime that was conducive to the growth and promotion of the industrial sector. The emphasis has been on creating an administrative regime which is simple, transparent and responsive to the current needs of industry and to the changing economic environment.

3. The regulation and promotion of industries is constitutionally envisaged such that industries, the control of which by the Union is declared by law to be expedient in the public interest, are in the Union List and the remaining industries are part of the State list. Welfare of labour, employment, social security and social insurance, trade unions, factories, trade and commerce, etc., are in the Concurrent List of the Constitution. The Industries (Development and Regulation) Act of 1951 is the Central Act under which small scale industries are defined. The Acts/Rules and Regulations relate to various authorities at the Central Government level, the State Government level and the local authorities level. These legal regulations could be further classified into issues relating to labour, tax, finance, location, product, environment, safety, security, hygiene, health and welfare etc.

4. The SSI units are being administered by a number of State or Central authorities. It entails visits of more than 60 inspectors to the SSIs and filing of 165 returns. Since, SSI unit is normally operated with an



average of 6 persons (2<sup>nd</sup> All India Census of SSI Registered Units, 1988), it is a herculean task for the entrepreneurs to attend to such a large number of inspectors and maintain various registers and returns. Under some of the laws, the inspectors have the powers to seal the units or to put the entrepreneur under imprisonment.

5. One cannot deny the requirement of regulation. The increased complexity in the management of environment, technology and social parameters requires stringent and appropriate regulations. It has to be understood that the workforce constitutes an equally important component of the industrial unit. The welfare of labour, particularly in regard to safety measures and protection of their rights, cannot be over emphasised. What bothers most small-scale industries is the administration of these regulations.

6. There is now perhaps a need to give statutory backing to the system of self-certification by amendment to various laws. The first noticeable attempt at reforms was perhaps made in 1985 under Shri L.K.Jha, the then advisor to the Prime Minister on Administrative Reforms. The observations made by Shri L.K.Jha in his note to the PMO are still valid and are reproduced verbatim:-

"Small scale industries as a class are victims of exploitation by inspectors. They come from various departments from the State as well as the Central Government. They inspect boilers, compliance with Factories Act, payment of excise duties, payment of sales tax, fire-fighting precautions and many other things. The number of Inspectors visiting some small industries runs to 17 to 18. They usually make monthly visits and charge some kind of a fee or accept some gifts. The visits are usually made monthly and for the sake of form, some time has to be spent which interrupts work of the limited staff which most such enterprises have. A simple decision to ensure that no small scale industry would be visited by more than one inspector in any month would, if implemented, give a welcome relief to the enterprise and also reduce the level of corruption."

#### **I. LABOUR LAWS (EXEMPTION FROM FURNISHING RETURNS & MAINTAINING REGISTERS BY CERTAIN ESTABLISHMENTS) ACT**

7. At the instance of the PMO in 1985, discussions were held with various Ministries/department and later a Committee was set up under the chairmanship of Shri N.Dutta, the then President of Federation of Associations of Small Scale Industries of India (FASSI). In the meanwhile, the matter was examined in the Ministry of Labour and an Act was passed by the Parliament in September 1988, namely 'Labour laws (Exemption from Furnishing Returns & Maintaining Registers by Certain



Establishments) Act, 1988'. Under the Act, combined returns were prescribed for the following Acts:-

- The Payment of Wages Act, 1936(4 of 1936)
- The Weekly Holidays Act, 1942 (18 of 1942)
- The Minimum Wages Act, 1948 (11 of 1948)
- The Factories Act, 1948 (63 of 1948)
- The Plantations Labour Act, 1951 (69 of 1951)
- The Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955 (45 of 1955)
- The Contract Labour (Regulations and Abolition) Act, 1970 (37 of 1970)
- The Sales Promotion Employees (Conditions of Service) Act, 1976 (11 Of 1976)
- The Equal Remuneration Act, 1976 (25 of 1976)

8. This Act was drafted on the recommendations of the Standing Labour Committee. The thrust of this legislation was to minimise the registers and returns prescribed for small-scale units, but was confined in scope to 9 Acts only. This attempt at reform did not touch some of the major labour laws impacting the SSI sector such as:-

- Employees' State Insurance Act, 1948
- Employees' Provident Fund and Miscellaneous Provisions Act, 1952
- Workmen's Compensation Act, 1923
- Standards of Weights & Measures Act, 1976 and
- Maternity Benefit Act, 1961.

9. Industry representatives have often argued that even the 1988 legislation did not make any major/substantial change in the prevailing situation. The three registers and one return prescribed required the same information, which was sought earlier. Further, the law actually extended formalities even to establishments employing less than 10 persons, which was not the case earlier.

10. The important issue of simplifying laws, rules and procedures in their application to the small scale industries sector was stated in the policy measures for SSI sector (1991) in the following terms:

"All Statutes, regulations and procedures would be reviewed and modified, wherever necessary, to ensure that their operations do not militate against the interests of the small and village enterprises".

"Procedures would be simplified, bureaucratic controls effectively reduced, unnecessary interference eliminated and paper work cut down to the minimum to enable the entrepreneurs to concentrate on production and marketing functions".

11. A conference of State Industries Ministers was organised in June, 1993 to consider issues relating to the simplification of rules and procedures for small scale industries. The Conference considered an elaborate Agenda on the issue and endorsed a set of principles that should be adopted by various States while framing and reviewing the various regulatory laws applicable to small scale industries. The general principles were as follows:-

- (i) Generally, prior approvals and clearances should only be required by small units involving hazardous or dangerous processes.
- (ii) Regulation should be enforced by exception. A negative list method should be evolved for all cases of clearances and controls. In all regulatory framework, small scale units should be free from any controls or regulations except for an identified and specified negative list.
- (iii) The environment related laws should generally not be applicable to small scale industries except for identified industries that are highly and critically polluting or hazardous.
- (iv) A large number of returns and registers need to be abolished. The system of core returns should be adopted as a rule and on a wide spread scale.
- (v) It is necessary to coordinate the activities of various related departments through the formation of Empowered Committees at various levels including representation from the concerned departments.
- (vi) Appropriate grievance redressal systems should be installed at various levels so that small scale units have a mechanism whereby their complaints or problems can be heard.

12. While the focus of grievances has shifted to labour and environment related laws, it is also a fact that during the past few years, considerable effort has been made at mitigating some of the regulatory burden imposed by these acts. This includes the following:-



- Labour laws (Exemption from Furnishing Returns & Maintaining Registers by Certain Establishments) Act, 1988
- Revision of rules & statutory forms under the Factories Act in 1987 by a High Power Committee of experts constituted by the Ministry of Labour which led to the publication of model rules. These have been adopted by many State Governments.
- Validity period of licences under the Factories Act has been increased to 5 years.
- Rationalisation of forms of the Employees Provident Fund Scheme to four monthly forms and one annual form.
- Rationalization of forms and challans of ESI to three forms and a single challan. The requirement of stamps has been dispensed with.
- Rationalization of system of inspections under ESI through which factories/establishments employing upto 20 employees would be inspected once in two years and those above 20 employees to be inspected once a year with advance intimation.
- Adoption by State Governments of Single Window Clearance Systems.
- Time limits for approvals/clearances, restrictions, non-statutory inspections by some States.
- 1992 instruction of the Ministry of Environment & Forests simplifying method of grant of consent under water and air pollution laws to SSI units except in 17 sectors.
- Periodic renewal of consent under Pollution Laws done away with.
- Routine and periodic inspections of Information Technology establishments under Labour Laws have been dispensed with and enforcement is through returns submitted by employers under various Labour Laws. Inspections for such IT establishments would be conducted only when absolutely essential, i.e. on receipt of specific complaint regarding violation of provisions of law.



13. Liberalisation and Globalisation are the order of the day. All the products manufactured by SSIs are freely importable. SSIs, thus have to now compete not only with the competition within the country but also with goods manufactured abroad. Market forces determine the system and manner of production. SSIs will only be able to survive if they are efficient and competitive. The role of the Government has over the last decade changed from a regulator to a facilitator. It is, therefore, necessary that SSIs are enabled to concentrate their energy on production & marketing of their goods.

14. Expert Committees and SSI Associations have on various occasions argued that the rigidity of labour laws and frequent inspections are coming in the way of creating greater employment in the sector. It has been felt that the creative energies of an individual entrepreneur are being dissipated by the regulatory regime and he is unable to concentrate on the core functions of production, marketing or finance. This is particularly evident when one views the requirements in respect of maintenance of registers, submission of reports and the actual inspections. Little distinction is made between a large and a small unit and the burden of compliance on large and small is virtually similar.

15. A Comprehensive Policy Package for the Small Scale Industries was announced by the Prime Minister on 30<sup>th</sup> August 2000. In the context of "inspections", he observed:- "Government is alive to the grievance that frequent inspections by multiple agencies are a source of harassment to the Small Scale Sector. We will set up a Group to recommend, within three months, means of streamlining inspections. These would include repeal of laws and regulations applicable to the sectors that have since become redundant. I would urge you to submit your suggestions in this regard to the Ministry of Small Scale Industries". In pursuance of these orders of the Prime Minister, a Group under the Cabinet Secretary was set up to go into the Acts, Rules, Regulations, etc. applicable to the Small Scale Sector and recommend specifically regarding substituting routine inspections by self-certification and deletion/repeal of all such Acts, Rules, Laws/Regulations, orders, etc., which have become redundant. The Group has made the following recommendations:-

- a) Self certification for SSIs should be operationalized at the earliest through executive instructions, with inspection being based on complaints from stakeholders only.
- b) Subsequently, an omnibus amendment covering all labour legislations giving statutory backing to self-certification by SSIs be prepared.



- c) A comprehensive legislation, exclusively for the SSI sector could then be drafted in consultation with various agencies including labour unions.

16. Based on these recommendations, the Hon'ble Minister of SSI has written to Chief Ministers of all States requesting them to put in place a system of self-certification with inspection being based on written, verifiable and signed complaints from stakeholders.

17. The Expert Committee on Small Enterprises (Abid Hussain Committee – 1997) constituted by the Department of SSI & ARI had observed that a uniform promotional framework is desirable to service the overall interests of promoting the small enterprises with a view to promote equitable growth and development. This uniform framework will also enable compatible structures vis-à-vis banking institutions, corporate bodies and issues of national concern such as employment, rural development and social welfare. The Expert Committee, therefore, recommended a separate law for small enterprises. The objective of the law would be to define the small enterprise sector and outline the broad framework for promoting this sector. A single law for small enterprises would be a superior instrument for governing these enterprises. This will obviate the need for a host of Ministries administering diverse laws such as Minimum Wages Act, the Shops and Establishments Act, Workmen's Compensation Act, Factories Act, ESI Act, etc. as applicable to small scale units. Such a law can be implemented by the normal judicial process. The Expert Committee also recommended that the threshold level for the application of the labour laws could be raised to 50 for units using power and 100 without power. The interests of workmen could be taken care of by instituting a system of unemployment insurance paid for jointly by employers and employees. As a follow up of the Expert Committee Recommendations, the Ministry of Small Scale Industries had entrusted the task of drafting such a law to Administrative Staff College of India, Hyderabad. The draft law has been received recently and the same is being examined.

18. In May 1999, the Planning Commission had also set up a Study Group on "Development of Small Enterprises" under the Chairmanship of Dr. S.P.Gupta, Member, Planning Commission. This Group, which submitted its report in February 2001, recommended that:-

- (i) The vision for the 21<sup>st</sup> century for SSEs cannot be realised with plethora of laws, rules and regulations governing this sector and there is need for a single unified Act governing promotion and development of Small Scale Enterprises in the country.



- (ii) A system of self-certification be introduced, which will obviate the need for regular inspections.
- (iii) The regulatory laws/procedures for SSI units should be further simplified.

19. The Ministry has taken up the cause of small scale industries with the National Commission on Labour, which had been considering all issues related to labour legislation. The Commission was requested to consider framing of a separate but simple legislation on labour matters for all SSIs employing less than 100 workers. The proposed law could lay down basic requirement of compliance with registration, safety and health, working hours and welfare etc. While minimum wages would be payable as prescribed, this law could substitute a plethora of laws such as Payment of Wages, Payment of Bonus, Payment of Gratuity, Maternity benefits, ESI, EPF etc. The Act could provide for bonus and social security allowances as well as cases of removal/separation from services. A bare minimum of registers/records could be specified and a procedure of self-certification be put in place in lieu of submission of returns. Inspections should be on written, verifiable and signed complaints from stakeholders only, a reference, which could include employees, trades unions and neighbours. The Commission has since submitted its report to the Government.

## II. TRAINING & SKILL DEVELOPMENT BY SMALL INDUSTRIES DEVELOPMENT ORGANISATION (SIDO)

20. The Small Industries Development Organisation, since its inception, has been organising Entrepreneurship Development Training Programmes, Management Development Programmes, Skill Development Programmes through the field institutions known as Small Industries Service Institutes, Regional Testing Centres, Tool Rooms, Product-cum-Process Development Centres (PPDCs), Central Footwear Training Institutes, Integrated Training Centre etc. Indian Institute of Entrepreneurship, Guwahati, National Institute of Small Industry Extension Training, Hyderabad and National Institute of Entrepreneurship and Small Business Development (NIESBUD), Delhi, under the Ministry of SSI have also been conducting various training programmes. Some of these are briefly detailed below:

### Small Industries Service Institute

#### (I) Entrepreneurship Development Programmes

Under this programme 4 to 6 weeks product/process oriented training is provided to enthuse educated youth to set up industrial venture



as their career. Such programmes with minimum intake of 30 participants are being organized on a regular basis to cultivate the latent qualities of youth both men and women by enlightening them on various aspects that are necessarily required for setting up small-scale industries.

Till 1990, Entrepreneurship Development Programmes used to be general in nature and were imparting knowledge on steps to be initiated for setting up an industry with very little background on specific industry/group of industries, etc. The participants of such training programmes were paid stipend @ Rs. 100/- per month. However, after 1990, there was a change in the strategy for conducting the entrepreneurship programmes. Instead of conducting general programmes, stress was laid on conducting specific product/process oriented training programmes. Paying of stipend was done away with, instead a fee was levied for attending such programmes which varied from location to location. The change in the methodology for conducting EDPs brought about some remarkable changes in the delivery system contributing to the success of the programme. Some of the important fields covered under the training programmes are Herbal Cosmetics, High Fashion Garments, Hosiery, Information Technology, Hardware Maintenance, Gem Cutting and Polishing, Desktop Publishing etc.

## **(ii) Management Development Programmes**

The basic objective of imparting training in management is to improve productivity and profitability of existing entrepreneurs and for developing new entrepreneurs. The programmes are designed and conducted by SISI as per local conditions and requirements of target groups. The subjects covered include industrial management, marketing, financial management, personnel management, production management, etc.

## **(iii) Skill Development Programmes**

Skill development programmes being run by the SISIs are targeted at training unskilled and semi skilled workers employed in small-scale industrial units for upgrading their technical skills and knowledge. The participants are to be above 18 years of age. They should generally be having some basic academic education preferably 8th class pass and sponsored by local SSI units as their existing or potential workers. However, some fresh educated unemployed youth also participate for learning the traits/skills of various trades in order to find some employment opportunity or for starting their own ventures.

21. With the increasing globalisation and integration of the Indian economy with the global economy, the importance of micro and tiny



sector in the unorganised sector has been increasing. The micro and tiny sector in the unorganised sector is characterised by low capital requirement and is more labour intensive in nature. This sector not only contributes to the growth of the national economy but it is also a very important source of generation of employment. Unfortunately even this sector, at present, has to follow labour laws which were primarily meant for medium and large industries. As this sector cannot cope with plethora of labour rules and regulations, it is always harassed by labour law enforcement agencies. They ultimately either close down their operations or work illegally in connivance with enforcement agencies.

22. The Ministry of Small Scale Industries strongly feels that all tiny and micro industries i.e. industries with an investment of less than Rs. 25 lakh in plant and machinery should be exempted from all labour laws except the Minimum Wages Act. However, there is a need to ensure a number of welfare measures for the workers engaged in the unorganised sector as they are not, at present, protected by social security measures. Therefore, there is a need to provide some welfare and social security benefits for the labour in the unorganised sector like the insurance coverage against death, disease and disability. Similarly a mandatory terminal benefit of 3 months wages in case of retrenchment, removal, etc. should go a long way in eliminating hardship to such workers in unorganised sector. The contribution for the benefit like insurance for the workers in unorganised sector can be contributed 1/3<sup>rd</sup> each by the employer, worker/labour and the Government. In case the worker is laid off and is unable to find suitable employment, say for a period of 3-4 months, then the contribution to the insurance should be made either by the worker himself or by the Government so that he continues to get the benefit of insurance.

23. Additionally the employers of unorganised sector should also ensure the provision of drinking water, toilet facilities, first aid facilities at work place, etc. However, these benefits cannot be enforced in the unorganised sector through government enforcement agencies as this may lead to harassment of the owner of the units in the unorganised sector and moreover, practically also, it is not possible. These measures can be enforced through self-certification.

### ISSUES FOR CONSIDERATION

- (i) Tiny units i.e units with investment in Plant and machinery up to Rs.25 lakh, be exempted from the application of various labour laws except the Minimum Wages Act.
- (ii) Framing of separate but simple legislation on labour matter for all SSIs employing less than 100 workers.



- (iii) A system of self-certification be put in place in lieu of submission of returns. Inspection should be on written, verifiable and signed complaints from stakeholders.
- (iv) Providing benefit of insurance coverage against death, disease and disability to workers & employees of SSIs.

\*\*\*\*\*

**THIRTY EIGHTH SESSION OF  
THE INDIAN LABOUR CONFERENCE  
NEW DELHI**

**ITEM-V : REPORT OF THE SECOND NATIONAL COMMISSION  
ON LABOUR**

**I N D E X**

<b>Sl.No.</b>	<b>Item</b>	<b>Page No.</b>
01.	Introduction for setting up of Second National Commission on Labour	63
02.	Brief highlights of the main recommendations of Report of Second National Commission on Labour	65



## THIRTY EIGHTH SESSION OF THE INDIAN LABOUR CONFERENCE NEW DELHI

### ITEM-V : REPORT OF THE SECOND NATIONAL COMMISSION ON LABOUR

#### I. TERMS OF REFERENCE

The Second National Commission on Labour (NCL), under the Chairmanship of Dr. Ravindra Varma, was set up on 15.10.1999. The Commission was given a two-point terms of reference:

- (i) to suggest rationalization of existing laws relating to labour in the organized sector; and
- (ii) to suggest an "umbrella" legislation for ensuring a minimum level of protection to the workers in the unorganised sector.

While developing the framework for its recommendations the Commission was, inter-alia, required to take into account the emerging economic environment involving rapid technological changes, globalisation of economy, liberalization of trade and industry as also the need for bringing existing laws in tune with the future labour market needs and demands.

#### II. COMPOSITION OF THE COMMISSION

Chairman	:	Shri Ravindra Varma
Full Time Member	:	Dr. B.R. Sabade
Part Time Members	:	<ul style="list-style-type: none"> <li>• Shri Sunil Shastri</li> <li>• Shri Sudharshan Sarin</li> <li>• Shri G. Sanjeeva Reddy</li> <li>• Shri Jitendra Vir Gupta</li> <li>• Smt. Ela R. Bhatt</li> <li>• Shri Arvind R. Doshi</li> <li>• Shri C.K. Sajjinarayanan</li> </ul>
Member Secretary	:	Shri N. Sanyal

### **III. SUBMISSION OF THE REPORT**

The Commission submitted its report to the Government on 29.06.2002. The Report of the Commission is in two volumes containing 1751 pages. The report consists of 12 detailed Chapters covering various aspects of labour viz. review of laws, social security, women & child labour, skill development, labour administration, unorganised sector and other matters. The highlights of main recommendations of the report are annexed.



**ANNEXURE****BRIEF HIGHLIGHTS OF THE MAIN RECOMMENDATIONS****Chapter V: Approach to Review of Laws**

- 5.1 We have travelled quite some distance along the road to Globalisation. Its impact can already be seen in many fields.
- 5.2 Industry is not an end itself but is a social activity undertaken to meet the needs of society resulting from inter-dependence of interest and cooperation.
- 5.3 Competitiveness cannot be acquired without harmonious relations in the industry. The requirement today among the employers and employees is to develop a mindset that looks upon each other as partner and to develop a work culture that new technology and the context of globalisation demand.
- 5.4 Labour laws are not the only cause of our unsatisfactory economic development and there are other factors that affect the efficiency of the industry.
- 5.6 This does not mean that we do not believe in the need for changes both in laws and attitude.
- 5.7 Most of the witnesses before the Commission talked of imperative need to evolve a new work culture.
- 5.8 The wages have to be looked upon as incomes that are earned through hard work.
- 5.9 Individual worker's attitude to work has to include pride in maximising his own productivity to repay his debt to the society and pride in his commitment to excellence reflected in the quality of work.
- 5.11 We must be concerned at the moral culpability of 'short charging' or 'working less' and accepting the same payment.
- 5.12 Our reputation abroad shows that our workers are capable of maintaining highest level of work culture. Why this cannot be done in our own country?

- 5.14 The managements can make contribution to improve work culture. Human beings like to be treated as human beings. The old perceptions and mindsets have to change.
- 5.15 The level of work culture will depend on level of awareness or realisation of identity of interest or sense of belonging.
- 5.16 For maintaining high level of work culture, the arrangements required to be established include fair wages, equitable profit sharing, participatory management and opportunities to interact.
- 5.18 Our attention was drawn to the difference between a probationer or a temporary worker and a worker who is confirmed as permanent. The situation needs to be corrected.
- 5.24 We have maximum number of holidays. A study reveals that out of seven days an average govt. servant works for three days. If the Government offices are closed all economic activities dependant on government departments come to a standstill.
- 5.29 There should be three national holidays. In addition there can be two more holidays and ten restricted holidays in a year.
- 5.32 The attitude to hours of work should not be rigid, but hours of work put in beyond nine hours a day and 48 hours a week must be compensated by payment of O.T. wages.
- 5.34 In transforming the basis of employment (by meeting the demand of hire and fire), it is equally necessary to create social acceptability for change and the social institutions that can take care of the consequences.
- 5.35 A fundamental change of this kind has to be preceded by the evolution of socially accepted consensus on new perceptions of jobs, evolution of a system of constant upgradation of employability through training and setting up of social security including unemployment insurance.

## **Chapter VI: Review of Laws**

- 6.16 Whatever be the employment limit, there are certain provisions like maternity benefit, child care, workmen's compensation, medical benefits and other elements of social security and safety which must be applicable to all workers, irrespective of the employment size of that establishment, or the nature of its activity.



- 6.19 We recommend that Government may lay down a list of such highly paid jobs who are presently deemed as workmen as being outside the purview of the laws relating to workmen and included in the proposed law for the protection of non workmen. Another alternative is that the Government fix a cut off limit of remuneration which is substantially high enough, in the present context, such as Rs.25,000/- p.m. beyond which employees will not be treated as ordinary "workmen".
- 6.20 Supervisors would be kept out of definition of 'workers' and would be clubbed along with managerial and administrative employees.
- 6.21 The existing set of labour laws should be broadly grouped into four or five groups of laws pertaining to (i) industrial relations, (ii) wages, (iii) social security, (iv) safety and (v) welfare and working conditions and so on.
- 6.22 There is no need for different definitions of the term 'appropriate government', and considers that there must be a single definition of the term, applicable to all labour laws.
- 6.26 The provisions of all laws be judiciously consolidated into a single law called the Labour Management Relations Law. However, we would carve out a section of these workers who are employed in establishments with an employment size of 19 and below, for a different kind of dispensation. (We also recommend) The repeal of the Sales Promotion Employees (conditions of Service) Act, 1976 and other specific Acts governing industrial relations in particular trades or employments and also specific laws.
- 6.36 The law must provide for authorities to identify the negotiating agent to adjudicate disputes and so on.
- 6.38 Domestic service should be covered under the proposed type of umbrella legislation, particularly in regard to wages, hours of work, working conditions, safety and social security.
- 6.40 It is desirable to define two terms, 'wages' and 'remuneration' for the purpose of contributions to social security and for other claims while the wages will include basic wages and dearness allowance, the remuneration will include all other allowances and over time wages.
- 6.41 "Go slow" and "work to rule" are forms of action which must be regarded as misconduct.



- 6.48 In socially essential services like water supply, there may be a strike ballot and if the strike ballot shows that 51% of workers are in favour of a strike, it should be taken that the strike has taken place, and the dispute must forthwith be referred to compulsory arbitration.
- 6.50 A ceiling on the total number of trade unions of which an 'outsider' can be a member of executive bodies is needed. Trade Unions of workers in the unorganised sector should be registered even where there is no employer employee relationship or such relationship is not clear.
- 6.66 We recommend that the negotiating agent should be selected for recognition on the basis of the check off system. A union with 66% membership be entitled to be accepted as the single negotiating agent, and if no union has 66% support, then unions that have the support of more than 25% should be given proportionate representation on the negotiating college.
- 6.76 Recognition once granted, should be valid for a period of four years, to be coterminous with the period of settlement. The individual workers' authorisation for check off should also be coterminous with the tenure of recognition of the negotiating agent or college.
- 6.77 All establishments employing 20 or more workers should have standing orders or regulations.
- 6.79 Subsistence allowance would be payable to workers suspended pending domestic enquiry.
- 6.80 A Grievance Redressal Committee for organisations employing 20 or more should be constituted.
- 6.82 There need be no statutory obligation for the employer to give prior notice, in regard to item 11 of the Fourth Schedule for the purpose of increase in the workforce, as is the position now under sec 9A. Notice of change, issued by an employer as per provisions of Sec 9A, should not operate as a stay under Sec 33 though such a decision of the management will be justifiable under Sec 33 A in Industrial Disputes Act, 1947.
- 6.83 Refusal to go for training, which must be at the employers' cost and in the employer's time, may be included as an act of misconduct under the standing orders if such refusal is without valid reasons.



- 6.88 Prior permission is not necessary in respect of lay-off and retrenchment in an establishment of any employment size.
- 6.89 The provisions of Chapter VB pertaining to permission for closure should be made applicable to all establishments to protect the interests of workers in establishments which are not covered at present by this provision if they are employing 300 or more workers. That all dues to the workers are first settled as a precondition to retrenchment or closure.
- 6.91 The provision for permission to close down an establishment employing 300 or more workmen should be made a part of Chapter VA, and Chapter VB should be repealed.
- 6.92 We have recommended arbitration or adjudication for determining disputes between management and labour. We feel arbitration is the better of the two.
- 6.95 Officials of labour departments at the Centre and the State who are of and above the rank of Deputy Labour Commissioners/Regional Labour Commissioners with ten years experience in the labour department and a degree in law, eligible for being appointed as presiding officers of labour courts.
- 6.96 All matters pertaining to individual workers be determined by recourse to the grievance redressal committee, conciliation and arbitration/ adjudication by the labour court. In this view, section 2A of the Industrial Disputes Act 1947 may be amended.
- 6.97 A union, which does not have at least 10% membership amongst the employees in an establishment, should have no locus-standi in that establishment.
- 6.99 All disputes, claims or complaints under the law on labour relations should be raised within one year of the occurrence of the cause of action.
- 6.100 Where a worker has been dismissed or removed from service after a proper and fair enquiry on charges of violence, sabotage, theft and/or assault, and if the labour court comes to the conclusion that the grave charges have been proved, then the court will not have the power to order reinstatement of the delinquent worker.(Ref. Sec. 11A of the Act).



- 6.101 We would also recommend levy of a token court fee in respect of all matters coming up before labour courts and labour relations commissions.
- 6.101a We recommend that a strike could be called only by the recognised negotiating agent and that too only after it had conducted a strike ballot amongst all the workers, of whom at least 51% support the move to strike.
- 6.102 Legislatively provide for a scheme of workers' participation in management. It may be initially applicable to all establishments employing 300 or more persons. For the smaller establishments, a non-statutory scheme may be provided.
- 6.106 Small Entrepreneurs (Employment Relations) Act that we have recommended seeks to cover all aspects of employment including wages, social security, safety and health and so on.
- 6.109 Contract labour shall not be engaged for core production/ services/activities. However, for sporadic seasonal demand, the employer may engage temporary labour for core production/service activity. We are aware that off loading perennial non-core services like canteen, watch & ward, cleaning, etc. to other employing agencies has to take care of three aspects – (1) there have to be provisions that ensure that perennial core services are not transferred to other agencies or establishments; (2) where such services are being performed by employees on the pay rolls of the enterprises, no transfer to other agencies should be done without consulting, the bargaining (negotiating) agents; and (3) where the transfer of such services do not involve any employee who is currently in service, the management will be free to entrust the service to outside agencies. The contract labour will, however, be remunerated at the rate of a regular worker engaged in the same organization doing work of a comparable nature or if such worker does not exist in the organization, at the lowest salary of a worker in a comparable grade, i.e. unskilled, semi-skilled or skilled. The principal employer will also ensure that the prescribed social security and other benefits are extended to the contract worker.
- 6.112 The minimum wage payable to anyone in employment, in whatever occupation, should be such as would satisfy the needs of the worker and his family (consisting in all of 3 consumption units) arrived at on the Need Based formula of the 15th Indian Labour Conference supplemented by the recommendations



- made in the Judgment of the Supreme Court in the Raptakos Brett & Co case.
- 6.113 The Commission recommends that every employer must pay each worker his one-month's wage, as bonus before an appropriate festival. Any demand for bonus in excess of this upto a maximum of 20% of the wages will be subject to negotiation.
- 6.114 Central Government may notify the National Floor Level Minimum Wage. Each State/Union Territory should have the authority to fix minimum rates of wages, which shall not be, in any event, less than the National Floor Level Minimum Wage when announced.
- 6.116 We, therefore recommend that fixation of piece rate wages must be so done as to enable a diligent worker to earn after 8 hours work what would be the time rated daily rate.
- 6.117 There is a case to distinguish between regular wage employment or food or remuneration in return for some token work for which opportunities are created.
- 6.118 There is no need for any wage board, statutory or otherwise, for fixing wage rates for workers in any industry.
- 6.121 We would recommend consolidation of all laws of the kind and the enactment of a general law relating to working conditions, safety and health, at the work place.
- 6.124 Workman's Compensation Act 1923 - the Commission recommends that the domestic sector be kept out of the purview of the Act.
- 6.136 All offences must be made triable by a labour court which will have to be empowered for the purpose.
- 6.137 Law may provide for compounding and such compounding may be permitted.
- 6.144 Every large State and groups of small States set up Institutions for training and research in labour matters.
- 6.83a An All India Labour Judicial Service which in the new dispensation will be viable and necessary.

## Chapter-VII: Unorganised Sector

7. 15      The unorganised sector is too vast to remain within the confines of conceptual definition. Hence, descriptive means are used to identify the unorganised sector.
- 7.399      To achieve recognition as a worker each person who is actually working should be given an official identity card. The identity card gives the worker a definite legal identity and recognition.
- 7.405      This also means that the right to work would have to be viewed as a necessary concomitant of the right to social security. According to us, social security must contain at least healthcare (including maternity, injury), childcare, shelter and old age support that strengthens productivity.
- 7.417      The Right to Work, already a Directive Principle, should be made a Fundamental Right.
- 7.418      Setting up of an Equal Opportunities Commission under a central law that the Commission should have wide powers of investigation, direction, advice and monitoring.
- 7.419      Setting up of Tripartite Boards which have to be constituted in such a manner that workers have as many representatives as the government and the employers.
- 7.420      Setting up of a Central Fund from which welfare and social security measures for women workers should be financed.
- 7.433      We have to address the question, what is the minimum that the Umbrella legislation for workers in the Unorganised Sector should ensure. There should be a policy framework that ensures the generation and protection of jobs, and access to jobs; protection against the exploitation of their poverty and lack of organisation: protection against arbitrary or whimsical dismissals; denial of minimum wages and delay in payment of wages, etc. The system of Welfare should include access to compensation for injuries sustained while engaged in work; provident fund; medical care; pensioners benefits and; maternity benefits and childcare.
- 7.472      To meet these crucial requirement we propose the constitution of unorganised sector workers board with constituent bodies that will extend to the level of Panchayats.



7.473 The employers employing more than 5 workers shall ensure that the workers engaged by them are registered with the board and issued identity cards by the boards and the employing less than 5 workers shall help the workers in securing the registration and identity cards.

7.474 An indicative bill for the workers in the unorganised sector to ensure their minimum protection and welfare has been appended in the report.

#### **Chapter-VIII: Social Security**

8.96 The term 'workman' may be replaced by the term 'employee' so as to make the (Workmen's Compensation) Act applicable to all categories of employees.

8.97 The Workmen's Compensation Act should be converted from an employers' liability scheme to a social insurance scheme.

8.113 The management of the ESI scheme should be professionalised.

8.117 The P.F. Act be made applicable to all classes of establishments, subject to such exceptions as may be considered necessary for specified reasons.

8.118 Regarding applicability of P.F. Act, the Task Force on Social Security has recommended that the employment threshold should be brought down to 10 immediately, to 5 during the next 3-5 years, and to one within a short time frame thereafter. The Commission agrees with these suggestions.

8.130 The EPFO should streamline the procedure for tackling the defaulting employers speedily and to recover the arrears promptly.

8.149 The Payment of Gratuity Act may be integrated with the EPF Act and converted into a social insurance scheme.

8.175 An unemployment insurance scheme could play a substantial role in coping with unacceptable levels of unemployment resulting from the implementation of the structural adjustment programmes and other economic reforms.

8.223 Welfare funds can be transformed into instruments of social security by expanding the coverage of the funds; broadening the



range of benefits; modifying the financial arrangements for providing benefits and decentralising the administration of the funds.

- 8.294 We feel that it is the responsibility of the State to provide a basic level of subsistence by an appropriate social security measure to those who have no employment and no source of income. The Central Government should consider introducing a National Scheme of Unemployment Relief to the unemployed persons subject to a means test.
- 8.332 Our Study Group has suggested the introduction of a National Widow Pension Scheme coupled with a training programme to help the younger ones to be self-sufficient.
- 8.364 A comprehensive plan of action for social protection of disabled is necessary.
- 8.382 The State should support the families of the mentally ill by providing them community based services and where absolutely necessary, financial aid.
- 8.393 A permanent commission for disaster management should be set up on the lines of the Election Commission.
- 8.407 The system envisaged by the Commission comprises of four tiers, (a) Social assistance programmes, financed from the exchequer and wholly based on tax revenue, (b) Schemes which are partly contributory and partly subsidised by the State, (c) Wholly contributory social insurance schemes; and (d) Voluntary Schemes.
- 8.414 It is high time that a national policy on social security is formulated and a national plan to achieve the objectives set out in this policy. It is necessary to create a small but strong agency in the Central Government which will be concerned with the horizontal and vertical coordination of social security planning, monitoring and review.
- 8.415 We strongly recommend the constitution of a high-powered National Social Security Authority, preferably under the chairmanship of the Prime Minister of India. The functions of the Authority will be mainly to formulate the National Policy on Social Security and to co-ordinate the Central and State level programmes.



- 8.416 We would suggest a Department of Social Security within the Ministry of Labour.
- 8.421 The mechanism of delivery should be based on two key principles (a) it should be as decentralised and as close to the beneficiaries as possible; and (b) it should be tripartite or multipartite involving workers, employers, governments and other stakeholders.

### **Chapter-IX: Women & Child Labour**

- 9.104 Childcare is a major investment in the protection and development of human resources. The mechanisms of childcare should be multi-dimensional. Labour legislation should include provisions for crèches where there are 20 or more workers irrespective of the gender of the worker.
- 9.111 If it is found that individual enterprises are not in a financial position to run their own crèches, enterprises may jointly establish and operate them. Another possibility is that *Panchayats* or local bodies or local tripartite groups run crèches, and employing units are asked to make a proportionate contribution to the costs.
- 9.195 We recommend that the Governments should allow widespread registration of Membership Based Organisations (MBOs) of women workers under the Trade Unions Act.
- 9.201 There are two perceptions of what constitutes child labour. The first identifies child labour as work done by children from poor households outside their home/family for a minimal wage. According to this perception, child labour is synonymous with the exploitation of poor, young children working outside their homes, by greedy and exploitative employers. It is apparent that this definition does not consider work done by children within their home/family as being exploitative, and therefore, meriting description as child labour.
- 9.208 A definition of child labour, which equates all children not going to school with child labourers, emanates from the rights-based approach towards development which considers being-out-of school as a denial of the child's right to education.
- 9.228 The approach of the Study Group on Women and Child Labour has been that the child, the child's welfare and the child's future should be central to our programmes, and to our laws. Children



are the future of our society, and our economy. Every child should have the opportunity to develop his or her skills and potential, to participate both as a citizen and as a worker. The Commission endorses this approach.

- 9.232 The only way to prevent child labour is to recognise that the rightful place of children is in school, not in the workplace or in the house. So, the first step is to ensure compulsory primary education for all children.
- 9.258 The implementation of the Act depends entirely on the State's bureaucratic machinery. It assumes that the bureaucracy, poorly staffed and ill-equipped as it is today, will be able to ensure that children do not work in hazardous processes and occupations, and conditions of work in non-hazardous settings will be upgraded.
- 9.275 We are proposing an indicative law on child labour which would replace the existing Child Labour (Regulation and Prohibition) Act 1986.

#### **Chapter-X: Skill Development**

- 10.24 The study group appointed by us has recommended a new modular approach to vocational training, which will aid multi-skilling, impart skills attuned to the needs of the labour market, and in consonance with the latest technology. We endorse these recommendations.
- 10.37 In order to meet the new challenges facing the Indian workforce, the Study Group has recommended setting up of a competency based continuing training system covering all sectors of the economy.
- 10.51 We recommend that an independent regulatory authority be constituted by the Government, whose functions shall, among other things, include setting standards for skills required for a particular competency, standards for programme implementation and standards for accreditation of institutions imparting training programmes for skill development and retraining.
- 10.65 In order to undertake development of rural areas in the true sense, the country would be required to establish training institutions at the doorsteps of the rural masses.



- 10.70 For better matching of demand and supply of marketable skills, a labour market intelligence system needs to be set up.
- 10.71 There is a pressing need to enlarge the training infrastructure.
- 10.72 We recommend that ITIs need to run market-driven courses; review, and if necessary, revise curriculum every 5 years to keep it contemporary.
- 10.73 Further, to ensure effective involvement of industry in the training process, we recommend that some ITIs may be selected, on a pilot basis, for development into Institutes of Excellence. They should be managed jointly with the industry.
- 10.80 Vocational education should be integrated at the school level.
- 10.81 In order that skill development and training get the due focus, it is felt that fiscal incentives should be extended to industry and other providers of training.
- 10.84 In order to provide for retraining of workers rendered surplus/obsolete by lay-offs, retrenchment and Voluntary Retirement Schemes/Early Separation Schemes, and training of labour in the unorganised sector, we recommend the establishment of a Skill Development Fund (SDF).
- 10.88 Various ministries of the Government of India are providing vocational education and training systems in India. The Government should find out ways and means to coordinate the work of the Ministry of Human Resource Development, Ministry of Labour, Ministry of Rural Development and Ministry of Industry, to avoid duplication.

### **Chapter-XI: Labour Administration**

- 11.3 Those who lead and 'man' the Ministry should have the highest degree of competence, vision, empathy, tact, skills in the arts of persuasion and inducing introspection, and activating social and group consciences. These qualities should govern the recruitment and placement of officers and staff at every level, and every department of the Ministry of Labour, in the Centre as well as States.
- 11.4 Officers of the Labour Department should be provided with offices, infrastructure and facilities commensurate with the functions they have, and the dignity they should have.



- 11.31 The procedure for prosecution for non-payment of wages and payment of less than minimum rates of wages should be simplified.
- 11.32 To make enforcement effective, there should be commensurately deterrent punishment under all enactments.
- 11.37 Criminal cases under labour laws should be tried by Labour Courts.
- 11.59 Qualifications for appointment of Presiding Officers of Labour Courts, be relaxed to enable Conciliation Officers to be considered for appointment.
- 11.61 A Central Labour Relations Commission should be set up for Central sphere establishments, and State Labour Relations Commission should be set up for establishments in the State sphere. Above the Central and State Labour Relations Commissions, there will be the National Labour Relation Commission to hear appeals against the decisions of the two other Commissions. The National LRC, Central LRC and the State LRCs will be autonomous and independent. These Commissions will function as appellate tribunals over the Labour Courts. They will be charged with the responsibility of superintendence of the work of labour courts.
- 11.69 The Ministry of Labour should not depute its officers to employers' establishments. They may be considered for deployment in the Organisations of CPFC, ESIC and DGET so that officers of the CLS can be groomed to take higher responsibilities in at least 25 % posts of the Ministry of Labour, particularly the IR & Implementation Division, and in the Office of the DGLW. This will also promote professional expertise and efficiency in the system.
- 11.71 The question of dealing with the existing posts of Assistant Labour Commissioners of the Central Labour Service at the Central level and its equivalents at State level and other Central Government bodies, as part of the proposed All India Labour Administrative Service, all needs to be looked into carefully. In countries which have sizeable Indian workers' population, our Embassies must have Labour Attaches, drawn from officials of the Labour Departments or the CLS and later from the proposed All India Labour Administrative Services.



- 11.74 State Governments should pay due attention to the professionalisation and empowerment of Labour Department because of the crucial role that it has to play in strengthening the economy.
- 11.75 The Central Government should lay down some norms for the laws – inspector ratio and the infrastructure of the Labour Departments.
- 11.79 To make conciliation effective, it is necessary to improve the status and competence and calibre of conciliation officers through proper recruitment, training and placement. A Labour and Judicial Service can be formed.
- 11.86 The Indian Labour Conference should be an effective forum for review, consultation and formulation or evolution of perspective and policies.
- 11.129 A competent institution, perhaps on the lines of Occupational Safety and Health Commission of the USA, should be nominated to formulate, implement and periodically review a coherent national policy for the establishment and promotion of OSH Management Systems in organisations.
- 11.144 A disaster management plan must be formulated at every unit and industrial estate, and at the city, district, state and national level.
- 11.210 The provisions under the Mines Act 1952 must be amended to provide for deterrent punishments including imprisonment and special courts or designated courts must be set up to expedite trial.
- 11.219 The Central Labour Institute and Regional Labour Institute should be accorded greater functional autonomy. They should be conferred with more financial authority and powers to retain their earnings.
- 11.221 The DGFASLI has to play a pro-active role in administering the Factories Act.
- 11.228 We endorse the proposal that a Commission on Occupational Safety and Health should be set up by the Central and State Governments. A draft bill for establishment of such a Commission is in Appendix-III in Chapter-XI of the Report.

- 11.229 A Model Safety and Health Policy for organisations is given in Appendix-IV in Chapter-XI of the Report.

## **Chapter-XII: Other Matters**

- 12.54 The time has come for the Government to enact a law to provide for participatory forums at all levels.
- 12.55 Without work, all talk about providing protection, improving conditions, and assuring a minimum wage and all talk of social welfare is futile. If there are no jobs, there is no economic stability.
- 12.186 Our Commission feels that the Government of India should appoint an expert Committee to study the pros and cons of the national minimum wage and make suitable recommendations for construction of such a current national minimum wage.
- 12.204 The country needs to reward persons who have put in more efforts to acquire specialized skills.
- 12.274 The involvement and mediation of local bodies including village panchayats in the enforcement of the rates and payment of wages is important.
- 12.279 We feel that the state government should specify minimum wages for an unskilled category of worker and these wages should be the same for all industries.
- 12.390 The Commission feels that Family Budget Survey data need to be collected frequently and regularly on a mandatory basis in accordance with the relevant ILO Convention.
- 12.406 It is important to redefine the role of the employment exchanges to meet the new challenges.
- 12.456 We regret to say that the Labour Statistics as it stands today is not dependable. The industries do not have an obligation to submit the returns prescribed under the law. The collectors of data do not have any obligation to publish the data on time. As a result of this poor quality and unreliable frequency of data, policy makers do not find it easy to rely on them or make use of them. Thus, one is left to wonder who benefits from all the effort and expense incurred to keep these surveys going.



- 12.464 One of the major irritants in data collection and compilation is the requirement on the part of an industrial enterprise to submit a large number of returns under different labour enactments. This requires huge resources on the part of the unit. There is a need to simplify and consolidate various returns into a few forms. The complexity of forms leads to poor response and poor quality of data being collected.
- 12.471 We also feel that the Government should appoint a Technical Study Group to study the present activities of the Labour Bureau and other agencies like DGET, DGFASLI, etc. and improve the contents of the studies that they are undertaking and the statistics that they are collecting.
- 12.474 The Commission recommends that a legislation like the Census Act, 1948 be introduced so that such surveys can be conducted throughout the country at fixed intervals.
- 12.475 It is necessary to discard the present manual system of handling data compilation and transmission. This system has already broken down and is unable to cope up with the size and complexity of data. Hence massive computerisation and introduction of digital labour information system is absolutely necessary.

\*\*\*\*\*