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Need for labour reforms in India

By Gudipati Rajendera Kumar | THE HANS INDIA | Mar 01,2017 , 11:04 PM IST

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Democratic developing countries always have challenge of development which should benefit impoverished masses by way of providing employment and decent standard of living.

Universal adult franchise which is landmark of democracy gives voice to labor which is strong in numbers. These countries can't ignore interest of labor in favor of industry and capital. Developed countries on the other hand extended voting power to workmen only after long period of industrial

...od capitalists of the country amassed wealth and in latter period, mainly after numerous labor movements, workers getting voting of International Labor Organization and New Deal of Roosevelt , western governments took up responsibility of wealth India at time of independence took up dual of wealth creation and redistribution simultaneously.

...ed investment which has to compete with developed countries. Investment whether domestic or foreign will come, given there is tage.

...hase this low cost advantage is derived through relative lower wages of workers as there is surplus labor. As a result industries ning and results in shortage adequate skilled labor and at same time there is rise of trade unionism.

...y cost advantage starts waning and governments struggle to maintain balance between workers' rights and industrial growth by for this government tries to maintain low cost advantages by easing Infrastructure bottlenecks, Tax concessions etc. This is quite

evident from developments in Chinese economy over last two decades.

Trade unions (like Bhartiya Majdoor Sangha or Centre for Indian trade Union) are pressure groups which aim to protect interests of labor through 'collective bargaining'. As individual worker doesn't have much influence, they need to get together to deal with capitalists. They bargain constantly for higher wages, safety at work, social security, job security etc.

For this they organize demonstration, strikes and petitions to higher authorities. 1st organized strike in India was in Great Indian Peninsular Railways in 1899. Sometimes some of them indulge in violence, as it was seen recently A jute Mill in West Bengal and Maruti udyog Ltd.

They also constitute a separate class and vote bank and political parties tries woo them before elections. But in last decade frequency of strikes, lockouts and Man days lost have reduced significantly, so is their behavior as separate vote bank. This indicates toward growing cordial relations.

To deal with trade unions and to present their consolidated viewpoint employers too got organized and 1st such organization was All India Organization of Employers, formed in 1932.

There are three parties in this cooperation 1) Government 2) Employer 3) Trade Union. This is generally called Tripartite Cooperation System. Here government acts as mediator between other two who generally have conflicting interests. But in reality all three parties have a common interest that is industrial growth and are dependent upon each other.

Legal Status

The constitution has many articles directed toward their interests for eg. Article 23 forbids forced labor, 24 forbids child labor (in factories, mines and other hazardous occupations) below age of 14 years.

Further, Article 43A was inserted by 42nd amendment – directing state to take steps to ensure worker's participation in management of industries. (Gandhi ji said that employers are trustees of interests of workers and they must ensure their welfare.)

Labor laws are under concurrent list. There are approx. 144 central and state laws, most or all of which seek compliance from industries.

Important laws related to Industrial relations are:

1. Employee state insurance Act – ESI card is issued, insuring worker against any accident at work. There's also ESI corporation.
2. Employees Provident Fund and Miscellaneous provisions Act – Provident fund is one in which employee pays part of his wage (12 % in most cases) and equal contribution by employer. This is mandatory for establishment employing more than 20 people.
3. Factories Act ,1948
4. Child Labor (prohibition and regulation) Act – prohibits children below age of 14 to work in hazardous jobs. There are demands for complete ban on child employment
5. Industrial Disputes Act – One important provision – Industries employing more than 100 people cannot terminate employment before approval of government. There is strong demand from industry to revise this limit, to facilitate easy entry and exit.
6. Minimum Wages Act
7. Bonded Labor system (Abolition) Act – System in which onetime payment was made by employer to supplier or leader of group and whole person's or year's services of labor was taken. Still rampant in some businesses like Brick Kilns

Contract Labor (Regulation and Abolition) Act, 1970 – Contract labor is indirectly employed by an establishment through a contractor or through their relation with principal organization becomes ambiguous. They are generally discriminated against direct employees in terms of job security, status etc. This act attempts to abolish it in certain circumstances and to bring them at par with direct employees. Contract Labor Act, 1961

Ministry of Labor is there at Centre with 4 attached offices, 10 subordinate offices, 4 autonomous organisations and adjudication bodies and State Labor Commission.

Ministry of Labor Commissioner

Ministry of Labor is known as ' Central Industrial Relation Machinery'. Is responsible for handling Industrial Disputes, Implementation of laws for which it is responsible, Settlements and awards, verification of membership of Trade Unions etc

Ministry of Labor, compilation and dissemination of labor statistics.

Ministry of Labor, collection and maintenance of working class consumer price index numbers(WC-CPI) for selected centers and all India basis for workers,

Ministry of Labor, collection of CPI numbers for agricultural and rural workers, maintenance of up to date data relating to working conditions of industrial workers,

Ministry of Labor, conducting research into specific problems concerning labor with a view to supplying date and information needed for the formulation of labor policy,

Ministry of Labor, publishing reports, pamphlets and brochures on various aspects of labor

Ministry of Labor, State Insurance Corporation

Ministry of Labor, State Insurance Corporation administers various benefits under the ESI Act, for instance, sickness benefit, maternity benefit, dependents' expenses, gratuity benefit, which are cash benefits and medical benefit.

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- The medical benefit has been made available to the family members of the insured employees.

Employee Provident Fund Organization

- Administers various schemes under Employees Provident Fund and Miscellaneous provisions Act.
- There are schemes like – Employee provident fund scheme, Employee Deposit linked Insurance Scheme, Pension scheme etc.
- Several 'Industrial Tribunal Cum labor courts' are operating to adjudicate under Industrial Disputes Act
- Board of Arbitration – is there to mediate between central government and its employees
- International Labor Organisation
- Founded in 1919 as result of Treaty of Versailles, it became first specialized agency under United Nations in 1945.
- Its vision is to secure humane working conditions for workers and to attain social justice for them universally.
- In short it carries 'Decent Work Agenda'.
- It has produced about 189 legally binding conventions on member countries and more than 200 non-binding recommendations.
- It is also global center for research and study on work and labor.
- It also gave 4 core standards on labor which are part of general human rights as per UN declarations.
- Freedom of Association, Right to organize and Right to Collective Bargaining.
- Abolition of forced labor
- Minimum age of employment and abolition of child labor
- Prohibition on workplace discrimination and Equal pay for men and women for work of equal value

Issues:

- Labor protection legislation is one of the basic features of welfare state and aims at providing social justice.
- The main aim of such laws should be to create more, safer, and rewarding jobs for the labor.
- This includes standards on minimum wages, working conditions, overtime controls, right against unjustified retrenchment, strengthening of Labor unions, Right of worker to compensation in case of accident at work place, post-retirement benefits, Personal progress , skill development ,Social security and Dignified and respectful job etc. Issues which arise from point of workers and industries.

Simplification of procedures

- For the fulfillment of above needs, there are numerous overlapping, rigid and isolated acts(about 145), which are applicable to firms at any point of time.
- It gives immense powers to public officials and results in harassment of employers.
- It leaves room for corruption and increases compliance costs in terms of money and time.
- This type of policy runs counter to above stated desirable objectives. This makes our firms uncompetitive to foreign firms.
- It is quite apparent from the perpetual dismal performance of Indian manufacturing sector.

Huge Informal Sector

- India have about 85-90 % of the workforce employed in informal sector on which these laws are not applicable.

micro firms employing as low as 5-10 persons.

employers are discouraged to expand their businesses, by such huge number of regressive laws.

As they have they had understanding of laws to that level nor are services of Lawyers to ensure compliance much expensive.

A huge majority of workforce get no formal training. This results in low productivity and low value addition.

Barriers for firms and Job security for workers

Law of retrenchment, Law for this provides that government approval should be taken before retrenchment of the workers (in case of dispute act apply).

For good economic environment, there should least entry and exit barriers for Firms in any business. But in addition, social security for workers is indispensable.

It is to be notice that a businessmen will scale down his operations almost only in face of losses or in drive of modernisation.

Business:

ranked 134 out of 189 countries

in business : 179 out of 189

These forms are expected to improve these rankings significantly

Net for workers

To enable capacity building of workers so that they could withstand any recession or retrenchment, they need to be provided some security by means such as Insurance Pensions, provident funds etc.

Government ought to increase its presence in this area, particularly in case of startups and small scale industry. Because these units have special capacity to provide for these expenses. Their growth too is extremely important for Industry.

Government provides safety net to employees of startups.

Investment and FDI



- Trade unions time and again have resented privatization. Government has been ideal employer in pre liberalization era.
- PSE's one of the main objectives was to provide employment even at cost of economy but this very policy was result of demise of PSEs. Same is true for FDI.

India's Demographic Dividend

- India is expected to generate 51 million jobs till 2019, it is imperative to streamline all laws, to facilitate manufacturing sector in India so as economy could absorb new human resource inflow.
- Further, there's expected increase in productivity of agriculture sector, which will result substantial shift to industry.
- Last decade's much resented jobless growth was due to its service sector source. Within service sector it was based on services such as Finance, real estate, business etc. These services have least employment elasticity.
- For example 1% increase in Finance Services amount to far less than 1% increase in employment. On the other hand manufacture sector have tendency to shift to capital intensive technology which replaces labor with capital. Confusing labor laws just speeds up this replacement. Construction sector have highest employment elasticity (more than 1).

Recent Labor Reforms

- Apprenticeship Act – In apprentice system, trade workers, engineers (both diploma holder and graduates), 10+2 passed vocational students, need to undergo training in industry to enhance their skill. On completion of this they become regular workers. For this they get stipend in form of remuneration.
- New amendment increases Stipend to 70 % of wage of regular unskilled worker in first year, 80% in second year. Non engineers can also be appointed, and their total number could be up to 10 % of the total workforce. Now students other than engineering can also seek apprenticeship. About 500 new trades are added.
- It also removes the some penalties for Industry – employer can't be jailed for non-compliance.
- Factories act – Overtime (normal hours increase) , better working conditions, Allows women for overnight work provided there is adequate safeguards and transport

Facility

Pandit Deendayal Upadhyay Shramev jayate Karyakaram

Employees Provident Fund Organization

- In the Employees Provident Fund Organization about Rs 27,000 crore was lying unclaimed. This was due to manual procedures and formalities to get the amount released.
- When worker change city then it was not possible for him get his balance from new city. Other reason is that some employers deposit his contributions in name of ghost employees so that they can themselves claim the amount. Universal Account Number would help addressing both problems and in the money reaching the poor with the portability provided for Employees Provident Fund Organization.



②ion of documents

mination of troublesome submission procedures, under which returns was to be certified by officials. Now by self-certification compliance will be checked randomly through firms/employers selected by computer.

rent Labor Inspection Scheme for random selection of units for inspection would end undue harassment of the "Inspector Raj," during better compliance. Now officials have power to select units on their discretion. This results in rent seeking and corruption. If forms related to compliance with labor laws that employers have to file will drop from 16 to 1.

Protsahan Yojana

Protsahan Yojana and the Effective Implementation of revamped Rashtriya Swasthya Bima Yojana (RSBY) for labour in the sector were also launched today.

ate

ment of youth would be created through initiatives under 'Shramev Jayate'. It is one of the most important elements of the "Make in India" aims to create an opportunity for India to meet the global requirement of skilled labour workforce in the years ahead.

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