

# IAS PARLIAMENT

*A Shankar IAS Academy Initiative*

**YOJANA - APRIL 2017**

## LABOUR'S LANDSCAPE IN INDIA



**SHANKAR IAS ACADEMY™**

Plot No.1742, 1<sup>st</sup> Floor, 18th Main Road, Anna Nagar, Chennai – 600 040.

Phone : 044-26216435, 64597222, 4353 3445, Mobile : 94441 66435

[www.shankariasacademy.com](http://www.shankariasacademy.com)

# Contents

Sl.No.	Titles	Page No.
1.	<b>LABOUR'S LANDSCAPE IN INDIA</b>	<b>1</b>
2.	<b>INFORMAL LABOUR MARKET IN INDIA</b>	<b>4</b>
3.	<b>LABOUR POLICIES AND LABOUR WELFARE: AN INTERNATIONAL COMPARISON</b>	<b>5</b>
4.	<b>ENSURING GENDER JUSTICE IN LABOUR</b>	<b>6</b>
5.	<b>REFORMS IN CHILD LABOUR LAW</b>	<b>7</b>



## YOJANA – APRIL - 2017

### **LABOUR'S LANDSCAPE IN INDIA**

It is generally acknowledged that adequate employment opportunities as well as their quality have been major challenges for the global economy in general as also in India. The report of International Labour Organisation, Employment and social outlook, has underlined that " Poor job quality remains a pressing issue " worldwide.

As per the same ILO report, 2.4 million unemployed persons will be added to the global workforce in the next two years and India is projected to account for 17.6 million or nearly 60 percent of all unemployed youth in South Asia by 2017.

#### **Indian Scenario:**

Of India's population approximately 70 percent live in villages and 40 - 45 percent of this population can be categorised as working population. This worker population ratio remained same since Independence and it is a worrying cause.

The world of work is segmented along the line of caste, religion, gender etc., This leads to several problems like labour immobility for different groups, in particular women, huge differential wage discrimination etc.

The women participation in Indian workforce system is very much low. Moreover the wage differential phenomenon which exists also hampers the women to enter into the workforce.

Another important feature of India's labour domain is the overwhelming dependence on Agriculture which accounts for close to 50 percent of the workforce.

The non agricultural sector contributes half of the workforce and 80 percent of GDP only 10 percent of the workforce are in formal sector. That formal sector mainly comprises of Government and defence services.

Even after LPG reforms, employment expansion is negligible, and has employment elasticity has tended to decline across almost all sectors. The growth pattern is centered on the expansion on service sector, which has a preponderance of both vulnerable casual and self - employment.

Major worrisome trend is the relentless informalisation of work in the formal sector. In 1999 - 2000 the share of informal sector workers in the so called organised sector is 37.8 percent and increased to 54.5 percent in 2011 -12.

The changing organisation of production and the smallness of production system impacts on the access to decent working system.

Majority share of the workforce are outside the scope of the any labour legislations and social security schemes which sets out the parameters of worker's rights.

Though India has a potential demographic dividend majority are unskilled and it hinders them to take part in a proper workforce. The labour market needed skill sets must be promoted to reap the benefits of demographic dividend.

Except for the Minimum Wages Act in some states and some sectors, informal sector activities, for all practical purposes remain unaffected by the existence of the major labour laws which were enacted to address the relevant labour issues in organised sector.

## INFORMAL LABOUR MARKET IN INDIA

The Indian Labour market is dichotomous in nature wherein 92 percent of the workforce is in informal employment and less than 10 percent is in the formal employment.

**Informal Employment:** It is defined as all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than 10 workers.

### Reasons:

The reason for the large proportion of workforce in the informal sector draws back to the socio economic conditions prevailing during the British times. The Industrial revolution in Britain failed to create an impact on Indian economy.

Hence at the time of independence we were left with a largely peasant economy and the labour force was a minority and driven by inter caste rivalry as nonfarm occupations were mostly caste driven.

After Independence the Mahalanobis focussed on capital intensive industries and the policy focus on the labour intensive sector was through formation of rural cooperatives in the non farm sector and by reservation of certain industries for the small and medium sector.

More than 50 percent of the workforce is self employed and engaged in the unorganised farm sector. In the manufacturing sector due to the emphasis on heavy industries and size restriction on the wage goods sector due to the SMEs reservation policy not much quality employment was created as the units remained small to avail of the subsidies and concessions.

The growth of MNCs offshore outsourcing and international sub contracting has increased which has also led to the shift towards temporary vis a vis permanent employment.

The process of engaging contract labour removed the hassles of hire and fire policy of Industrial Disputes Act 1947, so companies favoured contract labours which in turn contributed to the growth of informal sector.

Rapid technological advancements and innovations reduced the demand of manpower and policies like duty free import of capital goods made a reduction of workforce in the organised sector.

Policy initiatives by Government to protect Informal sector:

In one of the major low skilled employment sector viz construction, the building and other construction workers (Regulation of employment and conditions of service ) Act,1996 and the Building and other Construction Workers cess Act, 1996 was enacted to regulate the wages, working conditions of these workers.

The Unorganised Workers social security Act 2008 was enacted to provide social security and welfare of unorganised workers.

Rashtriya Swasthya Bima Yojana was launched in 2008 to cut the out of pocket health expenditure of unorganised workers.

Contract Labour (Regulation and Abolition) Act, 1970 was enacted to regulate the employment of contract labour. Applicability of Act is restricted to companies employing more than 20 contract labours and so lot of contract labours are outside the ambit of the act.

To regulate the employment of interstate migrant workmen and to provide their conditions of service the Interstate Migrant Workmen Act 1979 was formed.

The social security schemes like Atal pension yojana, Pradhan mantri jeevan jyoti bima yoja, Pradhan mantri fasal bima yojana provides the necessary credit protection to the informal sector.

Under the Skill India Mission, through the Pradhan Mantri Kaushal Vikas Yojana and skill development schemes are implemented to the new entrants of workforce so that they get high paid jobs.

Under the Ease of Doing Business initiative the process of registration, compliance to labour laws, inspection etc have been simplified to encourage more number of enterprises to set up and provide good quality jobs.

The efforts are taken to promote entrepreneurship through initiatives such as Startup India, Standup India, MUDRA, ASPIRE, Atal Innovation Mission, etc as an entrepreneur would inturn create more jobs.

## **LABOUR POLICIES AND LABOUR WELFARE: AN INTERNATIONAL COMPARISON**

Labour is an unique factor of production because workers are human beings, not commodities. Therefore labour policies need to have an significant social or welfare dimension to them.

### ***Labour policies are framed***

- to make labour as productive as possible by providing suitable work incentives for working well through wage, bonus and promotion policies.

- ensure smooth industrial relations by creating proper mechanism for resolution and conflict.
- keep labour use flexible to deal more effectively with various shocks to the economy and with shifts in its sectoral comparative advantage.
- minimise distortions and interventions in the market.

### ***Labour policies Worldwide:***

China created a highly disciplined workforce because of its labour policy measures. Lay off clause is widely used in Chinese laws to bring efficiency and accountability to the workforce. Layoffs will be accompanied by the severance pay and social security benefits.

Most other countries of east Asia have somewhat similar policies although finer details of the law may vary from country to country. Most of the Asian countries have a policy of giving huge bonuses to often equal to several month wages which makes a motivated and committed workforce.

UK gives the severance pay of only a week as it is a well developed economy and all the citizens are covered by extensive social security schemes.

In United States labour laws allows employers to dismiss workers at will unless specific labour union contract is exist in which case the conditions of the contract should be respected.

Japanese have a tradition of lifelong employment with the given company and termination is extremely rare. However they found a way of maintaining labour efficiency and productivity despite permanent employment by providing large bonuses.

The experience of China, East Asia and India demonstrates that excessively protective labour policies are not in the long term interest of workers and might do them more harm than good by reducing worker productivity, raising the prices of goods and makes less competitive in the export market and it hurts growth and employment.

In East Asian countries cooling off period is available before a strike could be called and through the use of voluntary and compulsory arbitration. As a result strikes and work stoppages are uncommon.

### ***Reforms to be Experimented:***

Some flexibility in the use of labour has to be allowed while recognising that a reasonable degree of job security is a genuine worker need. At the same time to give complete job security under all circumstances makes it very difficult to maintain worker discipline and reduces worker motivation and productivity.

Raising the length of service after which an employee cannot be laid off from 240 days to three years and some amount of bonus package model of Japanese must be introduced.

We should make Labour laws flexible at least in export promotion zones so as to attract better foreign direct investment.

Greater effort needs to be made towards improving the education and training of the workers to make them more productive.

## **ENSURING GENDER JUSTICE IN LABOUR**

India has one of the lowest workforce participation rates of women which even lower than sub Saharan nations and middle East and is drastically lower than the participation of men.

Though female literacy rates and educational enrolment rates have been moving favourably during a period of higher economic growth, female employment remains a challenge.

Apart from lack of employment opportunities, many women cannot participate in full time employment given the larger social expectation on women to undertake house hold domestic work.

In the secondary sector, there has been increase in the proportion if women in construction sector over the period, where the nature of employment is the issue.

For rural women unpaid workers / helpers are the largest group and then casual workers. For urban women workers, the situation at the overall level seems improving since we see a trend of increasing number of regular workers.

Absence of state laws is an issue, with many states yet to extend the coverage of Minimum Wages to these workers.

Education is perhaps the most promising area in terms of providing women a status as independent workers. Unfortunately, with the increasing privatisation at all levels often women who work in this sector are in uncertain employment, exploited in various ways, and not paid the wage due to them.

Another point to note is the increasing number of scheme workers who are in central in the running of many state schemes and programmes such as Anganwadi or ASHA workers.

The implementation of the Act is a matter of concern. Even after many years of passing of Equal Remuneration Act, 1974 wage gap between women and men remains a reality affecting women of all ages, classes, communities and regions.

### **State Interventions:**

The recent amendment in the Maternity benefits Act makes the increase in the women participation in the organised sector.

The compulsory provision of crèche facilities in the organisations which have more than 50 employees is a welcoming step in promoting workforce.

The recent amendment to Apprenticeship Act allows the employers to recruit a large number of apprentices for extended periods and to fix the hours of work and leave as per their convenience.

Growing concerns around the safety of women is also a clear deterrent to women's employment. The ban on night shift for women is under review by central government as part of amendments in the Factories Act 1948.

## **REFORMS IN CHILD LABOUR LAW**

Child labour Law is the pivot around which the strategies for addressing hard labour at tender age cluster. Child labour is a twin term ant ethical to each other. the term 'child' denotes innocence and term 'labour' denotes toil and hard work.

Children in workforce are paid very low wages and at times work unpaid in lieu of the debt taken by their parents or their family members.

In some occupation child labour is involved in all stages of production, from gathering of raw materials to assembling the finished product.

Child labour is one of the areas of concern in global supply chains and child labour adversely affects the children and impedes their overall development. A clear national level policy and government action focusing on the range of interrelated factors like poverty is required to end such exploitation in India.

Government of India has been proactive in addressing the issue of child labour which is evident from provisions of the Constitution of India, provisions in various laws and policies.

The Government has introduced various schemes for rehabilitation of children withdrawn and rescued from work and has conceptualised the rehabilitation projects and to contribute to their planning, implementation and monitoring.

By the enactment of the Right to Children to free and Compulsory Act, 2009, the Government made the education as a fundamental right to every child in the age group of 6 - 14 years is to be provided with free and compulsory education.

The recent amendment made to the Child Labour Act, 1986 prohibited the child under 14 years of any kind of employment and the adolescent category is prohibited from taking hazardous employment.

Exceptions are given to children helping their families or family enterprise after the school hours. Children working in Audio visual industry also exempted from these Act provisions.

Offences under the act includes the parents and the employers as well to hefty fines and rigorous imprisonment. Separate provisions also mentioned for first time offenders and repeated offenders.