UNIT 11 INDUSTRY AND LABOUR

Structure

11.1 INTRODUCTION

This unit deals with the industry, labour and issues related to them in context of states. By the virtue of being the units of the Indian federation the states in India enjoy considerable political autonomy to pursue their own policies in the areas of industrial relations. Myron Weiner says that distribution of power between center and states is the cornerstone of Indian democratic system. State governments manage State public sector enterprise and play an important role in shaping industrial relations and labour policies. The state governments also have a voice in the national government. The Chief Ministers of states are members of National Development Council, which plays an important role in shaping economic and social policies of the country. Although state governments are not officially represented in the union cabinet, Prime Ministers so far have taken care to give every state its share of representatives. The central government is dependent on the state governments for carrying out its important decisions. They function as regulatory authority over industrial enterprises, small business. While all this may be true but this is also true that for quite some time after independence the central government has enjoyed a position of preeminence and has used centralised kind of authority in shaping the course of development of the country including its industrial and labour policy. According to Sanjay Baru at the time of independence a national capitalist class had come into existence. This class was definitely in a position to influence the policies of the central government to its advantage. By the seventies a powerful class of regional capitalists had emerged and it started asserting itself in a big way. The disintegration of the Congress as a dominant party and the emergence of powerful regional parties have created conducive atmosphere for their growth. The New Economic Policy launched since 1991 has also given newer roles to the state governments in shaping their economic conditions. In fact, reforming Indian economy without the cooperation of state governments is unthinkable because many items on the agenda of reforms happen to be part of the state list in the constitution of India. The state governments are now wooing capitalists of all variety national, regional and multi-national to invest in their states. But states are not evenly placed on the scale of industrialisation. India had inherited regional imbalance and in spite of decades of planned development this problem has further accentuated in the context policy of liberalisation. The country witnesses the phenomenon of the migration of labour from backward region to developed regions giving rise to different kind of issues.

11.2 INDUSTRY

11.2.1 National Industrial Policy

At the time of independence India had inherited a backward economy. What was worse was that a few states were industrialised and richer, while others subsisted mainly on agriculture and were poor states. The port towns of Bombay, Calcutta and Madras had emerged as centers of industrial activities. This created job opportunities. Educational institutions and other facilities also came up in these centers. These developments led to emergence of some consumer industries, which in turn led to emergence of merchant capitalist class with surplus to invest in industry. These factors gave these areas a head start. The country had to aim at having rapid development but the growth was not to be achieved at the cost of justice. As envisaged in the Directive Principles of State Policy it had to ensure adequate means of livelihood to all its citizens and also that operation of economic system should not result in concentration of wealth in the hands of few. Self- reliant growth was another goal. It also aimed at balanced development of the country.

The Industrial Policy Resolution of 1956 provided for what came to be known as mixed economy. Public and private sectors were to exist side by side. Even foreign firms were allowed to operate. The economy had to function within governmental planning and control. Public monopoly had to be established over manufacturing of arms and ammunition, atomic energy and railway. The government reserved the right to start new enterprise in coal, iron steel and other minerals, ship building, manufacture of aircrafts and telephone and telegraph equipments. In 1955 at its Avadi session the Indian National Congress declared the establishment of socialistic pattern of society as its goal. In spite of this commitment by the Congress Party the Industrial Policy Resolution of 1956 did not mention any thing about nationalisation. Actually this resolution reaffirmed India's commitment to mixed economy. In the projected model public and private sectors were not only to coexist they also had to complement each other. Private sectors were to be encouraged and given all possible freedom within the objectives of planning. An important part of the strategy was rapid development of heavy and capital goods industry under public sector. The shift in favour of heavy industry was to be combined with promotion of labour intensive small and cottage industries producing consumer goods. This aimed at tackling the problems of unemployment.

11.2.2 States in the National Industrial Policy

It is obvious that the path of development chosen by India after Independence assigned very important role to state not only at national level but also at the regional level. State governments also had to play important role in establishment of public sectors and controlling private sectors.

Almost all the states set up State Electricity Boards, State Transport Corporations, State Financial Corporations and State Tourism Corporation. Many states set up cooperatives for farmers. Some states set up Textile Corporation and Khadhi Boards. At the instance of Planning Commission the institute of Public Enterprise had compiled some information regarding State Level Public Enterprises. According to it information, on March 31, 1986, there were 636 State Level Public Sector Enterprises functioning in 24 States with investment to the tune of Rs 10,000 crores. If investment in State Electricity Boards and State Transport Corporation is added, the total investment stood at 25,000 crore. In 1977 this figure stood at 950 crore. In this way it is obvious that State Level Public Sector witnessed a growth of 20 percent between 1977-86. On March 31, 2000 the total investment in State Level Public Sector Units was to the tune of 1,62,063 crores. Gujrat, Maharashtra, Karnatka, Uttar Pradesh, West Bengal and Punjab accounted for 63.6% of the total investment in all the State Level Public Sector Units.

11.2.3 States and Economic Reforms

Faced with a situation of loss making public sector units and inelastic source of revenue the states have no choice but to reform. In spite of this the state governments do not exhibit uniform attitude towards reforms. Many state governments are still following the pre-reform mindset. Some of the states have realised the need of reforms. Orissa government reformed its State Electricity Boards and Gujarat, Maharashtra, Tamil Nadu, Andhra Pradesh and Karnatka sought to create investment friendly climate. On the basis of per capita income, literacy state, domestic product states have been classified as forward and backward states. The list of forward states include Punjab, Maharashtra, Haryana, Gujarat, West Bengal, Karnatka, Kerala, Tamil Nadu and Andhra Pradesh . The list of backward states includes Madhya Pradesh, Assam, Uttar Pradesh, Rajasthan, Orissa and Bihar. N.J. Kurian indicated that in the post-reform period two thirds of investment proposals were concentrated in the forward regions. A clear cut bias in favuor of forward states can be seen even in matters of financial assistance distributed by national and state financial institutions like IDBI, IFCI, ICICI, UTI and ISDBI. The forward states cornered 67.3% of financial assistance distributed by these institutions till March 1997. Even within the category of forward states Maharashtra, Gujarat, Tamil Nadu and Andhra Pradesh appropriated 51% of the total assistance. This is obvious that the reform process has favoured the forward states as they have succeeded in attracting the lions share of investment proposals and financial assistance. This would further accelerate the growth process in the forward states while the backward states face the prospect of growth retardation.

A few of the Indian states are showing zeal for reforms. These states are Andhra Pradesh, Karnatka, Gujarat, Maharashtra and Tamil Nadu. States like Haryana,Punjab, Rajasthan, Kerala, Madhya Pradesh and West Bengal have lagged behind in carrying out state level reforms. Karnatka, Andhra Pradesh and Tamil Nadu are showing keenness to improve physical and legal infrastructure to attract investors. The southern states are also well administered states.Several American and European companies have located their back office operation in Banglore, Chenai and Pune.

N. J. Kurien is of the view that better-off states are able to attract considerable amount of private investment, both domestic and foreign, to develop their development potential because of the existing favourable investment climate. This investment climate includes better socio – economic infrastructure. The backward states fail to attract private investment due to poor infrastructure. The poor condition of infrastructure can be attributed to lack of resources. The lack of resources is due to lack of development. Kurien calls it a vicious circle. Economic reforms can not correct this gross infrastructural disparities between states. The liberalisation process means lesser role for public sector investment for this process. The private sector may not be expected to be of much help because its main concern is profit making.

Bad governance also contributes to economic backwardness. Bihar and Uttar Pradesh are unique example of serious breakdown of law and order, corruption. Kidnappings for ransom has become a big industry forcing entrepreneurs to run away from these states. These states are riddled with neglect of infrastructural facilities like roads and electricity. The administration is both inefficient and highly corrupt. These states are not showing much interest in economic reforms. These states not only fail to attract investors actually there has been a flight of capital more particularly from Bihar.

11.2.4 States and Industries

At the time of independence a national capitalist class had come into existence. The Marwari enterprise had acquired a base in such far off places as Calcutta, Madras, Hyderabad and Kanpur. Gujarati enterprise was well settled in Bombay, although Parsi enterprise was localised in western India. By the 1960s, after almost two decades of industrial development, most private investment was controlled either by multinational companies or by the Marwari, Gujarati and Parsi enterprise which had made best use of the opportunities that came along. Obviously there was concentration of economic power in the hands of a handful of business houses that was not in consonance with the stated goals in the Directive Principles of State Policy. There was a realisation about this which led to passing of a new legislation to curb this tendency. In some parts of the country mobilisation to curb the growth of monopoly capitalists acquired a regional dimension. In Maharashtra the state government was biased against Parsi and Gujarati capitalists. The state government encouraged businessmen from the state in both newly emerging sugar industry and conventional textile industry. Even in Uttar Pradesh the Charan Singh government in 1969 demanded nationalisation of sugar mill industry owned by non-local on the ground that they had not reinvested the surplus they had made from their investment into the industry. A regional capitalist class existed in states like Maharashtra, Gujrat, Tamil Nadu and Andhra Pradesh. This class entered the sugar mill industry in these states in a big way. This was not the case with states like Bihar and Uttar Pradesh where a regional capitalist class was not present. In these states national big business survived or in some case such industries were nationalised. D. Banerjee and A. Ghosh are of the view that central and state governments have effectively supported capitalist enterprise in states like Punjab, Haryana, Gujarat, Maharashtra Karnatka, Tamil Nadu and Andhra Pradesh where a powerful regional capitalist class existed. In these states this class played an important role in politics together with the class of rich peasantry. They are also of the view that private enterprise did not receive big support from the central and state governments in eastern part of the country because of weak presence of an indigenous capitalist class. K. N. Raj establishes a relationship between agricultural growth and industrialisation. Even Krishna Bhardwaj is of the view that regions showing industrial vitality are those, which show promising agricultural growth. Sanjay Baru holds that apart from historical factor and differences in agricultural growth some other factors have also played important role in inter–state differences in industrial growth. According to him some states have been more supportive in case of local enterprise than others. The decision of central government about locating public sector enterprise has also affected this development because the location of such industries leads to growth of dependent industries. This is also true about investment decision by national big business.

The regional capitalists are first generation in business. Generally their business is confined to their state of domicile. This class has sprung from different background. Some of them come from agricultural families. Others have there capital coming from trade and commerce. Many of them come from the families of professionals gainfully employed in India or abroad. They have entered diverse type of industries ranging from textiles, cement, sugar, chemicals, fertilizers, pharmaceuticals, electronics, steel and engineering goods. While in1950s and 1960s in states like Andhra Pradesh, Gujarat, Maharashtra and Punjab large scale manufacturing units were set up either in public sector or by national big business houses like Birla, Thapar, Shriram etc. The 1980s onwards a big share of investment opportunity has been grabbed by regional capitalists. They have entered industries like cement, sugar, pharmaceuticals and electronics in a big way.

The national big business houses had supported and funded the Congress Party hence they were in a position to influence the policy of the Congress Party. The national big houses kept doing so for four years after the independence. The regional capitalists faced discrimination at the hands of Congress ruled central governments. This was also true about national financial institutions like Industrial Development Bank of India and Industrial Finance Corporation of India. These financial institutions at the national level also favoured national big business. The regional capitalists had easier access to state finance corporations and state industrial corporations. They developed bonds with regional parties to get political support and entered in to collabouration with foreign investors to take on the national big business.

Many of the states like Gujarat, Maharashtra, Punjab, Andhra Pradesh, Karnatka and Tamil Nadu have pretty active capital market. A very large number of capital issues are subscribed here. The emergence of stock exchanges in Andhra Pradesh, Karnatka, Kerala, Tamil Nadu, Uttar Pradesh, West Bengal and Delhi indicate towards a vibrant capital market in these states. The success of regional capitalist class has become possible because of the supportive role played by the state governments and also the state level leaders. The bias of a highly centralised Congress Party of the Indera-Rajeev era in favour of national business class also pushed the entrepreneurs in states towards regional political parties for support. With the decline of the dominance of the Congress Party a phase of coalition has emerged. In this phase powerful regional leaders have started staking claims for important ministries and these leaders are receptive to the demands of regional business. The onset of the New Economic Policy seems to have galvanised the regional capitalist class. In Andhra Pradesh the fast track private power projects like Spectrum and G V K Power have been set up by regional business houses. The increasing importance of the regional business is also being felt in associations like Confederation of Indian Industry and Associated Chamber of Commerce.

11.3 LABOUR

11.3.1 Labour and States

State level public sectors together are much bigger employer than public sectors under the central government. Nearly 7.3 million workers are employed by state governments. While the number of people employed under central government is 3.4 million. Employment in central government has grown only marginally while state governments have added another million. As the State governments also manage many public sectors at the state level they play important role in shaping both industrial relation and labour policies. State governments play an important role in settling industrial disputes and running social security schemes for workers. In agricultural sector also state governments play major role in fixation and implementation of Minimum Wages. In cases of private sector units deciding to close down or retrench the labour, permission of the concerned state government is to be taken in advance. Public sectors at the state level have been vehicles for creating jobs. A big chunk of the resource allocated to many states is spent in paying salaries to oversised bureaucracy leaving little for the services the state governments are supposed to provide. There seems to be an urgent need for downsising the bloated bureaucracy. Many of the states are not doing enough to improve the quality of the work force. India has also witnessed the phenomenon of migration of labour from one part of the country to another part in search of employment. This at times has given rise to parochial movements in some of the states to protect the interest of local labour. From the time of independence there was a realisation among the planners that India had abundance of labour force. This is why a labour-intensive technique was considered both natural and desirable.

According to a 1981 census data agricultural labour constituted 26.3 per cent of the total labour force.According to Second Labour Enquiry published in 1960 more than 85 per cent of the rural workers are casual, serving any farmer ready to engage them. Nearly 15 per cent of agricultural labourers are attached to specific landlords. More than half of workers do not possess any land and even rest of them own only very little of land. Another fact about them is that they predominantly belong to scheduled caste scheduled tribe and other backward classes. In 1948 Minimum Wages Act was passed. This Act asked every State government to fix minimum wages for agricultural labour within three years. Only in a few states of India agricultural labour get the minimum wages notified by the government. These states are Kerala, Punjab, Haryana and Western U.P. Even in these states discrimination persists against female labour. They do not get notified minimum wages. Awareness and organisation has pushed up wages closer to minimum wages in some states. In those states where agricultural labour is not organised labours' bargaining power is weak. There continues to be a wide gap between actual wage received and minimum wage fixed.

In August1981 a states' Labour Ministers'Conference was held on the question of minimum wages under the Minimum Wages Act. It was decided that minimum wages should not fall below the poverty line. It was further decided to link minimum wages with the consumer price index. A notification of the central government directed the state governments in 1998 not to fix the minimum wages in the unorganised sector below Rs 40. Only Haryana, Punjab, Mizoram, Manipur, Rajasthan, Uttar Pradesh adhere to this rate.In most states minimum wages were fixed between 1995-96. The range of variation in minimum wages between the states is very large. In Haryana where it is highest it ranges between Rs. 63.12 – Rs. 64.12 in Punjab between Rs. 58.07 – Rs. 60.62. In Andhra Pradesh it is Rs. 16 – Rs. 42.40 and in Bihar it is between Rs. 27.30 – Rs. 39.70.

An irrational practice that has existed in rural India for centuries is the practice of bonded labour. The system grew out of extreme poverty and helplessness. The labour who needed food grains during the lean agricultural season or needed money on special occasions like marriage or medical treatment etc. The wages were low and interest on borrowed money so high that they could never pay back. Once a landless labours borrowed money he and his descendants were doomed to perpetual slavery. The Bonded labour system was abolished by Bonded Labour

Abolition Act 1976. As per information available with Ministry of Labour from the State governments as many as 2,51,424 bonded labour were identified and released up to March 30, 1995.

11.3.2 Industrial Disputes

Industrial disputes result in stoppage of production. These disputes affect national income. They also cause inconvenience to consumers. In the case of industrial labour state governments together with central government play an important role in settling conflicts between capitalists and labour. In 1947 the government of India passed the Industrial Disputes Act. This Act outlined the machinery for prevention and settlement of disputes. This act was amended in 1956. This amended Act provided for machinery for settlement of disputes. State governments have set up labour courts to go into disputed orders of employers. These courts also go into dismissals and suspensions of employees. They are also empowered to go in to legality or otherwise of strikes and lockouts. The State governments have power to appoint one or more tribunals. These tribunals adjudicate disputes relating to wages, bonus, profit, etc. The state tribunals are headed by a person of the rank of a High Court Judge. In 1967 National Arbitration Promotion Board was set up the government. Its objective was to promote voluntary arbitration to settle industrial disputes. The Board includes representatives of employers and workers and Central and State Governments.

11.3.3 Labour and Social Security

In the Industrial sector workers have to face periodic unemployment due to what is known as cyclical fluctuation in business, sickness, industrial accidents and old age. While the capitalists have all the resources to face the uncertainities of business the workers do not have resources to fall back upon when faced with unemployment, old age, sickness or accidents. States have an obligation towards them. With this objective in view Employee's State Insurance Act was passed in 1948. This Act provides for cash benefit during sickness, maternity and employment injury. Pension on the death of a worker and payment of funeral expenses in the event of death of an insured person. This Act also provides for medical care and treatment. The Act covers wage earners, low paid clerical and administrative staff whose salary is below Rs 6500. This Act created an autonomous body named Employees State Insurance Corporation with the responsibility of administering the scheme. The governing body of the Corporation has 40 persons representing both Union and State governments, the Parliament, employers' and employees' organisations and medical professionals. The Act also created a Employees' State Insurance Fund. The employers contribution which was earlier fixed at 4 per cent has been raised to 4.75 per cent. The employees' contribution has gone up from 1.5 per cent to 1.75 per cent of wage. Besides, the contribution of employers' and employees' the scheme is dependent on grants from central and state governments. On medical care the state government shares to the extent of 12.5 per cent. In 1961 Maternity Benefit Act was passed. This Act intended to provide uniform standards for maternity protection. The Act applies to all factories, mines and plantations not covered by Emloyees' State Insurance Act. The Act provides for maternity benefit at rate of average daily wages for a total period of 12 weeks.

Kerala, West Bengal, Tamil Nadu, Assam and Andhra Pradesh continue to be states with highest unemployment. Himachal Pradesh, Rajasthan and Uttar Pradesh and Punjab have lowest unemployment rates. In the year 1999-2000, Kerala's unemployment rate stood at 21 per cent, whereas Himachal Pardesh unemployment figure stood at merely 3 per cent. An explanation given by the planning commission task force for a very high level of unemployment in Kerala, West Bengal and Tamil Nadu is that in these states wages are higher due to strong bargaining power of labour and these states provide better social security measures. Bhalotra calls it adverse labour relations. In the post reform phase except for Gujrat, Karnatka and Haryana other states have registered rise in the rate of unemployment.

11.3.4 Labour and Privatisation

Youth in the age group of 15-29 unemployment rates are very high in Kerala and West Bengal. States like Kerala, West Bengal, Assam, Orissa, Bihar, Himachal Pardesh and Maharashtra show very high rate of urban unemployment. Even in urban areas there seems to be a need to generate emloyment for the youth educated and skilled. The organised sector [Emloyment in public sectors and private sectors employing more than ten persons] emloys 8.34 per cent of the labour force. The organised sector is suffering from a near jobless growth. Between 1993-94 to 1999-2000 the public sector made a very small contribution to creation of jobs. As part of the New Economic Policy the policy of downsising has started. This means reducing overheads for cost reduction. In plain terms downsizing means loss of jobs. Privatisation also is seen as a threat to jobs. Closure of sick industries also makes the employees jobless. Retrenchment Voluntry Retirement Schemes and Casualisation seems to characterise the condition of labour in the post reform phase. Industrial Disputes Act 1947 lays reasonable restrictions on employers intending to undertake retrenchment or closure. In such cases due notice will have to be given to the union and the union and the management will devise ways and means to protect employment of the workers. On the grounds of economic rationality these provisions are sought to be changed. In the developed countries downsising is less painful because of fully developed social security system. That is not the case with developing countries like ours. Due to this fear labour in organised sector is opposed to privatisation. Ashutosh Varshney is of the view that privatisation should be decoupled from large scale retrenchment only then it will be easier to launch bigger privatisation programmes. Tata Steel bought OMC Alloys in Orissa in 1991 but without firing the workers its productivity went up. Even Delhi Vidut Board has been sold but the workers have not faced retrenchment.

In this kind of situation only unorganised sector seems to have potential for future employment because this sector employs 92 per cent of the labour force. The unorganised sector of the economy includes both small business and the self -employed. The main employment generating activity in the unorganised sectors are agriculture and allied activities, trade, restaurants and hotels and tourism. It also includes social sectors like education and health. Transport and construction are also part of it. Even information – technology is part of the unorganised sector. The unorganised sector has 3.8 times more employment elasticity than the organised sector. The agricultural sector can become labour absorbing if focus is given on areas like horticulture, floriculture, agro-forestry minor irrigation and watershed development. Another high potential employment generating area in unorganised sector are trade, restaurants and tourism and information technology. These areas are witnessing a high growth of above 9 per cent.

11.4 SUMMARY

To sum up, it can be said that generally academic works get swayed by national trends. The importance of states is not given proper focus. In shaping the political economy of the country states have played important role in the Pre- Reform period and this is equally true about the Post- Reform period. The constitution has provided for an important role to the States in shaping economic life of the nation. In the growth of the public sectors state governments had an important say. The states have not uniform pattern industrialisation. They have responded differently to the economic reforms. A large number of public sectors have been run by the state governments. The State governments play equally important role in settling industrial disputes and running social security schemes for workers. Even to make economic reforms a success determination and commitment of the state governments as an essential condition.

11.5 EXERCISES

1) Identify the features of industrial policy as envisaged in the Avadi session of the Indian National Congress.

2) What are the pattern of industrialisation in Indian States?

3) Discuss the impact of privitisation on working class.