

## **GLOBALIZATION : ITS IMPACT ON LABOUR IN INDIA**

- *Dr P D Shenoy*

**“Earth provides enough to satisfy every man’s need, but not every man’s greed**

- *Mahatma Gandhi*

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### The Contours of Globalization

Globalization is shaping a new system of international economic relations – be it in the fields of investment, production, trade, finance or technology. The canvas of globalization, however, is very vast as it means different things to different people. The wider view equals globalization with the notion of “*Vasudhaiv Kutumbakam*” (the whole world is one family) and the narrower economic interpretation with increasing the ratio of foreign trade and investment in a country’s output. On a philosophical plane, India has been a votary of globalization since ages. It is reflected in hymns like ‘*Aa no bhadra rutavo yantu viswatah*’ (let noble thoughts come from all over the universe).

Manusmriti says: “*Sarve bhavantu sukhinah, sarve santu niramayah, sarve bhadrani pashyantu, maa kaschit dukhabhag bhavet*”. The Saints and seers in ancient India had a global view of mankind in which all human beings could lead a happy life, nobody practised deceit, everybody wished happiness for others, and nobody suffered hardship (Krishna, 2002). Globalization, however, refers to a process of deepening economic integration, increasing economic openness and growing economic interdependence between countries in the world economy. This process is driven by the lure of profit, and the threat of competition in the market.

The Second National Commission on Labour, while quoting the Human Development Report of South Asia, 2001 has defined globalization as:

“The free movement of goods, services, people and information across national boundaries. It creates and, in turn, is driven by an integrated global economy, which influences both economic as well as social relations within and across countries. The opening up of the economy increases competition internationally as well as externally, leads to structural changes in the economy, alters consumer preferences, life styles and demands of citizens” (NCL, 2002).

The definition of globalization with intellectual rigour notwithstanding globalization has been viewed quite differently from the individual perspective. A few such opinions recorded during the dialogue on Social Dimension of Globalization (ILO, 2004) provide interesting insights :

- “We were sleeping on the shore when a big wave came,” said a participant.

- A participant in the Philippines said, “There is no point to a globalization that reduces the prices of a child’s shoes but costs the father his job.”
- A participant from Poland gave an analogy of a force which could be harnessed : “If globalization is a river, we must build dams to generate power.”

In other words, globalization in its scope, content and application has become quite controversial. According to Stiglitz (2002) globalization has the potential to enrich everyone in the world, particularly the poor. But the way globalization has been managed, including the international trade agreements that have played such a large role in removing barriers, and the policies that have been imposed on the developing countries in the process of globalization, need to be carefully and critically scanned.

### **Current Scenario**

Globalization is a complex phenomenon that has had far-reaching effects. Not surprisingly, therefore, the term “globalization” has acquired many emotive connotations and become a hotly contested issue in current political discourse. At one extreme, globalization is seen as an irresistible and benign force for delivering economic prosperity to people throughout the world. At the other, it is blamed as a source of all contemporary ills.

The social impact of globalization is not confined just to countries that have been marginalized from the process or have been less successful in their attempts to integrate themselves into the global economy. Even in the relatively successful countries significant social costs are involved in the form of transitional adjustment costs. China, for example, despite a sustained high GDP rate of growth, has faced the problem of transitional unemployment that is likely to intensify with the stepping up of the reform of State-owned enterprises. Similarly, as evidenced by the Asian financial crisis, even countries with exemplary positive records of economic performance can suffer heavy social costs.

The fallouts of growth have also been unevenly distributed across countries, among both industrialized and developing countries. In terms of per capita income growth, only 16 developing countries grew at more than 3 per cent per annum between 1985 and 2000. In contrast, 55 developing countries grew at less than 2 per cent per annum, and of these, 23 suffered negative growth. At the same time, the income gap between the richest and poorest countries increased significantly.

This uneven pattern of growth is shaping a new global economic geography. The most striking is the rapid economic growth in China over the last two decades, together with a more gradual but significant improvement in the

economic growth performance of India and two countries which together account for more than one-third of the world's population.

Though some countries have benefited from globalization, in several countries there has been a phenomenal reduction in the growth of employment opportunities. Many workers in the organized sectors lost their jobs.

The official line from the former Prime Minister Atal Behari Vajpayee's Economic Advisory Council is unequivocal, arguing, "Globalization is an unavoidable process which is taking place independent of us. It forces us to cope with it. There is no room in a globalised world for an economy delinked from world trade and foreign investment." The Advisory Council candidly says, "The truth is that if we do not reform rapidly, and position ourselves to compete, we will be marginalized. There is no divine dispensation that gives India alone the power to survive and prosper as an isolationist island in a globalized world."

Under the new Prime Minister Mr. Manmohan Singh that conviction is undiminished. Nonetheless, universal consensus on this view is far from apparent. As a Financial Times columnist wrote in October 2004, "Globalization means many things to many people, particularly in India, which is host to probably the widest range of anti-globalization groups in the world." ( Jessica Einhorn, Business Line – 4.3.2005)

In India economic reform process got accelerated after 1991. In 1991, the country's GDP growth rate had dipped to a snail-like 1.1 per cent. In the years of Rao's Prime Ministership, India has witnessed an average growth of 5.5%. Today, successive prime ministers have started calling for 7-8 per cent growth. Other comparisons of the situation in 1991 and 2004 are more dramatic.

In the early 90's, inflation was at 17%. Now the Government is worried when it crosses 7%. Foreign Direct Investment then was \$133 million; it annually measures about \$4 billion today. Forex reserves were \$1 billion then; today, they stand at \$130 billion and many experts perceive a crisis of abundance. The market capitalization of Indian bourses has increased from Rs.1,103 billion to Rs. 15,560 billion; and exports from \$18 million to \$64 billion during the same period. (Business India – January 3-16, 2005).

The 1991 crisis forced the Indian political establishment to embrace reforms quite simply because the status quo was not viable. While the first emphasis was to tackle the macro-economic crisis, success in that arena also paved the way for reforms of domestic industrial investment policy, foreign investment regulations, and foreign trade.

Since the dark days of 1991, India has come a long way. It has healthy foreign exchange reserves (despite high levels of domestic debt), a booming software and services export market, and a burgeoning knowledge economy.

Clearly, India has tremendous potential to benefit from globalization, but there is also consensus that the challenges confronting Indian development are substantial, even daunting.

India remains handicapped by enormous infrastructure and institutional (labour and capital) constraints. The question is not whether India has not begun to produce an impressive record in growth, employment, and poverty reduction, but rather how to overcome the obstacles impeding even faster progress, as the global economic system becomes increasingly competitive.

According to the Report of the 2<sup>nd</sup> National Commission on Labour, the perceived benefits of globalization are as follows:

- Ø Sustained economic growth, as measured by gross national product is the path to human progress.
- Ø Free markets, with little or no intervention from government, generally result in the most efficient and socially optimal allocation of resources.
- Ø Economic globalization, achieved by removing barriers to the free flow of goods and money anywhere in the world, spins competition, increases economic efficiency, creates jobs, lowers consumer prices, increases economic growth and is generally beneficial to everyone.
- Ø Privatization, which shifts functions and assets from government to the private sector, improves efficiency.
- Ø The primary responsibility of the government is to provide the infrastructure necessary to advance commerce and enforce rule of law with respect to property rights and contracts.

However, there is a growing realization that globalization is not an unmixed blessing. It can at best be an outcome, not a prerequisite for successful growth strategy.

The following are among the several demerits or pitfalls of globalization:

- ✓ The process of globalization seems to be driven by a few in a uni-polar world whereby it is benefiting few and hurting many.
- ✓ It is another form of imperialism.
- ✓ It is leading to growing inequalities between the rich and the poor, both at the level of individuals and among countries.
- ✓ It is destroying jobs and local communities.
- ✓ It is ruthless, root less, jobless, fruitless...(UNDP, 1996).

### **Changes in Labour market structure**

Globalisation has resulted in global division of labour. The huge expansion in cross border capital, trade technology and information flows have become a defining feature of globalisation. The advent of WTO coupled with the lending

policies of IMF and the World Bank have resulted in globalisation and privatization. The poor worker in a developing country may be working for long hours but his productivity is low as this worker lacks access to technology and skills. Productivity has become a central issue.

Unemployment weakens the bargaining position of the workers and enables employers to hire workers on terms and conditions of work they dictate. Some of the emerging flexible labour categories are – casual and temporary workers, consultants, agency workers, home workers, daily workers, part-time workers and ‘badli’ workers.

### **Advent of liberalisation, privatization and globalisation**

Policies of privatization and disinvestment are being pursued as part of economic reforms in India. The objectives of disinvestment basically are:

- To enhance budgetary receipts.
- To minimize budgetary support towards loss making units.
- To improve performance by bringing out changes in ownership and performance
- To ensure long term viability and sustainable levels of employment in public sector enterprises.
- Broad based dispersal of shares, especially in the profit-making public sector enterprises among investors (Venkata Ratnam & Naidu 2002, p. 19).

Three broad reasons why privatization is being pursued are greater economic democracy through increased private initiatives in economic activities, achieving higher levels of economic growth and employment, and reducing budgetary deficits. In other words, privatization, basically, refers to removal of administrative controls and regulations and transfer of public enterprises to private sector.

Whatever form it takes, social effects of privatization or restructuring will be as follows :

- Initial overstaffing will lead to rationalization, retrenchment and displacement of labour
- Informalisation of the economy
- Stagnation of employment in organized sector
- Growing casualization of labour

In dealing with the redundant workers, several options are available though not all are equally attractive in solving the problem of unemployment. These are :

- Voluntary retirement scheme (VRS)
- Cash compensation or golden handshake
- Retraining of workers
- Redeployment
- Counselling
- Eventual Rehabilitation
- Creation of unemployment benefit and social security.

### **Small Scale Industries**

So far as India is concerned, the small scale industrial sector accounts for about 28 million units, 16 million employment and production of over 7500 items with export share of about 34%. The New Economic Policy pursued since 1991 has brought this sector face to face with competition through delicensing, reduction in customs and excise duties. Several small scale units have withered away but those who have adopted modern production practices like auto ancillary sectors have benefited substantially.

### **Benefits of Globalisation**

The global economy is undergoing a major change-shift towards knowledge-based growth. India is preparing for and participating in the emerging knowledge-based economy. The new economy and high-tech sectors are exhibiting openness, competitiveness and knowledge intensity. Using its intellectual manpower India has developed an expertise in producing generic drugs and has been able to increase its exports in a highly competitive market. The international capital market is providing increased opportunities to India to attract FDI. India's established credentials in IT and ITEs can be leveraged to develop a competitive advantage in other fields such as different branches of engineering, scientific research, bio-technology, medicine, pharmaceuticals, agriculture and education. Further, textiles and garment industry will expand with the phasing down of quantitative restrictions under Multi Fibre Agreement (MFA).

### **Internationalisation of Production Chains (Sub-contracting, outsourcing arrangements)**

India is emerging as a major hub in the pharmaceutical sector. There are global alliances (as between GlaxoSmithKline and Ranbaxy Laboratories) and acquisitions (like Ranbaxy buying RPG Aventis in France, Wockhardt acquiring CP Pharmaceuticals in the UK and Zydus Cadilla buying Alpha in France) (Oberoi & Chhabra,1990).

There is emergence of a buoyant private sector with industries like Tatas, Ranbaxy, Mahindra & Mahindra etc. becoming conglomerates. Such companies

not only assimilate foreign capital and know-how but also display the ability to withstand MNC competition and becoming global players themselves.

India has produced global players in software like TCS, Wipro, Infosys, I-flex, Satyam, HCL Tech and Mphasis. NRIs are also marching ahead; after its American acquisition of Wilbur Ross's International Steel Group, Lakshmi Mittal's newly named Mittal Steel Company straddles four continents and fourteen countries to become the largest steel producer in the world with a 70 million tonne capacity. Even the public sector companies in India are becoming multinational majors. ONGC, GAIL and Indian Oil have investments in countries like Angola, Iran, Iraq, Libya, Myanmar, Russia, Sudan, Syria, Vietnam, Sri Lanka and Mauritius.

India has been a beneficiary of sub-contracting and outsourcing arrangements, thereby becoming an integral part of the global production chain. Outsourcing (the contracting out of business functions previously performed in-house), particularly, the increasing trend of offshoring (the contracting out to foreign as opposed to domestic affiliates), has prompted many to suggest that the phenomenon is leading to a re-allocation of jobs from developed to developing economies (For example, according to a study, in the ICT-using sector, 3.3 million jobs in America will move offshore by 2015).

### **Impact on Trade Union organizations and their role in Social Dialogue institutions**

Verification of membership strength of Central Trade Union Organizations is conducted by the Chief Labour Commissioner from time to time. BMS, INTUC, CITU, HMS and AITUC have emerged as the biggest five. They control the workers in coal, mining, ports and docks, railways, textiles, iron and steel, engineering and power sectors. The new entrant is Self-Employed Women's Organisation (SEWA) which is a registered trade union and whose membership strength will be verified by the Chief Labour Commissioner as per a court directive. Several CTUOs like NLO, HMKP have lost their all India character.

Due to globalisation, contractualisation and casualisation and as a result of the entry of several multi-nationals, the unions have been losing strength and power ever since the reform process has begun. The public sector industries no longer can price their products on cost plus basis. According to a directive issued by the Department of Public Enterprises, the PSEs cannot depend on budgetary support for increasing the wages and allowances of the workmen of their work.

The mandays lost due to strikes and lockouts are very high compared to most other countries. Percentage of women members in trade unions that submit returns has increased but the figure is not a satisfactory one as a substantial section of women workers are engaged as 'home workers'. Less than

two per cent of the workers in formal and informal sectors of India are covered by collective bargaining agreements.

**New Actors and the Emerging Dynamics.** The industrial relations system comprises certain actors in a certain context. The actors are a hierarchy of managers or of workers and trade unions. Then, there are governmental agencies. In the post-liberalization, globalization era, consumers and community have begun to assert themselves and take a significant role. When the rights of consumers and community are affected, the rights of workers/unions and managers/employers are taking a back seat.

The court rulings are borne by the realization that wider public good matters most in preference to the narrow self interest of a minority. Workers and unions, in particular are asked to assert their rights without impinging on the rights of others, particularly the consumers and the community. Hence, the ban against bandhs and even restrictions even on protests and dharnas.

Increasingly, trade unions are getting isolated and see a future for themselves and their members only when they align themselves with the interests of the wider society.

**Pro-labour Pro investor Policies:** World over, when the State assumed a welfare role and adopted pro-labour policies, trade unions have grown in strength and power. When the State is neutral, trade union movement gets stagnant. When the State adopts pro-investor policies, trade unions are declining in power and influence, if not in number. In these circumstances, unless trade unions forge broader and wider alliances with the society – consumers and community and various civil society institutions, including non-governmental institutions – they find their power base dwindling. (Venkata Ratnam 2005).

**Declining trade union density** In the traditional strongholds of trade union membership – government and public sector – the workforce is declining due to non-filling of vacancies and the introduction of voluntary/early separation schemes. New employment opportunities are shrinking in these sectors. In the private sector, particularly the service and the soft ware sectors, the new, young and female workers are generally less eager to join the unions. Trade unions are still to conceive and implement meaningful strategies to make unionism relevant and appealing to these new and diverse workgroups.

It is mainly in the informal economy, thanks to the initiatives that the government is willing to consider in the realm of social security benefits, that there is a prospect of rise in trade union membership.

Here too, trade unions are finding an adversary in someone who is otherwise considered an ally: the non-governmental organizations operating under the guise of or as virtual trade unions.

The sickness, closure and non-viability of industries have forced the trade unions to re-orient their role to ensure survival of the industry. The workers appear to be willing to overlook their grievances as they are more concerned with retention of employment. Hence, they are not reporting grievances to unions. The reduction in employment has led to reduction in union membership making unions vulnerable. Issues such as survival of industry, maintaining competitive edge and productivity dominate collective bargaining. There appears to be a growing realization of the futility of a confrontationist attitude in the unions.

The threat of privatization and withdrawal of budgetary support looming large over the Ordnance Factories Board, with its nearly 40 factories manufacturing mainly defence equipment and ammunition, adopted strategies such as diversification of production for civilian market, marketing these products in domestic and international markets, stopping all recruitments, cutting over-time payment bills and going for I.S.O. certification. The federations/unions operating in Ordnance Factories have not opposed these strategies. More and more stress is given on R&D. TISCO has completely overhauled its production unit at Jamshedpur bringing in new technology. SAIL has modernized its plants at Durgapur and Rourkela.

**Worker militancy replaced by Employer Militancy?** Economic reforms introduced in India in 1991 signify India's quest for global economic integration. If during the decade 1981-90, India lost 402.1 million man-days due to industrial conflict, in the subsequent decade, 1991-2000, the number has come down to a half: 210 million. This does not mean that the industrial relations situation has actually or substantially improved.

Workers are reluctant to go on strike because of fear of job insecurity, concern about the futility of strikes and recognition of the imperative need to consider the survival of enterprise as a prerequisite for job and income security.

Further, trade unions are hesitant in giving a call for a strike because it may lead to loss of jobs or closure of the unit. What is even more striking is that over 60 per cent of the man-days lost in the post-reform period was due to lockouts and less than 40 per cent due to strikes. It must be added that quite a few lockouts may have been preceded by strikes.

One measure of trade unions becoming more defensive than being on a more offensive and collision course with employers is seen from the shift in their actions from strikes to litigation. Also, instead of pressing for higher wages and

improved benefits, trade unions are pressing for maintenance of existing benefits and protection and claims over non-payment of agreed wages and benefits.

**Collective bargaining.** As discussed earlier and also in the Chapter III with the shift in level of coordination and bargaining from national/sectoral to enterprise/plant level, trade unions' bargaining power is shrinking. Also, there is a gradual movement from parity to disparity. Since 1992 to date, over 100 of the 240 central public sector corporations did not have wage revision because the government announced that companies have to mobilize resources to pay for workers wages and that the government would no longer subsidize wage increases. (Venkatarantam 2005).

### **Other methods of dispute resolution**

The conciliators both at the central and at the State level have started appreciating the impact of globalization on industrial relations and labour market institutions in the new perspective and are very sympathetic to the needs of the employer who has to face competition around the globe for their products. Accordingly, they have to make changes in the product design which entail changes in the working conditions. The workers have to retrain and improve their skills. Even, multi-skilling has become a necessity.

Workers who cannot adapt themselves to these new demands have to be given the option of going home through voluntary retirement schemes. Accordingly, the conciliation machinery is not compelling the employers to retain the existing work force under all circumstances. Interest disputes resolution through arbitration and wage boards are moving into the museum of history. The presiding officers in the arena of industrial adjudication have become more sympathetic to the needs of the managements in the globalized world. The appropriate Governments are generally permitting lay off, retrenchments and closures even though, they were adamantly, declining the same in the 70s and 80s. Even the apex court has become very strict about indiscipline and lethargy of the workers in the industry. Instances have been quoted earlier in this study.

As regards the changes in the industrial relations machinery, it is felt that inspection of establishments cannot be done away with. However, the process of inspection can be used to create awareness and to educate the employers and workers with regard to benefits of timely and genuine compliance. The role of inspector can also be modified so that he acts as a facilitator helping employers in complying with the provisions of the laws. Selective and purposeful inspections have to replace routine statistics oriented inspections.

Similarly, the conciliation officers need to be well aware of the new challenges posed by globalization before the employers and employees and equip themselves with necessary knowledge, attitude and skills to handle

industrial disputes whose nature and dimensions will be very different from industrial disputes hitherto handled.

To be successful, they have to avoid 5 'A's and promote 3 'H's:

A <sub>1</sub>	.....	Anger	H <sub>1</sub>	.....	Honesty
A <sub>2</sub>	.....	Anxiety	H <sub>2</sub>	.....	Health
A <sub>3</sub>	.....	Annoyance	H <sub>3</sub>	.....	Helpfulness
A <sub>4</sub>	.....	Arrogance			
A <sub>5</sub>	.....	Arguments			

The process of globalisation has forced trade unions to be defensive and maintain a low profile. Therefore, there is a need for the industrial relations machinery to be more proactive and vigilant so that undercurrents of discontentment and grievances are detected in time as unions may not report the grievance in changed environment.

### **Labour Market Flexibility**

Even within the organized sector, an increasing number of jobs are approximating the character of these in the unorganized sector as a result of the increasing labour market flexibility in the wake of globalization. A comprehensive survey of about 1300 firms scattered over 10 States and nine important manufacturing industry groups, shows that between 1991 and 1998, employment increased at the rate 2.84 per cent per annum (Deshpande et al, 2004). Non-manual employment increased at 5 per cent per annum whereas manual employment increased at 2.29 per cent. This increase in total employment was brought by increasing the share of non-permanent employees and increase in manual employment by increasing the share of women workers.

Smaller firms grew faster than bigger firms. Firms, which increased sales, increased manual employment as did those which employed contract workers. Employers who increased fixed capital per worker reduced manual employment. Employers increased employment but only of one or other category of non-regular flexible workers.

It was found that as a whole over the 7 years of liberalization (between 1991 and 1998) dualism in the labour market did increase. The share of permanent manual workers declined from close to 68 per cent in 1991 to 64 per cent in 1998. Not only did the share of non-permanent increase but the share of casual in non-permanent increased even faster. It is the big firms that resorted to the greater use of non-permanent workers. Holding all other factors constant,

firms employing 50-99 workers and those employing 500 or more workers, increased the share of non-permanent workers significantly between 1991 and 1998. Also, firms employing 500 workers or more increased the share of temporary workers.

Casual employment did not show an association with size of employment. Women workers were mostly employed in large firms. Firms employing 1000 workers or more accounted for more than 75 per cent of all women workers. Firms, which employ a higher share of non-permanent, also employ a higher share of women. Firms employing 50-99 workers and 500 and over report an increase in the share of female workers.

From the above, one should not hasten to conclude that there is no rigidity in the Indian labour market. Irrespective of its impact on employment, a degree of excessive or unwarranted protection to labour may lead to inflexibility in labour adjustment required for restructuring of enterprises in the interest of competitive efficiency. In the wake of liberalization, this problem has been brought center stage and there has been frequent demand by the industry and foreign investors to have some kind of 'exit' policy – the right of hiring and firing.

In this respect the provisions of the I.D. Act which lay down conditions and procedures for retrenchment of workers have been widely criticized. It is contended that the provisions are so restrictive that reduction in workforce or closures are extremely difficult even if the employer is agreeable to pay the compensation as required under the law. This is because under the law prior permission of the government is required to retrench workers or effect closures in the case of enterprises employing more than 100 workers and such permissions in the past were generally not granted by the Central and the State Governments.

Of late, the scenario has changed in the wake of globalisation. The Labour Ministry of the Central Government and the Labour Departments of the State Governments are regularly conducting the hearing of applications for lay-off, retrenchment and closure by inviting representatives of the workers and employers. After following the principles of natural justice, orders are issued on the basis of merits of each case taking due note of the long-term viability and competitiveness of the enterprise. This has resulted in granting permission in most of the cases where applications have been made to the appropriate government. Accordingly, the existence of Chapter VB in the I.D. Act cannot be blamed for all the ills faced by industrialists.

In spite of these obstacles, many enterprises were able to adjust their workforce by rationalization and technological changes, but the process has been tardy.

Several routes have been found out – illegal closures by not paying electricity bills, etc. All these have only added to the problem of labour – they are neither paid their wages nor their due compensation. This has also resulted into significant industrial sickness as well as the prevalence of redundancies leading to their loss of competitiveness. Although, unions have generally resisted any legislative or executive move to make closure and retrenchment easier, in recent years unions at the enterprise level have generally been found to be accepting the inevitability of adjustments in the workforce in the face of globalization and industrial restructuring. (Sharma – 2005).

**Static Labour Policy but changed mindset of the judiciary, legislature and the executive.** A remarkable feature of industrial relations in the wake of globalization is the gradual withdrawal of the State in their traditional role of actively supporting the organized labour. Though, Labour law reforms will be explained later in greater detail are not taking place both the labour administration and adjudication machinery have been more willing than before to entertain the concerns of industry. Some State governments – notably Rajasthan, Andhra Pradesh, Maharashtra, Gujarat and Uttar Pradesh, for instance, - have taken the initiative to make small changes in labour laws and a major effort to drastically simplify the returns to be submitted by employers and ease the pressure of labour inspections.

### **Labour Law Reforms**

In India we have a plethora of labour laws. There are certain overlapping provisions also. Hence, there is an urgent need for rationalization, codification and simplification of labour laws. The National Labour Law Association (NLLA) had conducted a study in great detail and prepared a draft legislation in this context. However, the Labour Code prepared by the NLLA could not be utilized for various reasons. As it may not be possible to introduce major labour law reforms, it is envisaged that the government may go in for piecemeal reforms in particular by amending certain provisions of I.D. Act and C.L. (R&A) Act.

It is well accepted that survival of workers depends upon survival of industry. Therefore, creation of conditions and environment conducive not only for survival but further growth of industry is the need of the hour. In this context, the concern of employers that the existing labour laws need a thorough and wholesale review with a view to rationalizing and simplifying them by consolidating them and by amending certain provisions which may be out of tune with present needs to be addressed in earnest.

At the same time, interests of workers also must be protected. In this context, Chapter VB of I.D. Act, 1947 and Section 10 C.L.(R&A) Act need amendment. The requirement of permission may be done away in a phased manner with improvement in social security particularly by enhancing

retrenchment compensation. Similarly, the ancillary work may be taken out of the purview of Section 10 so that such work can be outsourced.

**Industrial Disputes Act:** Mr. Yashwant Sinha, the then Finance Minister in his budget speech (2001) stated that the chapter VB would be amended to raise the existing limit from 100 workers to 1000 workers. The Chapter V-B of the I.D. Act regulates lay off, retrenchment and closure in an industrial establishment which engages more than 100 workmen, and which is not of a seasonal character. All factories, mines and plantations are covered under this chapter. This resulted in criticism from several trade union quarters. The severest criticism emanated from the founder President of BMS.

The Task Force on Employment Opportunities (Ahluwalia Committee) recommended doing away completely with the permission clause in all establishments. The threshold limit of 100 was introduced by the 1976 amendment to the ID Act. Prior to that, the limit was 300 or more workers. The Second National Labour Commission has recognized the need for providing flexibility to the employers in handling labour to promote competitiveness and improve productivity in the context of globalization. The Commission has taken care to provide a safety net cushion to the workers.

The Commission believes if the employer could decide the size of the employment at the start of the business, why should he not do so during the conduct of the business. Therefore, it has recommended the repeal of section 9A which relates to issue of notice of change in the conditions of work.

The Commission has also favoured complete freedom to the employers to lay off or retrench workers. Further, it has recommended restoration of the original threshold limit of 300 or more workers relating to the need of the employers to get prior permission from the appropriate Government for closure. However, the Commission has suggested payment of all dues to the workers and higher compensation to the workers than provided in the I.D. Act.

Just as an industrialist has a right to establishing a factory or start a mining or plantation operation, equity demands that he should have freedom to close down the establishment. In the era of globalization and severe competition in the manufacturing, mining and plantation sectors (commodity sector), it is necessary to have an urgent re-look into the provisions of the Industrial Disputes Act relating to lay off, retrenchment and closure. In several advanced countries, there is a clear-cut hire and fire policy. Even in China there are not many restrictions in this regard. Time has come to review the provisions in the I.D. Act relating to this subject. A simpler hire and fire policy can attract more FDI in the manufacturing, plantation and mining sector.

It is well nigh impossible to raise the existing limit from 100 to 1000 workers as announced by a former Finance Minister in his Budget speech. What is feasible is to initiate a continuous social dialogue to convince the trade unions to increase this figure initially to 200 though the Second National Labour Commission has given a clear-cut rationale to increase the figure to 300. As the UPA Government is supported by Left parties and Left trade unionists are opposed to any such move in view of the specific provision in the National Common Minimum Programme relating to protection of the rights of the workers, it is going to be a slow and arduous path leading to the desired goal.

Section 9-A of the I.D. Act casts responsibility on the employer to give 21 days notice of change to the workmen or to their union before effecting any change on any matter specified in the Fourth Schedule attached to the Act. The Fourth Schedule relates to conditions of service for which notice has to be given.

The two clauses which are considered out of tune in a globalised scenario cover the following aspects:-

- (a) Rationalisation, standardization or improvement of plant or technique which is likely to lead to retrenchment of workmen;
- (b) Any increase or reduction (other than casual) in the number of persons employed or to be employed in any occupation or process or department or shift (not occasioned by circumstances over which the employer has no control)

As globalization has resulted in increased competition, the manufacturing industry was adversely affected resulting in diminishing rate of growth in this sector. The sector could not face the competition given by the Chinese goods flooding the market at affordable prices. It is reported that the rate of growth of manufacturing sector of China is almost twice that of India. This certainly calls for introspection. The time has come to deal with these two clauses of Fourth Schedule appended to the I.D. Act as rationalization, technological upgradation and improved productivity are of an imminent necessity.

**Contract Labour (Regulation & Abolition) Act, 1970:** The Second Labour Commission has recommended the use of contract labour for conduct of non core activities and for sporadic and seasonal demands it should be permissible even for core activities.

However, the 2<sup>nd</sup> NCL has taken care to look after the welfare of the workers and accordingly, has recommended that the contract labour should be paid at the same rate as the regular worker, following the principle of 'equal pay for equal work'. In the event of default by the contractor, the principal employer shall be held responsible. While, the most trade unions are against relaxation of

these provisions, the employers are not happy with equating the wages of the regular workers with the contract workers.

### **Recommendations of the Group of Ministers on amendments to section 10 of the Contract Labour (Regulation & Abolition) Act.**

The National Democratic Alliance (NDA) Government had set up a Group of Ministers to look into the Labour Law reforms. This was headed by the then Deputy Chairman, Planning Commission. The Group had almost finalised the recommendations to amend Section 10 of the C.L.(R&A) Act to permit contract labour in the following operations or processes namely:

- (a) sweeping, cleaning, dusting and gardening;
- (b) collection and disposal of garbage and waste;
- (c) security, watch and ward;
- (d) maintenance and repair of plant, machinery and equipments;
- (e) house-keeping, laundry, canteen and courier;
- (f) loading and unloading;
- (g) information technology;
- (h) support services in respect of an establishment relating to hospital, educational and training institution, guest house, club and transport;
- (i) export oriented units established in Special Economic Zones and units exporting more than seventy five per cent or more of their production; and
- (j) construction and maintenance of buildings, roads and bridges.

Globalization has led to liberalization, contractualisation, casualisation and creation of a host of temporary jobs. The current structure of the C.L.(R&A) Act puts a severe constraint on the employers in creating temporary and casual jobs. In advanced countries, this is not the case. It is true that the contract workers must get all facilities such as minimum wages, weekly off, safe working conditions, paid leave, maternity leave and a social safety net.

Section 10 of the C.L.(R&A) Act reads as follows:-

**“Prohibition of employment of contract labour:** - (1) Notwithstanding anything contained in this Act, the appropriate Government may, after consultation with the Central Board or, as the case may be, a State Board, prohibit, by notification in the Official Gazette, employment of contract labour in any process, operation or other work in any establishment.

(2) Before issuing any notification under sub-section (1) in relation to an establishment, the appropriate Government shall have regard to the conditions of work and benefits provided for the contract labour in that establishment and other relevant factors, such as –

- (a) whether the process, operation or other work is incidental to, or necessary for the industry, trade, business, manufacture or occupation that is carried on in the establishment;
- (b) whether it is of perennial nature, that is to say, it is of sufficient duration having regard to the nature of industry, trade, business, manufacture or occupation carried on in that establishment;
- (c) whether it is done ordinarily through regular workmen in that establishment or an establishment similar thereto;
- (d) whether it is sufficient to employ considerable number of whole-time workmen.

*Explanation* – If a question arises whether any process or operation or other work is of perennial nature, the decision of the appropriate Government thereon shall be final.”

The Central Government and State Governments have set up tripartite Advisory Boards to advise the appropriate Government on these matters and during the last three decades, these boards have met at regular intervals and have recommended abolition of contract labour in several processes and operations in a large number of industrial establishments. However, there is no provision in the Act to compel the employers to regularize those workers who were earlier on contract.

The current thinking is that this provision is not in tune with the requirement of the Indian industry facing severe competition in a globalized world. Most employers feel that Section 10 should be repealed, whereas most trade unions are opposed to such a move. The via media could be what has been recommended by the Group of Ministers (GOM) constituted by the NDA Government, a reference to which has been made earlier in this chapter. In the current scenario, trade unions apprehend loss of jobs. Section 10 of the Act could be amended to incorporate the provisions suggested by the GOM. It can facilitate more efficient functioning of the industries.

In the fast changing scenario, new types of industries are coming up, certain old industries are getting closed. There was bird flu which hit China and South East Asia and there was a sudden spurt of demand for the Indian goods. The industrialists cannot be expected to engage permanent workers to meet such contingencies. It is found that only specialized workforce can handle certain items of work which do not require permanent workmen. Multi-storied structures have to be cleaned at regular intervals by specialized agencies. Similarly, security, gardening, housekeeping – these are all activities which can easily be outsourced without endangering the job security of core group of workers.

When the Western world is outsourcing several of its activities to India, why should there be a hindrance for the Indian industrialists to outsource some of their activities without burdening themselves with a permanent workforce for

peripheral activities? Hence, there is an urgent need to amend Section 10 of the C.L.(R&A) Act to promote contract labour in 10 sets of activities enumerated above. A flexible contract based labour market framework for manufacturing would attract more domestic investment. It will also attract more FDI. The FDI would also bring with it access to cutting edge technology and it will also be critical for the next phase of globalisation.

The C.L.(R&A) Act, 1970 applies to (a) to every establishment in which 20 or more workmen are employed on any date of the preceding 12 months as contract labour and (b) to every contractor who employs or who employ on any date of the preceding 12 months 20 or more workmen. The Act does not ban temporary employment. In the era of globalization, temporary jobs have become the new buzz word in the corporate world. Temporary employment is fast emerging as the first choice for many individuals and companies.

It is estimated that in another three years, around 14 million Indians will opt for temporary jobs. World-wide temporary staffing is a \$200 billion industry. While the multi national companies were the early converts, other corporates too are jumping on the bandwagon. Tata Consultancy Services (TCS) has emerged as the largest player with 44,000 temporary hands.

### **Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988**

In a globalised scenario, it is necessary to improve the competitiveness of small-scale industries and to simplify their functioning vis-à-vis, the requirement of various labour laws. This Act provides for the exemption to employers, in relation to establishments employing a small number of persons from furnishing returns and maintaining registers under certain labour laws.

Small establishments will be required to maintain only three master registers and will be required to submit only one core return in lieu of the existing returns prescribed under the various labour laws. Similarly, very small establishments would be allowed to combine the three master registers into a single register. Further, they would be required to submit only one annual core return in lieu of the existing returns prescribed under the various labour laws. Formats of the registers and returns have been prescribed in the Act itself.

However, in view of the special requirements of social security legislation such as recovery of contribution from employers and employees their accountability, reimbursement etc. no exemption has been given in relation to social security legislation. The enactments from which exemption is sought to be given have been mentioned in the schedule to the Act.

Repeal of Chapter VB may not result in a panacea for all the ailments faced by Indian industry. Here a need has arisen to distinguish between labour

reforms and labour law reforms. More than labour law reforms, there is a need for labour reforms and management reforms. A lot of time is wasted by the workers by late coming, early going, extended lunch and tea intervals, sleeping during night shifts etc. This can be avoided. Similarly, workers need to accept retraining and redeployment with equanimity.

Managements need to view workers as human beings with a humane approach and improve facilities for the health, safety and well-being of workers on the shop floor. They should take up schemes to provide social safety net for those workers who have been rationalized, retrenched and displaced. Suggestion schemes and incentive schemes to improve production and productivity and increased *inter se* competition between the groups of workers to excel need to be introduced.

### **Impact on Industrial Relations including in the newly emerging Services Sector**

Most of the trade unions have opposed the policy of globalization, economic reforms, privatization and disinvestments. They attempted to demonstrate unity in such opposition and organized nation-wide strikes and bandhs. The marked feature of post globalization is that the unions in the private sector hesitate to go on strike. The public sector undertakings viz. Coal India, Singareni Collieries Ltd., Indian Airlines, Air India, ports and docks, banking and insurance sector, telecom, power sector continued to be plagued by industrial unrest.

After the great railway strike of 1974 which paralysed the railways functioning throughout India for nearly a month, it has been generally quiet on the railway front. The well established Permanent Negotiating Machinery is functioning more or less smoothly. Hence, there have been only a few local instances of unrest since the opening up of the economy. Similarly, after the historic strike of textile workers in Maharashtra in 1982 which resulted in loss of employment of more than 75,000 workers, the textile workers are generally hesitant to go on strike, barring a few exceptions viz. the prolonged strike of Delhi textile workers in 1986.

Workers of Coal India Ltd. have participated in several agitational programmes even after the advent of globalization. It appears there is no impact of globalization on the trade unions operating in Singareni Collieries Company Ltd. The workmen of public sector airlines industry have gone on sporadic strikes from time to time even after the opening up of the economy.

The trade unions operating on ports and docks have agitated on several occasions on the issue of Productivity Linked Bonus. They have demanded this bonus on all ports basis which is not a rational one. The staff of public sector banks have been opposing privatization and have also been agitating for revision of their salary. The staff had to concede for all-round computerization and also

flexible deployment policy. The insurance sector workers have been agitating for revision of their salary from time to time.

Power sector reforms have resulted in unbundling and privatization of power sector companies resulting in acceleration of agitational programmes by the unions. Despite the disturbances in the public sector, the telecom industry is rapidly moving towards 250 million customers with the highly versatile phones and tariffs matched with the world class technology. The Indian telecom industry is moving forward in a revolutionary mode. The private sector has not been affected by any visible industrial relation problems.

### ***Information Technology Sector***

The profile of the professionals in the Indian Software Labour Market in terms of their social background, gender and marital status across the sampled firms is illustrative of the rather elitist nature of the industry. Though, the software industry creates a significant potential for employment, given the magnitude of unemployment in India amidst a shrinking public and private sector, the IT industry will not have the capacity to absorb the growing supply of labour force entering the labour market. The requirements of learning and adapting equally bring about a high degree of insecurity for the professionals.

### ***Business Process Outsourcing***

Nearly 75% of US and European multi-national companies now use outsourcing or shared services to support their financial functions. The findings are based on interviews with CFOs and MDs of 127 Europe-based and 151 US-based companies. The trend of MNCs wanting to increase their outsourcing offers tremendous opportunity for the service providers with facilities in India, as they are cost effective and bring value to clients. The BPO industry in India in 2004 had recorded a growth of 50% over 2003.

The BPO industry is booming and a lot of companies will try outsourcing to Indian firms. Some potential areas they would consider include low-end customer care business. Besides, financial services, insurance, airline, hospitality, IT, automobile and publishing would also attract attention of going forward. There is tremendous potential in the knowledge process outsourcing space. Unlike in BPO where the focus is on executing standardized routine processes, KPO involves processes that demand advanced information search, analytical, interpretation and technical skills as well as some judgment and decision making. The workers have long working hours. Youngsters are burning both ends of the candle. It has become a virtual rat race. They face a lot of stress and even psychological problems.

BPO is an emerging IT enabled service sector which functions in unionless environment. The workers in BPOs are given fancy designations such as executives, officers etc. and are made to believe that they are not workers employed in other sectors. The workers in some BPOs are provided with some mechanism designed to create avenues to air their grievances but with least damage to the firm and through creation of empowering situations such as consultative committee, group etc.

## **Tourism and Retail Sector**

The tourism sector is looking up with the launching of heritage-tourism, eco-tourism, health-tourism, adventure-tourism and Buddhist circuit-tourism in “Incredible India”. There are indications that medical tourism is likely to make a headway in the days to come. In view of the existence of large number of hospitals in the private sector which can offer super specialty treatment at reasonable cost and with almost no waiting period, it is attracting an international spectrum of patients.

The retail sector is a fast emerging growth sector. This can be seen in the major metropolitan cities and its suburbs and also in the major cities with the establishment of huge malls which provide almost everything under one roof. In the retail sector, the employers are trying very hard to retain workers. However, attrition rate at the front-end is manageable and not alarming now. Official estimates put the industry attrition level between 30% and 40%. There is also an element of poaching by rival outfits. Hence, many big retail stores are recruiting 10% more than required staff at the front-end level.

## **Wage Setting Mechanism**

Less than 2% of the workforce in India is covered by collective bargaining agreements as compared to 15% in USA, 18% in Mexico, 80% in Australia, 15% in China, 20% in Japan, 3% in Malaysia and 27% in Thailand and 90% in France, Italy, Finland and Belgium (Global Report, 2004). Despite this low percentage, collective bargaining is a preferred method of resolving interest disputes. This is especially so because arbitration and wage boards are losing importance. Industrial adjudication is time consuming and can be utilized only as a means of last resort. Minimum Wages Act functions as the single most important legislation in this field and this calls for continued vigorous implementation in a mission mode by the enforcement machinery both at the Centre and at the State level.

## **Informal Economy**

*The problems faced by the workers in the informal economy are multifarious. These can be resolved by a slew of measures:*

- (i) Organizing the unorganized sector workers
- (ii) expansion of the central and State level welfare schemes
- (iii) drafting of a comprehensive Bill on unorganized sector workers' welfare
- (iv) resolution of the problems of informal sector enterprises
- (v) skill development and
- (vi) employment generation.

The solution to the problem of the informal sector in rural areas lies in the extension of the two-fold strategy as suggested by Sheila Bhalla (1997). On the production side, the rate of growth of farm output must be pushed continuously, while on the labour supply side, the existing agricultural workers must be absorbed increasingly in non-farm jobs.

### **(i) Organizing the unorganized sector workers**

In Kerala and West Bengal, an appreciable degree of unionization of workers in the informal sector has taken place. Despite several efforts in this direction, much headway could not be made so far in other States except in Gujarat where a large number of women workers have been organized by SEWA. In the earlier chapter, the success story of the SEWA model has been explained in great detail. Whether this model can be replicated through out the length and breadth of the country is an important issue, which needs consideration.

Self employed women workers are there all over India. But the need of the hour is an adequate number of selfless and courageous women leaders. With the empowerment of women in rural and urban areas through the constitutional amendment of Articles 73 and 74 providing for compulsory reservation of 33 1/3% seats in the local bodies, and also through an increase in the awareness and literacy level of women workers in an atmosphere of liberal democracy, it appears that this model can be replicated in the near future.

### **(ii) Expansion of the Welfare Schemes**

At present, the hospitals and dispensaries run by the Employees State Insurance Corporation (ESIC) are utilized to the extent of 50% to 60% of their capacity. Some of the hospitals and dispensaries run by the Welfare Organisation of the Central Government have become defunct. It is possible to extend the ESIC medical facilities available to the beedi, mica, iron ore, manganese ore, dolomite and cinema workers who are presently covered by the

welfare schemes by transfer of funds by the Welfare Organisation to the ESIC to meet the pro-rata expenditure incurred. This will result in a synergy between these two organizations and the workers will be the ultimate beneficiaries.

The implementation of the Building & Other Construction Workers Act leaves much to be desired. If this is implemented in a mission mode, the cess collected could be effectively utilized to provide the social security benefits to this big chunk of workers which is in the informal sector. The Welfare Fund Organisation can increase its activities with the same infrastructure to cover handloom workers and salt workers – both are identifiable groups. Cess can be imposed on handloom cloth sold and similarly cess can be imposed on the sale of industrial salt – both on *ad valorem* basis. The accrued money could be fruitfully utilized to provide housing, education and medical benefits to these workers.

As has been elucidated earlier, Kerala State has covered several categories of workers under the State level welfare schemes. Other States can also follow suit after studying the Kerala model. It is necessary for the new States to avoid the pitfalls and build on the strengths of the Kerala model because especially as in some of the welfare funds, the administration cost is very high whereas in some others it is marginal.

(iii) **Drafting of a comprehensive Bill on Unorganized Sector Workers' Welfare**

In an earlier chapter, efforts made to draft a Bill on unorganized sector workers' has been mentioned. As this Bill did not find support from the trade unions and employers, the Government decided to introduce an Unorganized Sector Workers Welfare Scheme in 50 districts only on a pilot basis. The following steps are required to make the scheme acceptable to the social partners and beneficial to the workers concerned:

- (a) Beneficiary oriented study based on a random sampling method has to be conducted in different parts of the country by an independent agency to give a proper feedback to the decision making authority to enable it to structure the scheme properly, and make it viable.
- (b) The draft scheme has to be extensively discussed with the
  - (i) Trade union organizations
  - (ii) NGOs
  - (iii) Employers' Organisations
  - (iv) Academicians
  - (v) Political parties and also
  - (vi) State Governments and also
  - (vii) Actuaries

Based on the above, a comprehensive scheme has to be prepared and implemented. After gaining some experience, a comprehensive Bill should be introduced in the Parliament.

(iv) **Resolution of the problems of informal sector enterprises**

The United Progressive Alliance Government had committed in its Common Minimum Programme to set up a National Commission on Enterprises in the Unorganized/Informal Sector. Accordingly, the Government has set up on 20<sup>th</sup> September, 2004, the National Commission on Enterprises in the Unorganized/Informal Sector as an advisory body and a watchdog for the informal sector.

The Commission will recommend measures considered necessary for bringing about improvement in the productivity of these enterprises, generating large scale employment opportunities on a sustainable basis, particularly in the rural areas, enhancing the competitiveness of the sector in the emerging global environment, linking of the sector with the institutional frame work in areas such as credit, raw materials, infrastructure, technology upgradation and the marketing and formulation of suitable arrangements for skill development.

“While addressing the Governors of the States, the Prime Minister, Manmohan Singh remarked, “There is a need to make our growth process more inclusive; to ensure that the marginalized and weaker sections benefit from income growth; and to ensure that social infrastructure, particularly in health and education improved.” (*The Hindu*, 16.06.2005)

***Employment***

Today there are 550 million people who work, but still live on less than US \$1 a day. These “working poor” represent 20 per cent of total world employment. In spite of the record levels of global unemployment, the reality for most of the world’s poor is that they must work – often for long hours, in poor working conditions and without basic rights and representation – in jobs that are not productive enough to enable them to lift themselves and their families out of poverty. While it is clear that employment is central to poverty reduction, it is “decent and productive” employment that matters, not employment alone.

This employment challenge has taken center stage in the global community, most recently in the Report of the World Commission on the Social Dimension of Globalization, which drew attention to the need to make decent and productive employment a central objective of macro-economic and social policies as a key endeavour to promote fairer globalization. Also, the centrality of decent

employment reaching the United Nations' Millennium Development Goals, particularly in having the share of those in extreme poverty in the total population by 2015, is widely accepted and becoming more and more integrated as a component of national policy.

The World Employment Report shows that bridging the “global productivity divide”, particularly in parts of the economy where the majority of people work – such as in agriculture, small-scale enterprises or the urban informal economy – is essential for fighting poverty and stimulating growth in both output and “decent and productive” employment. Decent work has many components; the fundamentally economic one of an income adequate enough to escape from poverty must ultimately come from growth – growth in output, growth in productivity, and growth in jobs. (World Employment Report – 2004-05).

### ***Slower Growth of Employment: A Major Limiting Factor***

India's growing labour surplus has been a keenly debated aspect of the country's development dilemmas. Various committees appointed by the Government of India have investigated the key issues relating to the growth of employment and unemployment.

### **Food for Work Programme**

The Food Corporation of India (FCI) procures rice and wheat on a massive scale during the harvest season. Whatever quantity comes to the mandies (whole-sale markets) is procured provided these grains conform to fair average quality at the support price fixed by the Government on an annual basis. Accordingly, the granaries of FCI are overflowing. Equitable distribution of food grains between different districts of the country does not take place due to lack of purchasing power, especially amongst the rural people in the poorest pockets. In September, 2004, the Prime Minister launched the Food for Work Programme in Andhra Pradesh. The programme covers 150 poor districts of the country wherein part of the wages for those workers who are engaged in asset creation would be paid in the form of food. Therefore, the Food For Work Programme is a boon to the unemployed as well as working poor in these districts. This is a first step towards the National Employment Guarantee Programme.

### **National Employment Guarantee Programme**

The first pledge of the Common Minimum Programme (CMP) reads: “The UPA government will immediately enact a National Employment Guarantee Act. This will provide a legal guarantee for at least 100 days of employment to begin with on asset-creating public works programmes every year at minimum wages for at least one able-bodied person in every rural, urban poor and lower middle-class household”.

## **ILO Chief backs job guarantee programme**

Endorsing the Common Minimum Programme's proposal for a National Employment Guarantee Programme, the Director-General of International Labour Organization, Juan Somavia, said in an interview to *'The Hindu'* that India has the potential to achieve "a real breakthrough internationally" with its promise of "more inclusive" growth. Mr. Somavia said that the point of departure for any discussion on poverty and growth had to be "the fact that global policies today are not producing employment."

Calling for a change in the way the success of economic policy is measured, he said: "Today, growth is the main thing but growth is not sufficient because as the example of India and other parts of the world shows, you have jobless growth. So why not change the criterion of success to job creation and basic social protection?" Once this baseline is laid out, a country should organize its policies to serve this goal. "Of course you want growth, sound macro-management and low inflation for providing employment. But we need the policies to converge towards the goal of employment."

Asked about the proposed Employment Guarantee Act, Mr. Somavia said this approach has enormous potential. The CMP, he said, reflected the general aspirations of the Indian people. On the controversy surrounding the cost of implementing the employment guarantee scheme, the ILO director general acknowledged that implementation would not be easy. "But unless you set objectives, like the CMP does, things won't happen."

## **National Employment Guarantee Bill**

The Finance Minister in his budget speech (2004) has also announced that the Government would introduce bring a National Employment Bill to provide for a legal guarantee for at least 100 days of employment in asset creating/works programmes every year at minimum wages for at least one able-bodied adult person in every rural/urban poor and lower middle class household who volunteers himself/herself to do any kind of unskilled manual work in rural/urban areas in the country. This Bill titled "The National Rural Employment Guarantee Bill, 2004" (Bill 106 of 2004) has since been introduced in the Lok Sabha by the Minister for Rural Development on 21.12.2004. It has been referred to the Standing Committee of the Parliament.

As the Bill suffers from severe lacunae, it has to be transformed to meet the desired objective of generation of adequate employment opportunities and also to lift the workers above the poverty line by providing them decent work. Accordingly –

- (a) the workers have to be paid as per the Minimum Wages Act for doing four categories of work – unskilled, skilled, semi-skilled and highly skilled. There is no escape from this because the Supreme Court has held that any industry which does not pay minimum wages has no right to exist. Any asset creating work under NMEP comes under the definition of industry under the I.D. Act. Further, compliance with the provisions of the M.W. Act ensures decent work.
- (b) Artificial restriction on the number of workers from a family has to be done away with as only those who are in dire need would come for work.
- (c) At least 100 days of work per year has to be provided.
- (d) No distinction should be made between able bodied persons and others as has been rightly advised by the National Human Rights Commission
- (e) Advance plan of action is to be prepared to identify and list out productive asset creating works by involving institutions of local self-government
- (f) A synergy has to be built in between government departments, NGOs and local Panchayats and lastly
- (g) Urban areas have to be included.

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