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INDUSTRIAL LABOUR AND NEW INDUSTRIAL POLICY TOWARDS THE DEVELOPMENT OF INDIA: A CONCEPTUAL ANALYSIS

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ABSTRACT

Of late, it is known that the rights of industrial labour are changing at the global level. Similarly, in India, these rights have undergone varying degrees of change over the years. However, the introduction of New Industrial Policy (NIP) in July 1991 under the programme of economic liberalization acted as a catalyst bringing in pressure for reduction in the recruitment of labour force, privatization of public sector units (PSUs), voluntary retirement scheme (VRS/Golden Handshake) etc.. Though liberalization is not a new phenomenon, the introduction of the NIP made realignment of labour force at large. This paper will look into the rights of industrial labour, especially in the context of Post-liberalization period of India.

KEYWORDS: *Labour, Industrial Policy, Economical Development*

INTRODUCTION

Rights are those conditions which individuals acquire in accordance with a just order and need to be socially and politically sustained. It is known that the concept of human rights in present day is extremely complex, due to different views held by different countries depending on their social systems, political interests and degrees of economic development. Notwithstanding such debates on the question of human rights, the rights of the workers refer to the exploitation in the economic, social and cultural spheres in capitalist systems.

Of late, it is known that the rights of industrial labour are changing at the global level. Similarly, in India, these rights have undergone varying degrees of change over the years. However, the introduction of New Industrial Policy (NIP) in July 1991 under the programme of economic liberalization acted as a catalyst bringing in pressure for reduction in the recruitment of labour force, privatization of Public Sector Units (PSUs), Voluntary Retirement Scheme (VRS/Golden Handshake) etc. Though liberalization is not a new phenomenon, the introduction of the NIP made realignment of labour force at large. This paper will look into the rights of Industrial Labour, especially in the context of India's liberalization.

OBJECTIVES

The paper aims at to find out the impact of the NIP on labour rights. Also it examines the impact in terms of policy and implications of MNC entry into Indian economy vis-à-vis labour.

NEW INDUSTRIAL POLICY

Over the years, the Indian economy grew at a slower rate which could not bring any visible change in the mass poverty, illiteracy, unemployment, etc. This failure is attributed to the import-substitution strategy and the regulatory regime built to implement it. The crisis in the late 1980s indicates that a policy change was long overdue. As part of the structural adjustment programme adopted in 1991, efforts were made to stabilize the economy and deregulate industry, trade and finance so as to increase competition in the country. The statement on industrial policy in July 1991 discusses these issues. However, before discussing NIP 1991, it would be apt to have a brief look at the history of industrial policy resolutions over the years.

HISTORY OF INDUSTRIAL POLICIES IN INDIA

The industrialization strategies and industrial policies pursued by India since independence till mid-1980s aimed at development and faster growth rate, but emphasized on regulation rather development. The Industrial Policy Resolution of 1948 outlined the approach to industrial growth and development. It emphasized the importance to the economy of securing a continuous increase in production and ensuring its equitable distribution. The main objective of the Industrial Policy Resolution of 1956 was to accelerate the rate of economic growth and to speed up industrialization as a means of achieving a socialist pattern of society. In 1956, the government felt that capital was scarce and the base of entrepreneurship was not strong enough to take up such a task. Hence, the 1956 policy gave primary to the role of the state to

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assume predominant and direct responsibility for industrial development. Subsequently, Industrial Policy Statements of 1973 and 1977 identified high-priority industries where investment from large industrial houses and foreign companies would be permitted. Both policies also laid emphasis on decentralization and the role of small-scale, tiny and cottage industries in the development of the economy.

The Industrial Policy statement starting from 1980, which of course modified from time to time, focused attention on the need for promoting competition in domestic market, technological up-gradation and modernization. It also encouraged foreign investment in high technology areas. Numbers of policy and procedural changes were carried out under the leadership of Rajiv Gandhi. These changes were aimed at increasing productivity, reducing costs and improving the quality of goods produced. The accent was on opening the domestic market to increase competition and readying our industry to stand on its own against international competition.

The Industrial Policy statement of 1991 among other things emphasized government's resolve on a policy of continuity with change. In pursuit of the same, following changes were brought in:

➢ Industrial licensing policy was established for all projects except in some sort listed areas,

➢ Foreign investments were given permission up to 51 percent without any hazels. Over and above this needs clearance which itself would be amended so as to make priority clearance,

➢ Investments in Public sector units were reviewed with focus on reorientation. While some of high priority units were to be retained by the government, others and especially those which are loss making would be referred to the Board for Industrial and Financial Reconstruction (BIFR). "A social security mechanism will be created to protect the interests of workers likely to be affected by such rehabilitation package",

➢ Monopoly and Restrictive Trade Practices (MRTP) act was first amended and was also later abolished, to remove the threshold limits of assets in respect of MRTP companies and dominant undertakings. This eliminates the requirement of prior approval of central government for the establishment of new undertakings, expansion of undertakings, merger, amalgamation and takeover and the appointment of directors under certain circumstances.

Hence, it is obvious the present policy speaks of greater flexibility of labour (they must be mobile/migrate for long distance) and for their de-unionization. Under the new policy there are provisions for steep reduction of labour force. Instead of channelizing the whole labour force, casualisation of labour (where employment is on hire and fire basis) is evident. Wages are paid in piece rate payments instead of earlier policy of lump-sum payment.

NIP AND LABOUR RELATIONS

It is known that the NIP ushers in liberalization of industry, trade and finance in various degrees. Although, there were not many changes brought about in agriculture and labour policies, changes in other spheres are sure to have impact on them apart from the organized industrial and service sectors, which covers only around 9 percent of the workforce, now liberalization programme is being extended into parts of the vast but hitherto uncovered territory that constitutes the informal sector of the economy. Even in the former organized industrial and service sectors, there are unorganized workers such as casual labourers, contractual labourers, etc., thus, under liberalization, certain basic issues concerning labour such as social security, employment, Voluntary Retirement Scheme (VRS), etc., as pointed out before acquire importance.

It is a fact that trends in labour relations since 1980s are more confusing than ever. These trends not only differ from sector to sector (public/private), but also within sectors, within industry, within the same organization between original employees and contractual labour. We know that there are major changes in the role of all the three parties vis-à-vis the industrial relations: - there is a consistent disengagement on the part of government over labour issues.

Since independence, the state was implicitly trusted to look after the welfare of the community at large. Soon it became the biggest employer of labour thus becoming a second party instead of an impartial third party. The legal framework of the regulatory system was defined by many acts mainly by the following.

1. The Trade Union Act (1926)
2. The Industrial Employment (standing orders) Act (1946)
3. The Industrial Disputes Act (1947)

The regulatory framework included collective bargaining which involved substantive and procedural aspects of labour-management relationship, whose objective is to develop a genuine collective bargaining capable to resolve industrial conflicts.

The introduction of the NIP would for sure affect employers, unions and workers. We know that in spite of changes initiated by the government, there is not much influx of FDI and MNCs into the country. If in future, there is any increase in competition the employers will be forced to reduce their production costs especially the labour costs. This is because they get non-labour inputs at a cheaper cost than before. Overtime, there shall be closures and amalgamations of companies, rarely confirming the existing laws. The same is true with regard to the factory lay-offs and the retrenchment of workers. Greater flexibility in employment and changes in terms and conditions of appointment would be detrimental to the workers. The unions and workers in such a case must resort for Justice to conciliation and adjudication apparatus, which is none other than the state machinery, on a greater extent than ever before.

CLAUSE FOR SOCIAL SAFETY-NET

Complying with the provisions of the NIP, the Government has established a National Renewal Fund (NRF) in 1992. The scope of NRF was comprehensive and detailed. It was to operate as a non-statutory fund for a period of 10 years. During this period, it is subjected to the Comptroller and Auditor General (CAG) audit. Financing for this NRF would come from government, multilateral aid agencies, insurance companies and industrial units. This fund is to be exclusively used for the benefit of employees' welfare and is restricted to the large-scale industries notified under the Industrial Disputes Act (1951).

The objectives of the NRF are (1) to provide assistance for the restraining and redeployment or workers, (2) to provide funds for compensation to displaced workers, and (3) to fund employment generation schemes. The NRF consists of two components, first, the National Renewal Grant fund (NRGF) and second the Employment Generation Fund (EGF). The former is to provide the following;

(a) Worker counseling, retraining redeployment and placement services for workers affected by modernization, restructuring, revival of under-takings, up gradation and revival, rationalization or closure of sick units.

(b) Worker compensation packages in both the public and private sector. If the units are closed on any examination by the BIFR, the funds will be used to pay the workers' legal dues and those arising from VRS. If the VRS is operating in a PSE, funds will be given even if it has not been referred to the BIF, and

(c) The funds will also be given as interest subsidy to financial institutions so as to help them provide soft loans for funding rationalization of weak units.

Under the second component of Employment Generation Fund (EGF), following assistances are to be provided.

(a) For approved employment generation schemes in the formal and informal sectors and To specific restricted areas affected by the industrial distress arising out of the reform process.

Another initiative has come from the National Bank for Agriculture and Rural Development (NABARD) and the Small Industries Development Bank of India (SIDBI) who have agreed to refinance loans of commercial banks to rehabilitate employees of National Textile Corporation, a PSE, if they accept voluntary retirement. Workers willing to buy old, second hand or new looms would be required to contribute 25-30 percent of the cost and the rest will be paid out of a loan on easy terms. The working of the NRF shows that the safety net for workers is too unsafe for the displaced workers to rely upon. We would like to caution that, unless there are regulatory and safety arrangements are in place, liberalization and the opening of floodgate of closures and retrenchments without functioning safety mechanisms would defeat the very purpose of restructuring a key principle of the NIP.

IMPACT OF MNC'S ON EMPLOYMENT AND INDUSTRIAL RELATIONS

Developing countries such as India with large-scale unemployment and relatively well-educated populations have benefited from the establishment of Multinational Corporations (MNCs) affiliates which used low-cost labour for the manufacture of parts for electronics and other high-technology products to be sold in established markets in developed countries of the world. Many countries including India have benefited from such investments, as a consequence of which economic level of their people as a whole have risen. However, if it is observed closely, employment by the MNC subsidiaries in the Third world remains relatively low. There are additional benefits other than increase in employment. New skills are taught that may be useful for local entrepreneurs and the wages paid by the MNC affiliates are normally higher than those prevailing in the country. Additional employment sources may be created through the increased use of local suppliers and ancillary services.

These are precisely the points which are praised by some and are criticized by many. The critics claim that the MNC affiliates often import technologies that are mostly capital intensive with minimum labour requirements and thus disregard the pervasive unemployment (roughly around 30 percent of total labour force) and under employment that plague the country. More over, higher wages paid by MNC affiliated may lead to demands by employees of local firms for similar increases. This may create severe competition, especially for technical personnel, and cause difficulties for local companies. At the same time, higher wages may fuel inflationary pressures, and might also reduce the competitiveness of the local business (which have low operational efficiency).

Finally, organized labour plays a role in these situations. While the increased wages paid MNC affiliates provide incentives for existing labour organization to level up wages generally, the emerging disparities in wages may induce governmental leaders to oppose such endeavors. More over, the national business houses, which are already at a comparative disadvantage because of the higher efficiency of MNCs may pressure the government to halt efforts at leveling up wages. The government also fears that, if the wages are stressed too far, MNC entry might stop. This apart, the political leadership in our country fears that if the unions are successful in their aims, they ill create new positions of power competing with them.

Coming to the function of Industrial Relations (IR), MNCs deal with in a largely internationally decentralized form, even when, they actually believe in, sometimes enforcing, and ‘close managerial supervision’ over its subsidiaries. They enforce tight technical and financial control over subsidiaries, but allow purely local influences to determine the nature and form of their labour relations, even when foreign managers are retained in crucial positions. The multinational is merely a corporate expression of the fact that the productive forces of capital are international. However, the employee relations of such firms remain nationally fragmented, international firms deny their workers access to international resources (information, decision-making, etc.) standards (personnel practices, disclosure codes, safety, etc.) and conditions (shift payments, working hours, etc.) they do so in order to increase the flexibility of the firm and increase the power of corporate management.

There are massive disparities in the treatment of multinational labour forces because MNC employers are fundamentally opposed to bargaining arrangements which would make it possible for unions to eliminate inequalities in standards and conditions by standardizing the essential terms and conditions of employment between plants internationally. This is essentially to serve the purpose of the management, by way of allowing different levels of bargaining as ell as strategic choices which involve various issues on which they could take decisions unilaterally from their headquarters.

PRICE AND WAGE PROTECTION

In India, wages in the organized sector are composed of three main elements: basic wage, dearness allowance and payment of bonus. There are established rules for payment of dearness allowance and bonus to the workers. Bonus payments are statutory and are governed by the Payment of Bonus Act, 1965. Thus, minimum bonus of an employee is 8.33 per cent of the annual wage (i.e.-basic plus D.A.) if the basic exceeds specified amount, then bonus is calculated as though wages are equal to the specified amount. The structure of basic wages and patterns of annual increments generally are determined by the Wage Boards and Pay commissions. They are periodically changed (once in around -4 years). Though collective bargaining exists, government intervention plays important role. Similar is the importance of hike in wages in public enterprises in proportion to hike in private enterprises.

Here below, we examine the rate of change of wages and price in the organized sector. Same is presented in --

Table – 1: Index Numbers for Industrial Workers

Year	Wage (1963-65=100)	% Change	Consumer Price (1982=100)	% Change
1990	1051	--	186	--
1991	1190.1	13.2	212	13.4
1992	1343	12.8	232	10.4
1993	1480.9	10.4	252	6.3

Source: Indian Labour Journal, 1997: 436 & 367-68.

If the above Table is observed, the rate of change of prices is somewhat less than the rate of change of wages of employees. Implying that after liberalization, the wages of employees have gone up, a positive indication due to liberalization. However, as is evident from the Table, ever since liberalization started, there is a steady decline in real wages. Whatever changes in the wage structure have taken place; they are only maintaining the current consumer price index. Hence, we would like to add that the increase of wages might be due to the pay revisions done during early 1990.

Coming to the unorganized sector workers, who constitute nearly 93 per cent of the work force, they work and live in to most precarious conditions. Often they work at back breaking labour such as construction work, agricultural labour, etc., which does, not fetch them wages adequate for two square meals. Another important point to be noted is that majority of them are women workers who earn less than their male counterparts.

In India, the state governments for different schedules of employment fix the minimum wage. They are fixed according to the Minimum Wages Act. They differ across the Indian States. In 1996, minimum daily wages for agricultural labour varied between Rs. 21/- and Rs.52/-. If minimum wages are ensured, it would be beneficial to the workers. Unfortunately the same is not taken seriously. Agricultural labour, except in some peak months, generally get ½ to 2/3 of the minimum wage, home based workers get less than ½. In spite of the existence of statutory minimum wages, workers are not paid accordingly; as workers are often unorganized; do not try to help them. Thus, low wages are a resultant of the low employment opportunities especially in the rain-fed / rural areas.

TRADE UNION RIGHTS

We know that the principal actors in the industrial relations system are (a) Trade Unions, (b) Employers Associations and (c) the Government of India.

With respect to the trade unions we say that, they are too fragmented. The trade union movement has developed in hap-hazard manner with about 16 government recognized national and regional federations of trade unions split over ideological and other factional considerations, each putting up exaggerated claims about their alleged membership strength. Every aspect for these unions is politicized, including union representation.

The Employers' Associations too have limited coverage and problems of disunity. There are three employers' associations in India, Viz- All India Employers Organization (AIOE) founded by FICCI in New Delhi, Employers' Federation of India (EFI) founded by ASSOCHAM in Mumbai and the Standing Conference of Public Enterprises (SCOPE) founded by the Central Public Sector Undertakings (CPSUs) in New Delhi. These three have loosely federated into an organization called the Council of Indian Employers (CIE). There is another organization which also caters to the small and medium enterprises named as All India Manufactures' Organization (AMIO).

LIBERALIZATION AND WORKER'S RIGHTS

Collective Bargaining

Traditionally, wages and working conditions have been the domain of collective bargaining. Over the years, almost everything from work norms, overtime payments, etc., to technology changes, and post-retirement benefits, become the subject matter for collective bargaining. Earlier up to late 1980s, the time frame for each wage agreements was three years. However, since 1990s, it is mandatory that the public sector managements to enter into collective agreements for a period of five years. Trade Unions are however, resisting the move of extending the duration of collective bargaining.

Due to the introduction of NIP in 1991, many industries have been deregulated and private sector competition was introduced in areas hitherto belonged to public sector. Majority foreign holding is now allowed in many industries. Privatization per se is part of the policy reforms. But, deregulation and liberalization apart, about 20 per cent of the shares of public enterprises run by the government are being divested and private joint ventures including those with MNCs were allowed. However, foreign investment proposals are till date not very encouraging. It remains to be seen that how many of the approved projects would actually get off the ground. Power, transportation, water and telecommunications, etc., are major bottlenecks in the infrastructure which will continue to discourage investments.

On the collective bargaining front, there is ascendancy in managerial rights. New technologies, structural and other changes seem to have put unions in a much vulnerable position. Labour management co-operation agreements to save units on the brink of liquidation entailed several sacrifices like cuts in salary, freezes in allowances and benefits, voluntary suspension of trade union rights and agreements on modernization, flexibility to increase production and profitability. For the worker, 1990s put welfare at the centre stage. This is evident from the fact that the hitherto existing Family Pension Scheme (FPS) is now replaced by the New Pension Scheme (NPS), 1995 which gives additional advantages to the worker. However, returns under the NPS are too low and the government has withdrawn its contribution to FPS, but the same was revoked after pressure has been mounted on the government by trade union federations. The structural changes since 1990 have brought in urgency on part of both employers as well as employees to have constant dialogue with regard to organizational management. This is rather forced reaction to reforms, as all the three actors, viz- government, employees and employers, knew well that if one party joins hands with the other, third party can do little to stop to others. Hence, there is constant dialogue amongst them so as to facilitate expeditiously enterprise restructuring with a "human face".

WORKER'S RIGHT TO INFORMATION

What has started as a moot point in backward Rajasthan region by an NGO, right to information in all spheres of activities is a fast emerging right. In the broad sense, it focuses on the auditing of public expenditure. Attention is being drawn to the fact that, people have a right to know whether the resources meant for developmental projects and schemes are actually being towards such ends. In industrial relations also right to information is the right of every employee to know from the employer details of expenditure incurred by them over a period of time. This forms an emerging important right of employees for it would provide greater transparency and accountability on part of employers to the workers. Similarly, workers would know the position of management and there can be a constructive dialogue for improving efficiency, adoption of new technologies, etc. Such mutual consultation would benefit both parties wherein every aspect ranging from demands for wage increase, avoiding lockouts of plants to that of selling/closing out industrial units could be tackled effectively. Such transparency would no doubt avoid unnecessary strike calls by unions also. However, here it must be remembered that both the unions as well as management must not have any apprehensions. There must be free and fair interaction which would bring in amicable solutions for the problems faced by both parties.

WORKERS TAKEOVERS OF INDUSTRIES

It is known that the NIP provides for workers takeover of sick/closed industries as part of NRGF. The legal backing for such move came in the wake of the Sick Industries (Special Provisions) Act of 1985, which provided that one of the means of revival could be through lease of the industrial undertaking of the sick unit to any person, including a co-operative formed by the employees of the undertakings. The BIFR constituted under it is empowered to undertake necessary action. Instances of workers takeovers in India are fairly new, however there are indications that there may be increase in workers takeovers in order to save production and employment of mismanaged industries. There have been few such cases of workers takeover such as Kamani Tubes, Kamani Metals and Alloys, in Bombay, and New Central Jute Mills in Calcutta, etc. In a nutshell, worker self-management schemes are un-doubtly the most effective means of workers' control in industry, provided they are run along democratic lines based on the principal of co-operation.

CONCLUSION

In conclusion it can be said that the introduction of the NIP is definitely affecting the workers. In the presiding discussion, the paper has tried to analyze the same. Introduction of NIP at a stage when the state is withdrawing itself from regulating markets have serious implications for the ill being of the workers. It is known that the entry of MNCs would not only harm the national business but also the workers at large. This is because of the fact that these corporations have highly sophisticated machinery and tools which require fewer work force. Though new technology is to be adopted in order to acquire higher efficiency, it would be pertinent to cautiously accept them in those areas where its use is indispensable. Areas such as telecommunications, iron & steel etc., if they adopt such new technology would only lead the workers displaced from their work. Every can say that the trade unions in India are a failure with respect to their opposition to the introduction of NIP. This is because they were confining themselves to the conventional trade union practices such as organizing bandhs, Rasta-rokos, strikes, etc. However, seldom there are efforts to create awareness among fellow workmen about the damages caused by the NIP and the strategies to be evolved to counter it. Such cases of trade unions in a firm/industry giving a lead to the workers can be found in the case of Kamani Metals and Tubes. Such cases must be an eye opener to all the unions at large. All trade unions must take cognizance of the existence of a provision for the formulation of worker's co-operatives by the workers themselves under the NIP.

Coming to the social security, it must be noted that it is not limited to health, maternity benefits, accidental insurance, pensions, etc. The greatest security comes from the people's ability to look after themselves. This can only be achieved by improving skills and generally enhancing capabilities of the workers. Finally, trade unions in the organized sector have also to think about workers in the unorganized sector who are in much greater need of security. In the final analysis, unless there is sustained trade union effort, interests of workers cannot be secured under the NIP.

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