

CHAPTER - XII

OTHER MATTERS

I

WORKERS PARTICIPATION IN MANAGEMENT IN INDIA

It is now necessary that we review the steps that have been taken in India to specify the areas in which, workers can participate in management, and the machinery that can be provided for participation.

Works Committees

12.1 The Royal Commission on Labour (1929-31) said:

"We believe that if these committees (works committees) are given proper encouragement and the past errors are avoided they can play a useful role in the Indian industrial system". These recommendations could, however, be translated into law only in 1947.

12.2 Section 3 of the Industrial Disputes Act, 1947 empowered appropriate Governments to require employers employing 100 or more

workers in any industrial establishment to constitute works committees. The Act and rules made under it provide that the total number of representatives on the works committee including those of the employer should not exceed 20, and that the number of representatives of workers should not be less than that of the employer. The functions that the Act visualised for the Works Committees were:

- a) To promote measures for securing and preserving amity and good relations between employers and workmen;
- b) To that end comment upon matters of common interest or concern; and
- c) To endeavour to compose any material difference of opinion between the employer and the workmen in respect of such matters

12.3 Some of the laws enacted by the States like the Bombay Industrial Relations Act and the MP Industrial Relations Act do provide for setting up of joint committees on similar lines.

12.5 The beginning of these joint committees can be traced back to 1920 when the Government of India constituted joint committees in Govt. printing presses. A similar joint committee was formed by TATA in the TATA Iron & Steel Works, Jamshedpur. A joint committee was constituted in the Carnatik Mill in Madras in 1922.

12.6 The Indian Labour Conference in its 17th session held in 1959 discussed the functions of the works committee and approved a list of functions which could be assigned to the works committees and a list of functions which should not be assigned to the works committees. It will be useful to look at the illustrative lists drawn up by the Indian Labour Conference: -

- a) Items which works committees, may normally deal with:
 - i) Conditions of work, such as ventilation, lighting, temperature and sanitation, including latrines and urinals.
 - ii) Amenities such as drinking water, canteens, dining rooms, crèches, rest rooms, medical and health services.
 - iii) Safety, and accident prevention, occupational diseases and protective equipment.
 - iv) Adjustment of festival and national holidays.
 - v) Administration of welfare and funds.
 - vi) Educational and recreational activities such as, libraries, reading rooms, cinema shows, sports, games, picnic parties, community welfare and celebrations.
 - vii) Promotion of thrift and savings.
 - viii) Implementation and review of decisions reached at meetings of works committees.
- b) Items which the works committees should not normally deal with:
 - i) Wages and allowances.
 - ii) Bonus and profit sharing schemes
 - iii) Rationalisation and matters connected with the fixation of workloads.
 - iv) Matters connected with the fixation of the standard labour force.
 - v) Programmes of planning and development.

- vi) Matters connected with retrenchment and lay-off.
- vii) Victimization for trade union activities.
- viii) Provident fund, gratuity schemes and other retiring benefits.
- ix) Quantum of leave, and national and festival holidays.
- x) Incentive schemes.
- xi) Housing and transport service.

Joint Management Councils

12.7 The Industrial Policy Resolution adopted by the Government in 1956 declared that in a socialist democracy, labour was a partner in the common task of development, and should be asked to participate in it with enthusiasm. A tripartite committee that visited the UK, Sweden, France, Belgium, West Germany and Yugoslavia came to an agreement on the constitution, functions and administration of joint councils. The committee recommended the setting up of JMCs in all undertakings. An All India Seminar held in Delhi in 1957 worked out a model agreement that the management and workers could enter into to set up these JMCs. The scheme was to be voluntary and consultative in nature. Joint

management councils were to deal with all matters except matters falling within the area of collective bargaining such as wages, bonus, hours of work, etc.

12.8 The National Commission on Labour (1966-69), which reviewed the working of the JMCs, observed that there was not much support for the institutions of the JMCs. The Commission held the view that "when the system of recognition of Trade Unions becomes an accepted practice both management and unions would themselves gravitate towards greater cooperation and set up JMCs".

12.9 The tripartite committee which approved the draft model agreement regarding the establishment of joint management councils unanimously agreed on the criteria that should be followed in selecting the undertakings in which Joint Councils should be established;

1. The undertaking should have well-established strong trade unions.
2. There should be willingness among the parties, viz. employers, and workers or the unions to try out the experiment in a spirit of cooperation.
3. The size of the undertakings in

terms of employment should be at least 500 workers. The representative of the Ministry of Railways suggested that a few units with less than 500 workers might be tried on a pilot basis to enable workers as well as employers to identify impediments and rectify them. It was agreed that three or four such units might be taken up in addition to those contained in the agreed list. The Committee further suggested that in choosing enterprises the following criteria should be kept in mind:

- (a) The employer in the private sector should be a member of one of the leading employers' organisations. Likewise, the trade union should be affiliated to one of the central federations;
- (b) The undertaking should have a fair record of industrial relations.

12.10 A committee set up by the Government on the suggestion of the Assam Government made further recommendations in relations to the JMCs in public sector undertakings.

1. The question whether Joint Councils should have separate

sub-committees or technical committees to deal with different subjects should be left to the option of the parties at the level of undertakings.

2. During the period of the experiment, the employee's representatives on the joint council should be nominated by the Trade Union concerned. At a later stage, the intermediate method of submission of a panel of names by the Trade Unions might be considered.
3. The bulk of employees' representatives should be workers themselves. But, if the local Trade Unions wanted to induct outsiders their number should be limited to 25% of the employees' representatives on the joint councils. The question of how many outsiders were to be entertained within this upper limit, and in what capacity would be left to local conditions.
4. If the decision was taken to constitute technical committees, or sub - committees, their constitution should be decided according to specific needs and situations.

5. Outsiders might be taken on technical committees, or sub committees.
6. The size of the joint councils should be restricted to twelve persons.
7. Any member of the joint council could bring forward items for discussion.
8. The joint councils should meet during working hours,.
9. The worker-members of the joint councils should be compensated for loss of earnings, but nothing more should be given by way of remuneration.
10. There should be a provision for recall of members of the joint council.
11. The worker members on joint councils should function as representatives of the workers.
12. The question of giving a minimum percentage of wages, or of income, or of profits, for welfare work to the joint council should be settled at the level of the undertaking.
13. Whether the tenure of the chairman of the joint council should be fixed or not, should be decided by local agreement.
14. All necessary facilities for the work of joint councils should be provided by the employers.
15. Decisions in the joint councils should be arrived at by agreement.

Joint Consultative Machinery and Compulsory Arbitration in Govt. Departments

12.11 Here we must also make a brief reference to the Joint Consultative Machinery set up by the Government to facilitate communication and cooperation between the Government and its employees.

12.12 The setting up of such a machinery was recommended by the Second Pay Commission (constituted in 1959) mainly on the model of the Whitley Councils in the UK. "The Commission defined the objectives of the machinery as promoting harmonious relations and securing the greatest measure of co-operation between the Government in its capacity as employer and the general body of its employees in matters of common concern and with the object further of increasing the efficiency of public service."

12.13 The objective as outlined has the appearance of an amalgam of the objectives of the Works Committees, Joint Management Councils and agencies of collective bargaining. It can be seen that the JCMs, Departmental Councils and Office Councils (which form parts of the system) have enormous potential that can be tapped imaginatively.

12.14 The outstanding features of the scheme are: -

- a) The membership is confined to persons who are highly knowledgeable and do not suffer much from a sense of inequality or inferiority of status in initiating or conducting discussions with senior officers who represent the Government at meetings. They are very different from the workers' representatives on the joint bodies in industries
- b) The political activists, who play a role in Trade Union organisations, have muted voice in this set-up. No outsider can participate in the discussions in these bodies.

12.15 Structure: under the scheme three tiers of councils are set up,- one at the Office/Regional level, a second

at the Departmental level, and a third at the National level. Employees upto the level of Group B Officers in the Ministries and Head Offices of the Departments of CSS cadre and upto Assistants in the subordinate offices are entitled to represent the employees if they belong to the recognised Associations/Federations which are given representation at each level of the JCM. Group A officers, employees of union territories and police personnel are specifically excluded from the scheme. No person who is not an employee or honourably retired employee of the Central Government can be a member of the council. Members are allowed to attend the meetings of the council (on Government time including time taken to travel) treating it as part of duty. The expenses incurred on travel are reimbursed.

12.16 The regional/office level council may be set up wherever the structure of a department so permits. The council will consist of official side and staff side members and their number/strength will depend on the size of employees. In the departmental level council, the number of official side members will be between 5 and 10, and of the staff side between 10 and 20

depending on the size of the department. At the national level the number of members of the official side and staff side is 25 and 60 respectively. The three levels of councils are chaired by Head of the Office/region concerned, Head of the department concerned, and the cabinet secretary respectively.

12.17 In regard to recruitment, promotion and discipline the consultations are limited to general principles.

12.18 Individual cases are not considered.

12.19 If there is difference of opinion on any issue at the office level council, it can be taken up by the workers side through their federations at the departmental level council, and if no decision is taken at the departmental level council, the issue can be taken up at the national level council in a similar manner.

12.20 Issues which fail to get decided at any level cannot be taken up at the same level at least for one year. The issues which are looked into by a pay commission and decision taken by the Government on

the recommendations of the pay Commission, cannot be discussed in JCMs for five years.

12.21 There is a provision for compulsory arbitration on certain limited matters such as pay and allowances, hours of work, and leave, if a disagreement is recorded at the national level JCM on any of these matters.

Workers Participation in management in TISCO

12.22 After several years of study and discussions with the recognised unions in 1997, Tata Iron and Steel Company at Jamshedpur set up a three-tier machinery for consultation.

- I. Joint Departmental Councils
- II. Joint Works Councils
- III. Joint Consultative Council of Management

12.23 The Joint Departmental Council operates at the level of every department or a combination of two or more departments. The Joint Works Council is for the entire works, and coordinates the activities of the Departmental Councils. Parallel to the Joint Works Councils there is a joint town and medical council for dealing

with matters relating to the township, medical, health and education matters (including those of TELCO). The Joint Consultative Council of Management is at the top. It is entrusted with the task of advising the management on all matters concerning the working of the industry in relation to production and welfare. As a safeguard against the overlapping of the functions of the joint councils and the collective bargaining machinery the role of the joint councils has been streamlined. The functioning of the joint councils is further reviewed in consultation with the Trade Union from time to time.

Workers' Participation in Public Sector Banks

12.24 While nationalising banks it was announced that a scheme would be formulated to provide for workers' participation in management. Accordingly, the Nationalised Banks (management and miscellaneous) Scheme 1970 was notified by the Government. The scheme provided for the appointment of a Workman Director and a Director representing the Officers' cadre of each bank on the Board of each nationalised banks. The union of workmen and the

association of officers which were identified as the representative union/association after verification of membership were entitled to nominate one office bearer each on the Board of Directors of the Bank.

Amendment of the Constitution

12.25 In 1975, during the Emergency, the Constitution was amended by the introduction of Article 43A. the purpose of this amendment was to raise productivity, promote industrial peace and create a sense of involvement amongst the workers. The inserted article that formed part of the Directive Principles of State Policy provided that "The state shall take steps by suitable legislation or in any other way to secure participation of workers in the management of undertakings, establishments or other organisations engaged in the industry". It has thus become incumbent on the state to work towards the effective participation of workers in the management of industrial establishments.

Introduction of New Schemes of Workers' Participation

12.26 In the year 1975 the Government formulated a scheme of

workers' participation in industry at shop floor and plant level. The scheme was to be implemented in the first instance in enterprises in the manufacturing and mining industries, whether these were in the public, private or cooperative sector or departmentally run units irrespective of whether joint consultative machineries had been set up and were functioning in them. The scheme was applicable to such units as were employing 500 or more workers. The scheme provided for setting up of shop councils at the shop/departmental levels and joint councils at the enterprise levels. Each council was to consist of an equal number of representatives of employers and workers. The employers' representatives were required to be nominated by the management from among the persons employed in the unit concerned and all representatives of workers were required to be from amongst the workers engaged in the shop or department concerned. The employer was expected to set up the council in consultation with the recognised union or various registered Trade Unions or workers as that would be appropriate in the local conditions.

12.27 The employer was to determine the number of members in each council, but he had to take the decision in consultation with the unions. Decisions were to be based on consensus, and not by a process of voting, and a decision once taken was required to be implemented within one month. The shop councils were required to meet as frequently as necessary, and at least once in a month.

12.28 Similarly joint councils were required to be set up for each unit covered under the scheme. The chief executive of the unit was to be the chairman. The vice chairman was to be nominated by the worker members of the council. The joint council was to meet at least once in a quarter.

12.29 The functions included not merely discussing production and productivity, achieving efficiency, eliminating wastage, arresting absenteeism, ensuring safety measures etc. but also the physical condition of workings, and welfare measures. The Councils were also expected to ensure a two way flow of communication between the management and the workers. The Council could also make creative

suggestions for improving the skills of workers, and providing adequate facilities for training.

12.30 Soon afterwards, in 1977, the Government of India introduced another scheme for participation. This scheme of workers' participation in management was meant for commercial and service organisations having large scale public dealings such as hospitals, post and telegraphs, railway stations/booking offices, government provident fund and pensions organisation, road transportation, electricity boards, insurance, institutions like FCI, Central Warehousing Corporations, State Warehousing Corporations, Public Distribution System including Fair Price Shops, Super Bazar, all financial institutions, educational institutions, air and inland water transport, ports and docks, handlooms and handicrafts export corporations, municipal services, milk distribution services, the irrigation system, tourist organisations, public hotels and restaurants, and establishments for public amusements, etc.

12.31 The scheme was to cover organisations employing 100 or more persons in these activities. However,

the organisations/services desiring to apply this scheme to units with lesser employment were free to do so. Under this scheme unit councils and the joint councils were to be set up. The objective was to promote confidence between the workers and the management, which it was believed would in turn promote the active involvement of the workers and secure greater satisfaction and better customer service through improved work processes. The functions of the unit councils and joint councils under this scheme were almost similar to those laid down under the 1975 scheme, with the exception that in the new scheme emphasis was also laid on discipline, elimination of pilferage and all forms of corruption.

12.32 While both the schemes i.e. of 1975 and 1977 initially generated considerable enthusiasm with large number of organisations setting up such forums, there was sharp decline in the number of units/enterprises having shop and joint councils after 1979. Apart from the on going controversy about the criteria for determining representation at the participative forum, the exclusion of grievance redressal, the restrictions imposed on consideration of work

related issues, the inadequate sharing of information, the lack of a supportive participative culture, the indifference of the management, the involvement of second rung union officialdom contributed to the ineffective functioning of many forums and their eventual decline.

12.33 Another scheme was introduced in December 1983. This scheme of workers participation in management was made applicable to central public sector undertakings (except those which are exempted from the operation of the scheme by the administrative ministry/department concerned in consultation with the Ministry of Labour). All undertakings of the central government, which are departmentally run, were excluded from the scheme as they were covered under the scheme of JCM.

12.34 As in the 1975 scheme this scheme too was to operate at the level of the shop floor and the plant level.

12.35 The functions of the councils included consultation on production facilities, storage facilities, material economy, operational problems,

wastage control, safety issues, quality improvement, planning, implementation and fulfilment of monthly targets and schedules, improvement in productivity in general and in critical areas in particular, improvements in technology, machine utilisation, knowledge and development of new products, encouragement to and consideration of suggestions, works system, welfare measures, profit and loss statement, balance sheet, operational expenses, financial results and performance, absenteeism, administration of social security schemes, workers training programmes, issues pertaining to women, welfare issues like housing, medical benefits, transport facility, safety measures, canteen, township administration, control of gambling, drinking and indebtedness, environment issues like pollution control, etc.

Tripartite Committee on Workers' Participation

12.36 In pursuance of the recommendations of the Tripartite Labour Conference held in May, 1977, the Government of India constituted a Committee on 23rd September, 1977 under the chairmanship of

Sh. Ravindra Varma, the then Minister of Labour and Parliamentary Affairs initially with 18 members (some more members were added later on) to consider and recommend the outlines of schemes for workers' participation at different levels of management in industrial establishments keeping in view the interest of the national economy, industry & its efficient management and the interests of workers.

12.37 The recommendations of the committee may be summarised:

- 1) Despite the agreement in Government that in keeping with the principles of democracy there should be full and effective participation of the workers in management and efforts made in this regard during the last three decades, it was found that the manner in which it has been implemented had led to dissatisfaction. The scheme of workers' participation should be such as would involve all interest groups in an undertaking. It should provide for free flow of basic information to inculcate responsible responses. The scope of the
- scheme should encompass increase in productivity and production, effective machinery for resolution of conflict, democratisation of work processes and safeguarding the interest of the society, including consumers.
- 2) It will require training of workers and managerial personnel in the art of participative management.
- 3) A representative of the employers in the private sector felt that the objective of any scheme of workers' participation should be to develop industrial efficiency, create a sense of involvement in the work process, generate a sense of discipline, democratise decision making processes and foster closer relationship between the workers and the management, and improve the quality of life at the work place and outside. He favoured a voluntary scheme being applied on a selective basis. A representative of the public sector said that participation was essential for proper involvement of workers. He said that though there may

- be a law on the subject, the scheme should be as flexible as possible to take care of the variety in industrial structures.
- 4) A representative of workers felt that the scheme of workers participation should be such as would create a society which ensured social justice. Another representative of the workers said that the participation should not be only in industrial relations but in the field of management as well. He said that no curbs or limitations should be put on the functions of the joint councils. He argued that the workers were part and parcel of the management as they carried out their directions and therefore should be consulted in all matters. This view of the broader scope of the councils was advocated by many workers' representatives as well.
 - 5) It was agreed that the Trade Unions had a very important role to play in protecting and furthering the rights and economic interests of the workers. Any institutional arrangement should not ignore the vital role of Trade Unions in collective bargaining.
 - 6) The committee by consensus made the following recommendations
 - a) It was generally felt that the experience of voluntary schemes of participative management in the past has not been very happy, and therefore, there was need to introduce the scheme by statute.
 - b) No distinction should be made between the public, private and cooperative sectors.
 - c) The majority of the members favoured adoption of a three-tier system of participation namely, at corporate level, plant level and shop floor level with following scope and functions.
 - 7) Shop Level Issues having commonality amongst various centres such as common production facilities, storage facilities in a shop, material economy, errors in documents, operational problems, wastage control, hazards, safety problems, quality improvement,

monthly targets and production schedules, review of utilisation of critical machines, cost reduction programmes, technological innovations in the shop, formulation and implementation of work systems design, group working, multiple skill development and welfare measures related particularly to the shop would be within the scope of a shop council.

SCOPE OF PLANT LEVEL COUNCIL

- 8) a) Operational areas:
Evolution of productivity schemes taking into account local conditions,
- b) Planning, implementation, fulfilment and review of monthly targets and schedules.
- c) Materials supply, shortfall, quality of inputs, ancillaries, bought-out items, etc.
- d) Storage and inventories, analysis of decisions on accumulation of inventories of raw materials, process materials and finished products.
- e) Housekeeping
- f) Improvements in productivity, general, and in critical areas in particular.
- g) Encouragement to and consideration of suggestions,
- h) Quality and technological improvements.
- i) Sharing gains of productivity arising out of an innovation made in any shop.
- j) Design development, inspection, rectification, machine utilisation, process development, knowledge and development of new products.
- k) Operational performance figures and order book position.
- l) Matters not resolved at the shop level or concerning more than one shop.
- m) Review of the working of the shop councils.
- n) Cost reduction including value analysis, method improvements.

Economic and financial areas –

- a) Incentives
- b) Budget, profit and loss statements, balance sheets.
- c) Review of operating expenses, financial results, cost of sales.
- d) Plant performance in financial terms, labour and managerial costs, market conditions, etc.
- e) Review of overtime.

Personnel matters

- a) Absenteeism
- b) Implementation of policy and criteria regarding transfers and promotions.
- c) Employment of casual and temporary labour and special problems of women workers.
- d) Initiation and supervision of workers' training programmes
- e) Administration of social security schemes.

Welfare areas

- a) Operational details
- b) Implementation of welfare schemes, medical benefits and transport facilities

- c) Safety measures
- d) Sports and games.
- e) Housing policy
- f) Township administration, canteen, etc
- g) Control of gambling, drinking, indebtedness, etc.

Environmental areas

- a) Extension activities and community development projects.
- b) Pollution control.

SCOPE OF CORPORATE/BOARD LEVEL PARTICIPATION

- 9) Issues relating to finances, wage structure, fringe and other benefits, bonus, housing, medical facilities, overall recruitment and personnel policies and norms and resolution of disputes pertaining to the areas of collective bargaining would be dealt with by the normal collective bargaining processes as may be provided for in the proposed comprehensive Industrial Relations Law.

10) At this level, some of the following issues which normally constitute the agenda and business of the board may be taken up for discussion.

- I. Consequences on labour strength.
- II. Expansion schemes
- III. Export strategy and effects on work schedules etc.
- IV. Product mix
- V. Review of the working of the councils at shop floor and plant levels
- VI. Decisions on matters not settled in the councils at the plant level.
- VII. All problems regarding decisions at macro-level referred to it by the plant councils.

The participation of workers in Management Bill, 1990

12.38 Taking into account the shortcomings of the various schemes implemented from time to time and the experience gained, the government decided to review the concept of Workers' participation in its entirety and to evolve a fresh approach to make workers' participation in management more effective and meaningful. It was felt

that a stage had been reached when some kind of a legislative back up was necessary to make further progress. The Participation of Workers in Management Bill was, therefore, drawn up and introduced in the Rajya Sabha on 30th May, 1990. The Bill proposed to make provisions for the Participation of Workers in the Management of undertakings, establishments or other organisations engaged in any industry and to provide for matters connected or incidental.

Salient Features of the Bill

12.39 The salient features of the proposed Bill are as follows: -

- i) The Bill proposed to cover all the industrial establishments or undertakings as defined under the Industrial Disputes Act, 1947. However, the Central Government would have the power to notify the classes of industrial establishments to which the Act would apply.
- ii) The Central Government will be responsible for enforcing the law in all cases where it is the appropriate Government under

the I.D. Act, 1947 and also in enterprises where the Central Government holds 51% or more of the paid up share capital. In the remaining cases, the responsibility for enforcement will be that of the State Government.

- iii) The Bill provides for formulation of one or more schemes to be framed by the Central Government for giving effect to the provisions of the law which will include, among others, the manner of representation of workmen at all the three levels and of other workers at the Board level, nomination of representatives of employers on the shop floor and establishment level councils, procedure to be followed in the discharge of the functions of the Councils etc.
- iv) The Bill proposes the constitution of one or more Councils at the Shop Floor Level and a Council at the establishment level. These Councils will consist of equal number of persons to represent the employers and

the workmen. The Appropriate Government shall in consultation with the employer and taking into account the total number of workmen, the number of levels of authority, the number of Shop Floors determine the number of persons who will represent the employer and the workmen in a Council

- v) The Bill also envisages a Board of Management at the Apex level where representatives of the workmen as defined under the ID Act shall constitute 13%, and persons representing other workers shall constitute 12% of the total strength of such management. The persons to represent the other workers in the Board of Management shall be elected by and from amongst other workers of the industrial establishment or by secret Ballot. The persons to represent workmen on the Board shall be elected from the workmen of the industrial establishment by Secret Ballot or nominated by the registered Trade Unions.
- vi) If any person contravenes any provisions of this Act or the

Scheme made under it, he shall be punishable with imprisonment, which may extend to 2 years, or with a fine which may extend to Rs. 20,000/- or with both. It has also been indicated that the Appropriate Government, by notification, will appoint such persons as it feels fit to be inspectors for the purpose of this Act.

- vii) The Bill further provides that a Monitoring Committee comprising equal number of members representing the appropriate Government, the workers and the employers may be constituted by the appropriate Government to review and advise them on matters which arise out of the administration of the Act, any scheme or any rules made thereunder.
- viii) The proposed Bill empowers the Government to exempt any employer or classes of employees from all or any of the provisions of the Act.
- ix) It was proposed to do away with the provision of constitution of Works Committees by omitting

section 3 of Industrial Dispute Act, 1947.

12.40 The functions that have been assigned to shop floor level and unit/establishment level councils as per the Bill were almost the same as those recommended by the committee headed by Shri Ravindra Varma. The Bill was referred to the Parliamentary Standing Committee on Labour and Welfare.

Five Year Plans and workers participation in management

12.41 The first five year plan contained a number of references about collaboration between employers and workers. It held the view that the employer employee relationship is essentially a partnership to promote the community's economic needs. There should therefore be the closest collaboration at all levels between the employer and the employees for increased production, improvement of quality, reduction of cost and elimination of waste. The plan document further laid down that works committees should be set up for settlement of differences on the spot while the joint committees should

function for the centre, and for an industry as a whole.

12.42 The second plan document said that the creation of industrial democracy was a pre-requisite for establishing a society where the worker felt that he was helping to build a progressive state in his own way. A standing joint consultative machinery could effectively reduce the extent of industrial unrest. Such a machinery needs to be evolved at all levels at the centre, in the states, and in individual industrial units. The works committees could function as fora for joint consultation in the units. Experience has shown that for effective functioning of these committees there should be clear demarcation of the functions of these committees and of unions.

12.43 The third plan wanted that the works committees to be strengthened and made active agencies for democratic administration.

12.44 The sixth plan document laid down that there should be emphasis on promotion of cooperation between the workers and the employers through participation in management.

12.48 The eighth five plan felt that labour participation in management was a means of achieving industrial democracy. The Government has been stressing the need for introducing workers' participation in management since independence, although the results of efforts have fallen short of expectations. There was need to bring forward a suitable legislation for effective implementation of the scheme besides providing education to workers in this regard, and securing cooperation of employers as well as workers in overcoming problems in promoting the system of workers' participation in management.

Indian Labour Conference and workers' participation in management

12.46 Workers' participation in management was discussed in the 15th session of the Indian Labour Conference, and there was general agreement that participation should be ensured through legislation, or by mutual agreement between the employees and employers of selected industrial establishments. The employers' representatives wanted that they should be given a period of

two years to operate the scheme on voluntary basis, and if the voluntary experiment did not succeed, the Government might enact a law. Workers' representatives were not in favour of leaving the matter to the initiative of the employers. They felt that to avoid delay in implementation an appropriate legislation was necessary. The question of the method of selection of worker's representatives was also discussed, and it was decided that wherever a representative or recognised union was there under the law, such unions should be consulted in deciding the method of selection of workers' representatives. At the end of the session, a small committee of four persons each from employers and workers groups was set up. The committee accepted the main recommendations of the study group, which was set up before discussing the agenda in the 15th session of the ILC. These recommendations were: -

1) The main functions of the councils may include provision of means of communication, improvement of working and living conditions, improvement in productivity, encouragement to suggestions and assistance in

the administration of laws and agreements. It may be desirable to consult the councils in matters like alterations in standing orders, retrenchment, rationalisation, closure, reduction in or cessation of operations, introduction of new methods, procedures for engagement and punishment. They may also have the right to receive information about the general economic situation of the concern, the state of the market, production and sales programmes, organisation and general running of the undertaking, circumstances affecting the economic position of the undertaking, methods of manufacture and work, and the annual balance sheet and profit and loss statement and connected documents and explanations, and such matters as may be agreed to by employers and employees.

2) It would be preferable to exclude wages and bonus and individual grievances from the purview of joint bodies, but otherwise the list of functions should be flexible enough to be

- settled by joint consultation between the management and the representative trade union.
- 3) To reduce the danger of apathy, councils of management may be entrusted with some administrative responsibility, such as administration of welfare measures, supervision of safety measures, operation of vocational training and apprenticeship schemes, preparation of schedules of working hours and breaks and holidays and payment of rewards for valuable suggestions.
 - 4) There should be a strong self-confident trade union closely connected with the machinery of participation and with a reasonably clear separation of functions. It would be advisable to devise some methods for closely associating the trade unions in the selection of workers' representatives.
 - 5) It is necessary to enlist the willing cooperation of the management at the middle and lower level such as junior managers, supervisors and foremen.
 - 6) Joint consultation should be 'inbuilt' and for this purpose the government should provide advisory service on personnel management on the lines of the British Ministry of Labour.
 - 7) While the Government should accept leadership for organising a sustained educational campaign for creating the necessary atmosphere, it should not be made a departmental affair. But effort should be made to build up a tripartite machinery of direction by utilising employer's organisations, Trade Unions, non-official bodies, etc.
- 12.47 The issue was discussed in the 28th, 29th 32nd and 33rd session of ILC as well. The broad outcome of the discussions in these sessions were:
- a) The envisaged statutory framework should be flexible enabling the Government to introduce the scheme in a phased manner beginning with the establishments above a certain size.
 - b) The mode of representation of the workers should be decided

in consultation with the recognised Trade Union and in other cases by secret ballot. Dismissed employees whose cases are subjudice should not be eligible for participation.

- c) The participation should be on equal basis between the workers and employers. However, there were differences as regards the participation at the board level. While the workers' representatives felt that in the board level also the workers representation should be 50%, the employers representatives felt that to begin with the representation of workers at the board level should be confined only to one representative as workman director. The majority of the state labour ministers were of the opinion that at the board level the representation of workers should be limited to 25% (except the labour minister of West Bengal who wanted that the workers should be given 50% representation on the board).
- d) The question relating to participation in equity should be kept separate from the proposed statutory scheme.

- e) In the 32nd session of the ILC the workers' representatives by and large favoured a legal framework for workers' participation in management whereas the employers' representatives expressed their opposition to the same and they suggested that this should be left to the voluntary initiatives of the employers.

Whether the workers' participation should be by statute or by voluntary arrangement

12.48 We have seen that workers' participation in management introduced statutorily through the institution of works committees under section 3 of the Industrial Disputes Act has not been successful. The reasons have perhaps to be sought in the method of constitution of the works committees and the functions assigned to them. We have also seen that the three voluntary schemes introduced in 1975, 1977 and 1983 have also not found many takers. The debate is still on, whether it should be introduced by a statute or by voluntary arrangements. While the Central Trade Union Organisations have been demanding the

introduction of workers participation in management by statute, the employers' organisations have been against introducing schemes of workers participation in management by law.

12.49 If we look at the institutions of workers' participation in the management set-up in various countries like Germany, Japan and now the member nations of the European Union, we see that most of these systems have been established by law. There is no evidence to show that workers' participation in management has in any way weakened an enterprise financially or otherwise. In fact there is overwhelming evidence to suggest that wherever the system has been introduced the enterprises and the economy as a whole have shown tremendous growth. We, therefore, feel that a legal base should be provided for institutionalising workers' participation in management particularly in the context of liberalisation and globalisation. Workers and the management have to join together to not only sort out their day to day problems, but build up confidence in each other, improve work culture, enable the introduction

of new technology, improve production processes, achieve production targets. These objectives can be achieved only by mutual understanding. Mutual dialogue and workers participation are therefore, the need of the hour. It will not only ensure that the workers' welfare is taken care of and their interests are safeguarded while effecting changes in the enterprise structure or improving technology by obviating unnecessary retrenchments and ensuring payment of dues and full compensation in cases where retrenchment etc. become necessary, but also ensure smooth revision of the strength of the workforce, introduction of new technologies, improving work processes, etc. and make the enterprises capable of standing up to global competition.

12.50 The very fact that for more than half a century we have been trying to explore and expand the area of mutual contact, co-operation and co-determination between the management and workers surely underlines the extreme importance of the co-operative approach to the problems that arise in the course of industrial activity. Almost all the economically advanced nations have

worked out their own variants of industrial co-operation and co-determination, - Germany, Japan, and now the countries in the European Union. All of them have found systems of participatory management useful and beneficial for efficiency, and for creating the atmosphere necessary to meet the demands of competitiveness. They have expanded the rights of workers and increased managerial efficiency. They have reduced the distance between workers and managerial personnel.

12.51 They have improved human relations, and improved human relations have led to improved industrial relations. It has become easier to understand each others' point of view, and frequent, if not constant interaction has led to a clearer picture of the common interest in the viability and profitability of the enterprise. With revolutionary changes in the means of communication, it has become possible for workers to keep track of information relating to processes, balance sheets and the like.

12.52 The content of work has undergone a sea change in many essential processes. The knowledge

worker has taken the place of the old unskilled worker who depended merely on his body labour, or was in demand only for the body labour that he could contribute. There has been a shift in paradigms or/and in responsibility and power equations. All production or processes of production no longer have to be under one roof. The methods that can elicit the best contribution from one who contributed body labour, it has been proved, are not necessarily the same when it comes to eliciting the best from the knowledge worker or one who can contribute only if he has understanding initiative, perhaps even innovativeness. The degree of interdependence in the inputs of workers who work together has changed. Collective excellence, it has been found depends very much on cooperation, voluntary vigilance and coordination, at every level, between one human component and another. Changes in technology that we have witnessed have also resulted in greater understanding of the need for voluntary and imaginative co operation. Such cooperation can come only with the awareness of the commonness of objectives and the identity of interests as far as the work on hand, and its fall out or fruits are concerned.

12.53 India can not be an exception to this state of affairs in the age of new technology. Globalisation will accentuate and accelerate this process. It will, therefore, make it necessary for us to reach higher levels of participatory activity. We will therefore, have to discover the appropriate system that can ensure contact, co-operation and co-determination at as many levels as possible from the plant level to the Board level.

12.54 We have already done considerable thinking on the functions that can lend themselves to co-operation and co-determination at various levels. With globalisation the time has come when we cannot leave the question of participatory management to be determined by the management or the trade unions. Experience has demonstrated the necessity and utility of participatory management. We believe therefore, that the time has come for the Government to enact a law to provide for participatory at all levels keeping in mind the necessity to ensure that the responsibility and freedom to take managerial decisions are not fragmented to the detriment of the enterprise, the social partners or society at large.

II

EMPLOYMENT SCENARIO IN THE COUNTRY

Introduction

12.55 Our Commission has not been given a mandate to make recommendations or suggestions on policies and programmes that can promote the growth of employment in the country. But while viewing various aspects of the current situation of labour, the Commission observed a continuous downsizing of workers in the organized sector and the miseries that it is causing to the retrenched working population. The Commission, also came across deteriorating working and living conditions of workers in the informal sector who are merely managing to eke out a living for themselves. Quite a large number of them are below the poverty line. The only way to improve their conditions is to provide them with decent work and gainful occupation. Without work, all talk about providing protection, improving conditions, and assuring a minimum of social welfare is futile. As President Bush has said in his State of the Union address on January 29, 2002,

an economic security plan can be summed in one word: jobs. If there are no jobs, there is no economic stability. Therefore, we thought that we should look at the present serious problem of growing unemployment, review the present situation and suggest some ways to mitigate the situation. In doing so, we have drawn heavily on the available literature on the subject and the discussions that we have had in the field wherever we met experienced persons who have done laudable work in retaining and adding to the jobs available to the masses of our people.

Employment situation

12.56 Everyone admits that unemployment is like a ticking time bomb. It is growing every year. According to one estimate we may add 70 million unemployed in the next ten years. The economy is expanding, but it is hardly creating any new jobs. The new economic policies of internal liberalisation and globalisation have created an atmosphere which is not conducive to expanding employment in the organised private sector. Most of the existing industrial units are shedding what is termed excess labour, and in order to be competitive

are inducting sophisticated machinery and automation. There are limits to which agriculture can absorb new entrants. Thus there is a "jobless" growth and the rate of unemployment as measured by NSS Surveys has increased after 1991, unemployment increasing from 6.03% in 1993-94 to 7.32% in 1999-00. The NSS data also shows that the growth of employment has come down from 2% per year in the period 1983 to 1993-94 to less than 1% in the period from 1993-94 to 1999-2000. This is a serious situation, and before the ticking time bomb explodes urgent action will have to be taken to promote the generation of more employment in the country. Otherwise it will result in a serious problem of law and order in the country.

Size of the work force

12.57 Table 12.1 presents estimates of population and the workforce as on 1.1.1994 and 1.1.2000. There is a reduction in the proportion of the work force to the total population in both urban and rural areas. Out of 1000 persons, 418 were part of the work force in 1.1.1994. But now only 395 persons are part of the work force. This means that the work

force is not increasing at the same rate as the population. This is equally true of both urban and rural areas. If we analyse age-specific worker population ratios, we find that in the younger generation between the ages of 15 to 29, there is less participation in work. This is probably because this

group may be spending more time in education than in work. There is a beneficial rise in the student population ratios indicating a rising participation in secondary and higher level education. This is a welcome trend.

TABLE 12.1
ESTIMATES OF POPULATION AND WORKFORCE IN
RURAL-URBAN LOCATION

(In 000s)

Population Segment	Estimates of population as on		Estimates of as on Worker		Workforce Population Ratios as on (per 1000)	
	1.1.94	1.1.2000	1.1.94	1.1.2000	1.1.94	1.1.2000
Rural Persons	656,509	718,865	291,531	300,957	444	419
Urban Persons	237,496	285,220	82,301	96,061	347	337

Source : Employment & Poverty in 1990s: Results from NSS K Sundaram
Economic & Political Weekly August 11-17, 2001

12.58 The growth rate of employment should not be compared with the growth rate of the population. It must be viewed in the context of the growth rate of the work force as stated above.

12.59 In the following Table II these rates of growth of population, labour force and employment are presented.

Table 12.2**Rate of Growth of Population, Labour Force and Employment**

Period	Rate of growth of population (% per annum)	Rate of growth of Labour force (% per annum)	Rate of growth of Employment (% per annum)	Average Annual growth rate of GNP (% per annum)
1972-73 to 1977-78	2.27	2.94	2.73	4.02
1977-78 to 1983	2.19	2.04	2.17	3.90
1983 to 1987-88	2.14	1.74	1.54	4.80
1987-88 to 1993-94	2.10	2.29	2.43	5.25
1993-94 to 1999-2000	1.93	1.03	0.98	6.60

Source: Report of Task Force on Employment Opportunities, Planning Commission, Govt. of India, P 2.7 Economic Survey 2001-02.

12.60 From this table, it is clear that the rate of growth of employment declined sharply from 2.43% per year in the period 1987-88 to 1993-94 to a mere 0.98% per year in the period 1993-94 to 1999-2000. But growth of the Labour Force Participation Rates (LFPR), as derived from census data, have declined from 2.29% to 1.03% during the same period. Even then the growth rate of employment is less than the growth rate of the labour force indicating an increase in unemployment, and this is a matter of

grave concern. During the same period average annual growth rate of GNP has gone up from 5.25% to 6.60%. But this has not resulted in the rise of growth rate of employment indicating that the employment may not necessarily grow when GNP growth rate goes up.

Industrial Distribution of total workforce

12.61 Table 12.3 gives details regarding growth of employment by sectors.

TABLE 12.3
GROWTH OF EMPLOYMENT SECTORS (UPSS)

Industry	Employed workers (million)			Annual Growth Rate (percentage)	
	1983	1993-94	1999-00	1983-94	1994-00
Agriculture	207.23	242.46	237.56	1.51	-0.34
Mining & Quarrying	1.76	2.70	2.27	4.16	-2.85
Manufacturing	34.03	42.50	48.01	2.14	2.05
Electricity, Gas & WS	0.85	1.35	1.28	4.50	-0.88
Construction	6.78	11.68	17.62	5.32	7.09
Trade	19.22	27.78	37.32	3.57	5.04
Transport, Storage & Commn.	7.39	10.33	14.69	3.24	6.04
Financial Services	1.70	3.52	5.05	7.18	6.20
Community Social & Pers. Services	23.80	35.13	33.20	2.90	0.55
Total Employment	302.76	374.45	397.00	2.04	0.98

Source: Report on the task force on employment Planning Commission, Govt. of India 2001.

12.62 From the data presented in this table, it can be seen that the absolute number of persons employed in agriculture has declined from 1993-94 to 1999-2000. It is for the first time that such a decline is seen. The proportion of workers employed in agriculture declined from 68.5% in 1983 to 64.5% in 1993-94, and further to 59.9% in 1999-2000. The share

of manufacturing has marginally increased. Employment in sectors like construction, trade, financial services, and transport, storage and communication has grown faster than average and the overall growth in employment is due to these sectors. This more or less concurs with the growth trend of GDP data among the various sectors of economic activities.

Unemployment rates

12.63 In order to have a better assessment of the trends of employment and the unemployment situation, the NSSO provides four different measures of employment and unemployment which capture different facets of the same situation. They are:

- I. Usual Principal Status (UPS)*
- II. Usual Principal and Subsidiary Status (UPSS)*
- III. Current Weekly Status (CWS)*
- IV. Current Daily Status (CDS)*

12.64 Unemployment rates as percentage of Labour Force as alternative measures from 1977-78 to 1999 - 2000 are shown in Table 12.4

Table 12.4
Alternative measures of unemployment rates

(Percentage of Labour Force)

	Usual Principal Status (UPS)	Usual Principal & Subsidiary Status (UPSS)	Current Weekly Status (CWS)	Current Daily Status (CDS)
1977-78	4.23	2.47	4.48	8.18
1983	2.77	1.90	4.51	8.28
1987-88	3.77	2.62	4.80	6.09
1993-94	2.56	1.90	3.63	6.03
1999-2000	2.81	2.23	4.41	7.32

.....
* a) Usual Principal Status (UPS) The usual activity status relates to the activity status of a person during the reference period of 365 days preceding the date of the survey. The action status on which a person spent relatively longer and major time during the 365 days preceding the date of survey is considered as the principal usual activity status of the person.

b) Usual Principal and Subsidiary Status (UPSS) A person whose principal usual status was determined on the basis of the major time criterion could have pursued some economic activity for a relatively shorter time (minor time) during the reference period of 365 days preceding the survey. The status in which such economic activity was pursued was the subsidiary economic activity of the person.

c) Current Weekly Activity Status: The current weekly activity status of a person is the activity status obtaining for a person during a reference period of 7 days preceding the date of the survey.

d) Current Daily Activity Status: The current daily activity status for a person was determined on the basis of his/her activity status on each day of the reference week using a priority cum major time criterion (day to day labour time disposition).

12.65 UPS and UPSS measures show modest increase in the rate of unemployment in the nineties, from 2.56% to 2.81% and from 1.90% to 2.23%. But the CDS measure shows a sharp increase from 6.03% to 7.32%. What is more important is that all the four measures show an increase in unemployment rate

reversing the earlier trend witnessed in 1977 and 1983.

12.66 The World Employment Report gives the following unemployment rates of India and other neighbouring countries. These figures as shown in Table 12.5 are for the year 1996.

Table 12.5
Unemployment Rates in India and some of the other Countries

India	4.4	Korea	2.0
Australia	8.6	Malaysia	2.6
Bangla Desh	2.5	Pakistan	5.4
China	3.0	Phillipines	7.4
Indonesia	4.0	Sri Lanka	11.3

Educated Unemployed

12.67 High rate of unemployment among the educated youth is a very serious problem. This creates a great sense of frustration among young

persons as well as their families. Moreover, the jobs they expect relate to their educational qualifications.

TABLE 12.6
UNEMPLOYMENT RATES (%) AMONGST EDUCATED YOUTH

Year	Secondary education & above			All types of Technical Education		
	Rural	Urban	Combined	Rural	Urban	Combined
1983	20.4	(2.5)	30.0	(10.7)	20.7	(4.2)
	25.0	23.9	24.4			
1987-88	15.9	(3.8)	16.6	(12.1)	16.2	(5.4)
	24.0	20.7	22.1			
1993-94	17.0	(2.9)	20.8	(10.8)	18.5	(4.6)
	29.0	25.9	27.3			
1999-2000	12.5	(3.7)	18.3	(11.2)	14.8	(5.4)
	22.8	24.5	23.7			

Note: i) Technical Education comprises of Additional Diplomas or certificates in Agriculture, Engineering/ Technology, medicine, crafts and other subjects.

ii) Youth refers to the age group, 15-29

iii) Figures in parentheses show the unemployment rate among youth as a whole.

(Source: Report of the Task Force on Employment, Govt. of India, 2001 p 2.19)

12.68 The data in respect of unemployment rates among the educated youth is given in Table 12.6 above. Here youth refers to all the persons who are within the age group of 15-29. The percentage of young unemployed persons having studied upto the secondary level and above has come down from 20.7% to 14.8%. But the unemployment rate among the youth as a whole has gone up. The unemployment rate among technically qualified persons is more or less the same and has marginally come down from 24.4% in 1983 to 23.7% in 1999-2000.

Data from Employment Exchanges

12.69 The Government of India is operating a national employment service. As at the end of June 2000, there were 958 Employment Exchanges in the country and the job seekers registered with these exchanges were 406.98 lakh. Between January-June 2000, 26.64 lakh were registered for new jobs, while Employment Exchanges were able to provide jobs to only 80,000 persons.

12.70 Year-wise registration, placements, vacancies notified and persons on live registers are presented in the following table 12.7

TABLE 12.7
REGISTRATION OF UNEMPLOYED IN EMPLOYMENT EXCHANGES

Year	No. of Exchanges	(IN THOUSANDS)				
		Registration	Placement	Vacancies Notified	Submission Made	Live Register
1	2	3	4	5	6	7
1990	851	6540.6	264.5	490.9	4432.2	34631.8
1991	854	6235.9	253.0	458.6	4531.2	36299.7
1992	860	5300.6	238.7	419.6	3652.0	36758.4
1993	887	5532.2	231.4	384.7	3317.8	36275.5
1994	891	5927.3	204.9	396.4	3723.4	36691.5
1995	895	5858.1	214.9	385.7	3569.9	36742.3
1996	914	5872.4	233.0	423.9	3605.9	37429.6
1997	934	6321.9	275.0	393.0	3767.8	39139.9
1998	945	5851.8	233.3	358.8	3076.6	40089.6
1999	955	5966.0	221.3	328.9	2653.2	40371.4

Source: Annual Report, 2000-2001, Ministry of Labour, Govt. of India.

12.71 There is a total mismatch of persons registering for jobs and the actual number of jobs available. From this, one can realise the gravity of the problem of unemployment, and the strain on the minds of the unemployed.

Recent Trends

12.72 During the last few years there has been considerable talk of downsizing. Either through voluntary retirement schemes or through retrenchment, the number of workers is being reduced. This is true of both public and private sector organisations. In public sector Banks 99,452 have opted for VRS. This accounts for 11% of its staff. SBI leads with 20,850 taking VRS. Staff accounts for 65-70% of total costs in public sector Banks. In new Banks it is only 16%. National Textile Mills has introduced VRS in six units in Tamilnadu and Pondicherry. 2000 textile mills are affected. The Textile industry is one that has suffered most as a result of the new economic policy. 396 out of the 1850 registered units have been shut down. 3.49 lakh of the 9.97 lakh workers in the industry have been retrenched. During the last one year, 15,000 jobs have been cut between March 2000 and June 2001.

12.73 The Hotel industry is also badly affected with business travel as well as tourist traffic going down. About 1200 employees of the Taj Group of Hotels have opted for VRS. Oberoi and Welcome Group of Hotels have downsized by about 1800. ITDC may off load another 1500 after privatisation. Automobile companies are downsizing in order to remain competitive. Between 1998 and 2001, Telco got downsized by 9,375 workers, and during the same period, Bajaj Auto by about 4,785 workers. Hindustan Motors cut 1500 jobs during the last two years. Escorts, Daewoo India, LML Ltd., Maruti Udyog Ltd., all have been reducing the number of their workers. The infotech companies have also been affected. During the last one year, 10,000 persons in the IT sector have lost their jobs. The software sector too is feeling the impact of the slow down. While leading companies in this industry are surviving, second and third rung players are either closing down shops or laying off people. Indian railways is the world's second largest rail transport system. Not only will there be no recruitment in the railways but it is considering proposals to cut 30,000 jobs every year. This is by no means an

exhaustive list. But it gives a glimpse of the grave situation that is developing in the employment market in the country.

Some important issues

12.74 There are some other important issues connected with employment, which need to be mentioned.

Table 12.8
Distribution of workers by category of employment (percentage)

Year	Self Employment	Regular salaried	Casual
1977-78	58.9	13.9	27.2
1983	57.4	13.9	28.7
1987-88	56.0	14.4	29.6
1993-94	54.8	13.2	32.0
1999-00	52.9	13.9	33.2

(Source: NSSO Surveys)

a) There is a growth in casual labour in the total employment picture of the last decade. This is shown in table 12.8 given above. The proportion of salaried workers is the same at 13.9% in 1977-78 and 1999-2000. The proportion of self employed has come down from 58.9% in 1977-78 to 52.9% in

1999-2000. But the number of casual workers has gone up substantially from 27.2% to 33.2%. Thus casualisation of workers has been the trend during the recent years.

b) Table 12.9 gives details of the total employment and the total organised sector employment

during the period 1983 to 1999-2000. The figures show that organised sector unemployment is not increasing and indeed it is decelerating. Organised sector employment grew relatively slowly at 1.20% per annum during the 1983-94 period, but then further slid down to only

0.53% between 1994 and 1999. Thus the organised sector has not contributed to the growth in employment and we have to look elsewhere to find avenues of employment growth. Since there is a general preference for jobs in the organised sector, this trend is of great concern.

Table 12.9
Total Employment and Organised Sector Employment

Sector	Employment (Million)				Growth rate (% per annum)	
	1983	1988	1994	1999-00	1983-94	1994-2000
Total Population	718.21	790.00	895.05	1004.10	2.12	1.93
Total Labour Force	308.64	333.49	381.94	406.05	2.05	1.03
Total Employment	302.75	324.29	374.45	397.00	2.04	0.98
Organised Sector Employment	24.01	25.71	27.37	28.11	1.20	0.53
- Public Sector	16.46	18.32	19.44	19.41	1.52	-0.03
- Private Sector	7.55	7.39	7.93	8.70	0.45	1.87

- Note:
1. The total employment figures are on Usual Status (UPSS) basis
 2. The organised sector employment figures are as reported in the Employment Market Information System of Ministry of Labour and pertain to 1st March of 1983, 1994 and 1999.
 3. The rate of growth of total employment and organised sector employment are compound rates of growth.

(Source: Report of the Task Force on Employment, Govt. of India, Planning Commission 2001, p.2.25)

- c) 44% of the labour force in 1999-2000 was illiterate and 33% had schooling upto secondary education and above. Only 5% of the workforce had the necessary vocational skills. Thus there is large scale unemployment, and at the same time, a shortage of skilled workers.
- d) The fact of being employed is obviously no guarantee for escaping poverty. One may be underemployed drawing a meagre or nominal income. It is estimated that 6.5% of the total employed (397 million in 1999-2000) i.e. around 25.74 million are under employed. They have meagre income and they are just eking out a living.
- income segments of the labour force.
- (ii) Pursuing appropriate sectoral policies in individual sectors which are particularly important for employment generation. These sector level policies must be broadly consistent with the overall objective of accelerating GDP growth.
- (iii) Implementing focussed special programmes for creating additional employment of enhancing income generation from existing activities aimed at helping vulnerable groups that may not be sufficiently benefited by the more general policies for promoting growth.
- (iv) Pursuing suitable policies for education and skill development, which would upgrade the quality of the labour force and make it capable of supporting a growth process which generates high quality jobs.
- (v) Ensuring that the policy and legal environment governing the labour market encourages labour absorption, especially in the organised sector.

Recommendations of the Task Force

12.75 (a) Strategy prescribed: The strategy for employment generation recommended by the Task Force of the Planning Commission is based on intervention in five major areas:

- (i) Accelerating the rate of growth of GDP, with particular emphasis on sectors likely to ensure the spread of income to the low

- (b) High Rate of Economic Growth:
- Continuation of economic growth at an average of about 6.5% will not yield a significant improvement in the employment situation, especially the extent of open unemployment. The expected annual addition to the labour force is about 8.7 million per year over the next ten years. We need to accelerate GDP growth to a range between 8% and 9% to achieve our objective of generating enough additional employment to provide productive employment opportunities. To achieve this, the Task Force has recommended expanded levels of direct foreign investment in the economy, proposed improvement in domestic savings, reduction in revenue deficits of centre and states.
- (c) Other recommendations: The report goes on to emphasize and recommend:
- (i) Lowering import tariffs to ensure competition and increasing efficiency for proposed acceleration in GDP growth.
- (ii) Agro-companies being allowed to buy, develop, cultivate and sell degraded and wastelands after detailed delimitations taking these land out of the purview of tenancy laws.
- (iii) Freedom of conversion of rural land into urban use, laws to facilitate private development of townships and estates.
- (iv) The active involvement of large industrial units and MNCs in food-processing.
- (v) The present Ministry of SSI & Agro-Rural Industries should be expeditiously renamed the Ministry of Small & Medium Establishments to reflect the new focus.
- (vi) De-reservation and increasing FDI in the SSI Sector.
- (vii) Expedite grant of necessary permission for setting up of good quality hotels with reasonable price Luxury tax and expenditure tax on hotels need to be moderated.

- (viii) Switch to modern retailing, removal of ban on FDI in this sector.
- (ix) Need for emergence of modern and large transport companies.
- (x) In the construction sector, the present bias against large construction firms should be removed.
- (xi) Special Employment Programmes – Pending review, the total resources devoted to these programmes should be held constant at current levels.
- (xii) The Central Government should completely withdraw from the delivery of vocational training.
- (xiii) The Task Force has also recommended reforms in Labour Laws.

Further Developments

12.76 In view of the importance given to foreign capital, increase in the role to be played by multinationals and the emphasis placed on the corporate sector to solve the employment problem, the

recommendations of the Task Force were criticized by the Swadeshi Jagran Manch, Bhartiya Mazdoor Sangh, Khadi & Village Industries Board and many other organizations. The Government intends to create one crore new jobs every year, and according to the critics, jobs on this massive scale cannot be created by following the recommendations of the Task Force.

12.77 Therefore, in order to undertake a review of these recommendations and suggest new ways of generating employment, the Planning Commission has now set up another expert committee headed by Planning Commission Member Dr. S. P. Gupta. The report of this Committee is still not published. But reports that have appeared in newspapers suggest that the new committee is considering an agriculture driven job creation to be placed in the broad policy framework of second generation reforms. The new committee has used the latest census data to estimate the figures of unemployment. It is understood that it is much higher in the new report, at an estimated 10% of the total workforce against the earlier finding of a meagre 2%. If the total work force is 400 million and

the unemployed will account 40 million, it certainly is a massive figure. The new emphasis may be on such sectors in agriculture as watershed development, minor irrigation, fruit processing and many other diversified activities in agriculture. Their subsequent emphasis will be on creating jobs in the small and medium sector of industries.

Suggestions by Social Security and Employment Advisory Panel

12.78 The Govt. of India has appointed a National Commission to review the working of the Constitution of India. This Commission appointed an advisory panel on promoting literacy, generating employment, ensuring social security and alleviation of poverty. This panel, has produced a report after considering various schemes of the Government, the effort of the Government to generate more employment, and the ground realities. It has some suggestions that we should cite.

12.79 After considering the fact that the industrial sector will not be a major source for employment generation and there are limitations for the growth of employment in the services

sector, the Advisory Panel has laid emphasis on the growth of the small and unorganised industrial sectors. Their emphasis is not on creating jobs but on creating conditions that will enable a large number of people to undertake activities on a self-employment basis. As regards rural employment, the panel has laid emphasis on sustained agricultural growth, on both farm and non-farm employment, primary processing of agricultural products, development of rural community assets, encouraging activities like horticulture, floriculture, sericulture and improvement of productivity in agriculture.

12.80 According to this panel, if properly organised, the following rural activities can create an additional 80 million jobs. The panel has given a detailed activity wise break up of generation of such new jobs. The total number of additional jobs that will be created as a result of all the rural activities suggested by the panel is summarised in the Table 12.10

S.No.	Enterprise	Jobs created
1.	Productivity Improvement in Agriculture	7,000,000
2.	Integrated Horticulture	
3.	Floriculture	
4.	Medicinal Plants Production	6,327,000
5.	Production of Seeds and Planting Materials	
6.	Animal Husbandry Programs	13,700,000
7.	Integrated Program of Intensive Aquaculture'	1,117,500
8.	Sericulture	700,000
9.	Afforestation and Wasteland Development	
10.	Soil and Water Conservation	50,000,000
11.	Water Conservation and Tank Rehabilitation	1,000,000
12.	Compost Preparation, Vermiculture and Organic Farming	5,00,000
13.	Establishment of Agro-Industrial Complexes	1,000,000
	Total:	About 80 million Additional jobs

12.81 All these estimates are based on various specific studies which have been undertaken earlier such as estimates prepared by the International Commission on Peace and Food, NDDDB, NCAER etc. These estimates therefore have a sound basis.

12.82 According to the Advisory Panel, operationalisation of this plan through various interventions will result in improved living standard for

the rural poor in terms of nutrition, health and education, by augmenting their income and employment opportunities without seriously damaging the natural resources and environment.

12.83 These recommendations appear practical, and have a practical base. It is worthwhile examining these suggestions seriously in order to prepare a work plan of creating jobs on the massive scale we need.

Is there any alternative model for stimulating growth in employment?

12.84 Where do we go from here? Do we accept the suggestions made by the Advisory Panel appointed by the Constitution Review Committee? Do we wait till S. P. Gupta Committee submits its report? Are there any other alternatives before us?

12.85 We have been able to discuss this subject with many social activists who have been working in different rural areas as also in the informal sector in urban areas to promote growth in employment. They have carried out a number of experiments – some have been successful and some have not been so successful. Nevertheless the experience gained by them may be a good guide to plan for future models of employment growth.

12.86 The Commission is, therefore, presenting a few more ideas for further consideration.

What is the world trend?

12.87 If we consider the general trend of employment in different

countries in South Asia, we find some common features. They can be summed up as follows:

- a. Slow down of economic growth and consequent growth in employment in the unorganised sector
- b. Casualisation of employment in both formal and informal sectors
- c. Non-declining share of the informal sector in the total employment
- d. Stable or rising unemployment rates and persistently high underemployment
- e. Increasing incidence of long-term unemployment
- f. Declining labour force participation rates
- g. Low level of education and skills of labour force

12.88 India is no exception. We have been experiencing similar trends in India during all these years.

12.89 In Table VII on page 10, we have shown that the number of casual workers is increasing while salaried workers are more or less constant and the proportion of self

employed persons is declining. This is in line with the general trend in all the other countries in the region. Casual workers are increasing in both the urban and rural sectors, as well as among both males and females.

12.90 In order to prepare a plan for the growth of employment, one has to identify the sectors in which employment is growing, and those in which employment is not growing.

Contributors to employment growth

12.91 The major contributors to employment in 1999-2000 were agriculture (60%), manufacturing (12%), trade (9%) and community, social and personal services (8%). All these sectors taken together have contributed 89% of total employment.

12.92 In these sectors too one has to distinguish between the organized and unorganised sectors of industry. As for manufacturing industries, large and medium scale units together have contributed to 14% of employment while 86% of employment is in the small scale industries. This is because the SSI sector is more labour intensive. In recent years, with

persistent pursuit of market driven development and increasing emphasis on efficiency of production activities, in the case of large and medium scale industries employment is receding to the background. As a result of globalisation and privatisation there is a general displacement of labour. The technologies adopted in these sectors are mostly capital intensive and these, in their turn result in the displacement of labour.

12.93 Therefore, one can say that the expectation that growth in the industrial sector will be the major source for employment generation has been belied. A GDP growth of about 4.80% was achieved in 1983 to 1986-87. But employment growth during this period was of the order of approximately 1.54%. From 1993-94 to 1999-2000, the average GDP growth was 6.60% to 6.5%. During this period, employment has grown by a mere 0.98%. (Refer Table 12.2). From this it is clear that a mere growth in GDP may not ensure automatic growth in employment. One has to promote employment growth in primary, secondary and tertiary sectors of the economy by pursuing suitable policies and one has to take a conscious decision on

the sectors that should be given further support to promote a higher growth in employment.

Employment growth in small industries sector

12.94 We have already pointed out in an earlier paragraph that there has been virtually no growth of employment in the large and medium sectors of industries. On the contrary, their share has gone down over the

years. Employment elasticity is estimated to be as low as 0.15% in this sector. A large contribution from the small and unorganised sector is likely to raise employment elasticity and employment growth in the manufacturing sector significantly. All these years the small industries sector has been playing a major role in providing employment in the manufacturing sector as can be seen from the following table:

Table 12.11

Employment in small scale industries sector

Year	Employment in million	% growth over previous year
1990-91	12.53	4.77
1991-92	12.98	3.59
1992-93	13.41	3.28
1993-94	13.94	3.97
1994-95	14.66	5.15
1995-96	15.26	4.13
1996-97	16.00	4.84
1997-98	16.72	4.50
1998-99	17.16	2.62
1999-2000	17.85	4.03
2000-01	18.56	4.00

(Source: DCSSI, Govt. of India)

12.95 Thus, employment has been continuously growing in the small sector and this has gone up from 12.53 million in 1990-91 to 18.56 million in 2000-01. There is a cumulative annual growth in employment of 4.19% from 1990-91 to 2000-01.

12.96 The total number of small scale units in the country in 2000-01 was 33.70 lakh, compared to 19.40 lakh in 1990-91; The value of production of small units in 2000-01 aggregated to Rs. 6,39,024 crore; they exported goods worth Rs. 59,978 crore. Thus the small scale sector is an important segment of the Indian economy, accounts for around 95% of industrial units, 40% of the manufacturing sector output, 36% of total exports, and, what is more important, provides direct employment to about 18 million persons. This number is growing every year. At present it contributes about one half of value added and four fifths of the total employment in manufacturing. Thus it is necessary to concentrate on the growth of the small sector, encourage it, create necessary facilities and remove impediments in its progress.

12.97 A number of Committees have been appointed to study the difficulties and problems that small scale industries are facing, the latest being the S. P. Gupta Committee appointed by the Planning Commission. This Committee has made a number of recommendations regarding the availability of credit, improvements in technology, and the marketing of products of small scale industries. The small entrepreneurs have been complaining of harassment by inspectors and the rigidity of labour laws. These apprehensions and difficulties have to be addressed. The SSI sector has proved its competitive ability as seen in the international sector, since it has contributed Rs.59,978 crores in the form of export earnings. While the large corporate sector employed a total number of 67.4 lakh persons according to Annual Survey of Industries (1998-99), the small scale sector employed 171.6 lakh persons in 1999-2000. This number is growing every year and this year (2000) it has gone up to 177 lakhs. (see Table 12.11). Thus this sector has a great scope for providing employment and therefore all efforts should be made to help its growth.

The importance of the service sector:

12.98 Let us look at the potential of the services sector.

12.99 Except a few industries like garments or leather goods which are labour intensive, most of the manufacturing industries are highly mechanised and they employ very few workers. If we look into the shares of

wages and salaries of a wide range of Indian companies both in manufacturing and the service sector, the labour intensity of the service sector enterprises becomes clear. It shows how low labour intensity is in manufacturing and how much higher in services. The following Table 12.12 Wages as percentage of sales shows the position in industrial companies and companies engaged in services.

Table 12.12
Wages as percentage of sales of a few important companies in India
FOCUS ON SERVICES TO CREATE JOB

	INDUSTRIES		SERVICES		
	Apr-Sept 2000	Apr-Sept 2001	Apr-Sept 2000	Apr-Sept 2001	
Tata Steel	13.5	15.3	Mascot	64.4	66.6
Century	12.2	11.2	Systems		
TELCO	9.4	9.3	Digital	37.2	43.4
			Globalsoft		
L & T	8.1	7.7	Satyam	39.3	42.2
Bajaj Auto	7.8	6.6	Computers		
Hindalco	6.6	7.1	E.I. Hotels	26.0	29.2
Grasim	6.6	7.0	Indian Hotels	22.8	22.6
Cipla	4.6	4.8	CMC	22.2	21.5
Hero Honda	3.7	4.1	Wipro	14.1	15.8
Tata Power	3.7	3.4	Varun	13.8	14.1
Zuari Inds.	3.6	3.4	Shipping		
Nirma	2.1	1.9	G.E. Shipping	13.7	11.4
Ispat Ind.	1.6	2.2			

Source: Tushar Mahanti, Eco. Times

12.100 In the above table, among the manufacturing companies labour intensity is highest in Tata Steel, with labour costs 15.3% of sales. By contrast new steel producers like Ispat (2.5%) and Jindal (2.2%) have a far lower labour content. This is because they are employing the latest technology in steel making. Earlier, steel was regarded as a huge employer. But it is no longer so. Compared to manufacturing companies, hotels have more than 22% as wages to sales, Infotech companies have 42% as wages. We refer to this only to point out that the service industry is generally labour intensive and we have to give emphasis on the growth of this sector if we want to promote the growth of employment. The service sector accounted for 49% of our GDP in 2000-01. The share of the service sector has increased sharply from 41.82% in 1980-81 to 49% in 2000-01. This is in a way a good development, and the policy makers have to provide more emphasis on the growth of this sector. The services sector includes trade, hotels and restaurants, banking, transport, communications, insurance and other financial services, real estate, transport & telecommunications,

public administration, defence and quasi govt. bodies etc. While the public administration and quasi govt. services have no scope for further growth, the other sectors in services sector have enough scope to grow.

12.101 The efforts of the Government will have to be to create a congenial atmosphere for the services sector to grow, and to help them to be more competitive.

Urban Informal sector

12.102 So far the policy makers seem to have neglected this sector. This sector comprises very small units producing and distributing goods and services, and mostly consists of largely independent self-employed persons. They employ family labour, operate with very little capital and employ a very low level of technology. This sector is also heterogeneous, and comprises of small scale modern manufacturing and service enterprises on the one hand, and consists of street vendors, shoe shiners, junk collectors, rag pickers, hawkers, rickshaw pullers, small trading and commercial enterprises, repair shops, small time transport operators, roadside dhabas, pan-shops, small

bakeries, food processing units, leather goods manufacturing etc. etc. Employment in this unorganised sector has been of a much higher order than that in the organised sector.

12.103 Table 12.13 shows the share of the unorganised sector in incremental NDP and employment in India.

Table 12.13

Share of unorganised sector in incremental Net Domestic Product (at current prices) and employment in India : 1972-73/1995-96

Period	Share of Unorganised Sector in Incremental (%)	
	Net Domestic Product	Employment
(1)	(2)	(3)
1972-73/77-78	64.5	93.0
1977-78/82-83	65.0	91.0
1982-83/87-88	71.0	91.0
1987-88/90-91	58.0	95.0
1990-91/93-94	59.0	98.0
1993-94/97-98	57.0	-

Source: 1. Govt. of India, National Accounts Statistics, (for various years), CSO, New Delhi.

2. IAMR 1999, Manpower Profile Yearbook, 1999, New Delhi. pp.264-65

12.104 The rate of growth of employment in the organised sector has not only been much lower, but has been declining almost continuously during the past three decades. During the early nineties, 98% of incremental employment that occurred in Indian economy was

in the unorganised sector. However, though it has provided much additional employment in recent years, this sector has been neglected by the policy makers. No special efforts have been made to promote its growth. Most of the workers and entrepreneurs in this sector are

operating at very low economic levels, and quite a large number of them are living under distressing conditions. Most of them are not wanted by urban society, the municipal authorities remove them very often from their places of work, their work places are demolished and their goods are confiscated. Even then they continue to survive under extremely difficult conditions.

12.105 Most of these enterprises in the informal sector operate in an environment where the regulatory framework is poorly defined. While some of them face over regulation, some of them have to depend on the whims of local authorities.

12.106 It is also worthwhile to consider the so called zoning system in Town Planning. Cities are generally divided by Town Planners into commercial, residential, and industrial zones and in a zone only one type of activity is expected to be carried on. For instance, in a residential zone, processing and manufacturing activity is not allowed to be carried on, whereby a large number of undertakings had to be closed down. As a result, many small entrepreneurs are uprooted from their business.

The most striking example was in Delhi. Each residential area can perhaps have enough space for such small tiny manufacturing activity which does not lead to pollution, health hazards and pollution through emission of gases or effluents or noise pollution that affects the quiet to which people are entitled. Activities like IT industry, which do not pollute or create noise, may be allowed in residential areas. Without such liberal provisions, small entrepreneurs will find it hard to start any business and survive. All these relaxations are necessary for carrying on activities in the urban informal sector.

Emphasis on rural sector

12.107 As we have seen we cannot depend on industrialisation alone for creating new jobs. In order to create jobs on a massive scale one has to turn to the rural sector and give emphasis on agriculture, and allied occupations including agri business and processing.

12.108 The International Commission on Peace and Food (ICPF) that was set up under the chairmanship of Prof. M.S. Swaminathan undertook a study

on how to eradicate poverty and unemployment in India (1991). It has come out with a strategy to generate 100 million new jobs in India by the year 2000. This report was presented to the then Prime Minister Shri P.V. Narasimha Rao and the Planning Commission. The scheme was incorporated in the Eighth Five Year Plan and a Small Farmers Agri Business Consortium (SFAC) was constituted. But somehow this idea was not pursued further, and lost its appeal. It is necessary to revive this plan, re-work it in the context of new developments and pursue this strategy with some modifications.

Management of Water

12.109 We had occasion to discuss the subject of water management with a few non-Government organisations in Maharashtra. All of them have made successful experiments in utilising common water resources of the community and its equitable distribution among the rural communities. Most of our agriculture is rain fed, and has to depend on the vagaries of the monsoon. As a result, farming is not sustainable, and yields very poor returns. Therefore, during the off season, farmers have to go

out of the villages seeking jobs. The Green revolution which took place, comparatively in a small area of the country, seems to have become unsustainable over a period of time because of heavy dependence on excessive use of water, chemical fertilizers and pesticides. Therefore, these NGOs advocate and practice water management on a scientific basis, organic farming, and low capital intensive agro-processing, and organise training programmes on these subjects for the benefit of rural communities. They have initiated community - managed land water programmes at the micro level. They believe that the village community has a right over village water resources, and it must be ensured that they are distributed equitably among all the families in the village. As a result every family gets a share in the water resources of the village, and each one is assured of a certain fixed income from such irrigated farming. This has made farming become profitable and has resulted in reverse migration from cities, in certain cases. These efforts made by Pani Panchayat in Maharashtra are commendable, and we would suggest that the Government study and promote them wherever possible.

Similar experiments have been carried on by Anna Hazare and Gram Gaurav Pratisthan in Maharashtra, Forest Revival and Water Harvesting by Tarun Bharat Sangh in Rajasthan, and by the Water Conservation Mission in Andhra Pradesh. A large area of farm lands in the country do not have an assured supply of water. If village water is conserved properly and if its equitable distribution is assured, it will go a long way in improving our farming as well as the condition of our rural communities. It will also lead to better employment levels in the rural areas.

Other Activities related to Agriculture

12.110 There are a number of other activities which are related to agriculture and which can be undertaken in rural areas. We are mentioning them without going into details.

- a. Productivity Improvement in Agriculture such as efficient use of fertilizers, soil health care, realignment of cropping patterns, water management including drainage etc.

- b. Integrated Horticulture
- c. Floriculture
- d. Medicinal plant production
- e. Production of seeds and planting materials
- f. Animal husbandry programmes
- g. Integrated program of intensive aquaculture
- h. Sericulture
- i. Wasteland Development
- j. Soil conservation
- k. Water conservation and Tank Rehabilitation
- l. Compost preparation, vermiculture and organic farming
- m. Establishment of agro-industrial complexes
- n. Development of rural infrastructure e.g. roads, health services, schools, etc.

12.111 All these are agriculture based activities, and if organised properly, likely to result in the creation of jobs on a large scale. We have not gone into details since these activities are well known, and need no description.

Forestry Sector and Forest Workers

12.112 The forestry sector holds large potential for creation of employment in dispersed and remote areas where soil and climatic conditions are not too adverse. These include forested areas, hilly areas, barren lands and also community lands including village forest lands, river/canal/embankments, roadside plantations etc. Besides, there is a large potential in agro-forestry on private agricultural holdings and also private sector plantations on Government lands lying barren/wastelands. Apart from the obvious benefits of employment generation and its consequential impact on poverty, spin-offs in terms of soil conservation, environmental protection, raw material supply for industries, ground-water replenishment etc. all have long term benefits for development and quality of life of the people, particularly those inhabiting areas around forests.

12.113 So far the main effort in the forestry sector has been State sponsored under various programmes administered by Ministries/Departments of Environment and

Forests, Rural Development, Agriculture etc. at the Central and State levels. The overall budgetary allocations under the State sector for various programmes are not commensurate with the size and magnitude of the problem of dealing with maintenance and sustenance of India's vast forest wealth as also the need to create employment and purchasing power for the people who inhabit these forest areas. Besides, the importance of forest produces in subsistence economies by way of providing nutrition, food security in lean seasons, source of supplementary incomes and range of household items from fodder for livestock, fuelwood to construction material, medicinal plants and so on can not be over emphasized.

12.114 A new thrust for the creation of employment that can be undertaken over and above the programmes run under the aegis of the State would obviously include large-scale private investment in forestry and promotion of agro forestry on agricultural land. While the latter is being attempted for quite sometime, and has had some success, specially in the plains of Northern India where one can often

find rows of trees planted for fuelwood and other purposes along the partitions separating holdings, this is not very much prevalent in other parts of the country. While the State needs to encourage the promotion of activities in these areas, the issue of private sector investment in forestry needs to have a relook in spite of the failure of many companies which were promoted a few years ago for this purpose. One area that would need particular attention is that of the legal provisions that exist at present. The Forest Conservation Act, 1980 defines any area as forest which has been declared so, or which would qualify to be categorized so, if it has any coverage of trees and forest growth even though the land may not have been declared as forest land. The survey and settlement records in many States carried out during 1960s and 1970s categorised vast expanses of fallow land owned by the State as having bushy forest growth though these came under the control of the State Revenue Departments. Even if these lands are not suitable for agricultural operations, the States are unable to lease these lands because the Forest Conservation Act precludes any commercial activity on such lands. Though very often these lands

do not have any canopy cover but some undergrowth or bushes in some areas, these are deemed to be forest lands. It is difficult to appreciate the rationale of not allowing any commercial activity on such lands when such plantations are going to remain standing at least for 20 odd years before these can be harvested. When the State is unable to fully look after the lands classified as forest land and under the direct control of the State, there is perhaps need to review the provisions of the Act and its implications in respect of such private activities which would ensure that the areas would have canopy cover for medium term conferring benefits of soil and moisture conservation, groundwater recharging, arresting of monsoon run off, biosphere improvement benefiting surrounding agricultural lands etc. apart from the creation of direct employment during the initial years and subsequently for watch and ward etc. Other benefits would include fodder, fuelwood from fallen branches etc., which have considerable implications for the surrounding population.

Village Industries

12.115 We are told that in China rural

enterprises have played a great role in modernising the rural communities. It has been reported that China has been able to bring down the percentage of people dependent on land from 70% to 45%. The Township, Village and Private (TVP) enterprises sector has become the most dynamic sector. It accounts for 40% of the country's industrial employment, more than a quarter of its output and almost a third of its exports. It is worthwhile to study the organization of these enterprises, the progress made by them and the types of products manufactured and marketed by them. Perhaps we may be able to benefit from their experience.

Importance of rural sector

12.116 For generating employment the main emphasis has to be on the rural sector, and agriculture. We have a total number of 260 million persons (with 193 million in rural areas) below the poverty line. They do not have economic access to food and many of them do not get food two times a day. When high growth levels are led by exports and the service sector, the impact on poverty levels is minimal or even negative. But if the growth rate is based on high growth rate in the

primary and secondary sectors, the level of poverty as well as the disparity between rural and urban areas comes down.

Skills Development

12.117 For promoting the growth of employment, special skills have to be developed, and for this, training programmes have to be organized at different levels. This subject has been dealt with in a separate chapter and therefore, we do not propose to go further into it here.

Emphasis on self employment

12.118 However, there are two aspects of the problem one must emphasise. At present, in rural areas there is a dominance of casual workers and self employed persons who are in large numbers. This is likely to continue for some time to come. New economic changes will provide more opportunities and not enough jobs. Therefore, one has to take advantage of the opportunities. Both in urban and rural areas, there may not be an impressive rise in wage employment but there will probably be enough scope for self employment. The emphasis,

therefore, has to be not on wage jobs but on creating self employed persons or entrepreneurs. The entire system of training and education will have to give emphasis on the development of entrepreneurship.

No one in charge of Employment Promotion

12.119 While we were discussing the subject of employment promotion with various Government officers, we came across the fact that there was no Ministry or Department specifically responsible for executing plans for the growth of employment and supervising their implementation. The Planning Commission, generally undertakes a study, prepares a plan for employment growth. Then different departments of the Government prepare their own schemes, and execute them. There are a large number of such Government sponsored programmes. The Ministry of Labour deals with employment, as far as questions in Parliament are concerned. It collects information from different departments and prepares replies to questions to be answered in Parliament.

12.120 We do not think that this arrangement is satisfactory. While the Planning Commission may continue to prepare plans for promotion of employment sectorwise, the actual execution of these schemes should be the responsibility of a Ministry in the Government of India. The obvious choice seems to be the Ministry of Labour. Unless there is someone responsible, there will be no initiative, no diligent execution and no monitoring. We recommend that the Government consider this suggestion.

SUB SECTORS

TRAVEL AND TOURISM

12.121 There is general awareness that the travel and tourism industry has great potential in the country for generating jobs. This is particularly so because a large part of the potential in the country has remained untapped. Jobs generated in this sector have relatively small gestation periods, are less capital intensive, and are likely to be spread to all areas in the country and across various categories of establishments, thus allowing more equitable distribution across the regions and covering

employees with varying levels of skill and training. It also provides scope for women and young people to make their mark. It can result in spin-offs like revitalisation of arts and crafts, including the performing arts.

12.122 Employment figures since the beginning of the New Economic Policy and the projections in the medium term are given in Table 12.14

(Employment in Million)

Employment	1989-90	1995-96	2000-2001	2003-04	2006-07
Direct	2.65	10.65	17.31	22.50	27.50
Indirect	3.60	14.48	23.54	31.50	38.50
Total	6.25	25.13	40.85	54.00	66.00

12.123 The strategy adopted for realising the potential during the current plan has been to establish necessary coordination with all the relevant agencies and benefit from the emerging synergy. The specific components of development activity which are under way include infrastructure development, product development and diversification, promotion of entrepreneurship and self employment, human resources development, promotion and marketing thrust etc. The Tenth Plan strategy involves encouragement of private and public partnership with the Government playing the role of active facilitator. Marketing of destinations and brand building are to be the key

components for promoting tourism. Specific development initiatives include development of Mega tourism resorts, targeted approach towards development of tourism circuits, and promotion and marketing initiatives. A comparative picture of travel and domestic industry in India and selected East/South East Asian countries between 2001-2011 based on domestic satellite tourism accounts compiled by the World Travel Tourism Council and published in August, 2001 are given in Appendix-I.

12.124 Government initiatives so far, in practice have had a bias for the development of the 'organised' sector of the high end of the tourism

and travel industry particularly oriented towards maximizing foreign tourism in India. Promotion of domestic tourism has mostly been taken up by the State Govts. based on their own resources. Development of the low-end sector of the travel and tourism industry has been largely in the hands of small enterprises/businesses, and mostly confined to pilgrimage and other commercial/industrial centres for catering to the movement of religious tourists/job seekers. Human Resource Development of the persons engaged in the low end sector has not been under focus. We have to give attention to this segment so as to enhance a value addition which would result in higher realisation of the potential.

IT INDUSTRY

12.125 The Information Technology and IT enables industry and particularly developments in the field of telecommunication, the Internet revolution and associated technological developments are bringing about rapid, informative and significant changes in different aspects of human life. In all sectors of human existence and activity,

healthcare, communication, trade, manufacturing services, entertainment, education, research and so on, information technology and IT industry have been in the forefront of profound changes. It is expected that the pace would only quicken in the coming years and the country can profitably make use of its experience especially in the software segment, to make significant gains in the world scene.

12.126 The present estimated number of IT professionals in the country is 5,22,000, of which nearly 1,70,000 are in the IT software services export industry and 1,06,000 are working in the IT enabled services, and 2,20,000 in user organizations. For the next four years till the end of 2005, NASSCOM (India's National Association for Software and Services Companies) projections reveal a shortage of nearly 5,30,000 knowledge professionals assuming optimum growth in industry avenues. The present level of about 1,06,000 personnel employed in the IT enabled services, is, according to another study by NASSCOM – MCKINSEY, likely to grow and provide employment opportunities for ten times the number by 2008. The

domestic sector also offers a large potential for all such services with improvement in the infrastructure like assured electricity, better communication links etc. and spread of the IT boom to farthest corners of the country. The IT sector which expanded from Rs.5,450 crore (US\$1.73 billion) in 1994-95 to Rs. 64,200 crore (US\$13.5 billion) in 2001-02 with its share in GDP from 0.59% in 1994-95 to 2.87% in 2001-02 can achieve a growth in the medium term. With the recession in the US economy coming to an end by the last quarter of 2001-02, there is likely to be further growth in the IT sector in the coming years. The projected volume of IT software and service sector achieving an annual revenue of US \$ 87 billion by 2008 may require at least three million additional knowledge workers in the next six years and one third being required exclusively for catering to the demand from other countries of the world. The projected magnitude of the employment potential is of great importance, but the more important consideration would be the quality of knowledge workers which would decide the fate of the industry in India over the medium to longer terms. Concerted action is required to sustain efforts of a magnitude

commensurate with our potential and the place that India has secured in the forefront of the Information Technology/Knowledge economy globally.

HEALTH CARE SEGMENT

12.127 The health care sector is also another area which offers considerable potential for the creation of sustainable jobs throughout the length breadth of the country. Presently, there is no reliable mechanism to provide accurate data with regard to the deployment of various paramedical professionals. In the absence of such data, no firm policy can be evolved for the development and equitable distribution of paramedical staff. This is especially so since there is no statutory Council services except in respect of nursing and pharmacy. The Ministry of Health is aware of the problem and the approach paper of the Working Group on Human Resources for Health for the Tenth Five Year Plan recommends remedial measures. The country would need more than 1.5 lakh paramedical personnel by the year 2007 over and above the projected availability of over 17.76 lakh persons in 2002. Besides, the Government approach

for catering to the health needs of the rural population suggests a pool of medical practitioners which needs to be extended to include a cadre of licentiates of medical practice (LMPs) as also the practitioners of Indian Systems of Medicine and Homoeopathy to provide alternate cost effective avenues of medical services. Similarly, in areas where there is an acute shortage of doctors, qualified nurses and mid-wives can be permitted to render simple primary health services. These people need to be provided with basic adequate training and their performance can be monitored through professional councils.

12.128 With increasing affluence leading to changes in the lifestyle and health and the health concerns associated with the stress and strain of urban life, there is also going to be a large increase in the requirement for medical services in the urban areas. This is further compounded by the increase in population and migration. There is substantial scope for increase in employment in sectors like psychiatric counselling, fitness professionals and nutritionists etc. which would call for extended initiatives in catering to the demand

for personnel in these areas. In the high end segment of medical services too there is considerable scope for expansion of services and employment potential not only for catering to the relatively affluent sections of society but also for meeting the demand of such services from the neighbouring countries.

12.129 The manpower available in the health care sector in the rural areas in the country shows a huge shortfall in the personnel levels which run to over 1.60 lakhs medical and paramedical personnel. Given a very low ratio based on which the norms for requirements of personnel have been laid down, there is considerable scope for absorption of medical and paramedical personnel for catering to the backlog and expanding requirements of this sector. With increasing growth and availability of resources both with the population and the Government, there is going to be a significant expansion of healthcare and employment potential in the medium to longer term. An integrated approach in this matter needs to be drawn up with a medium to longer term perspective which would generate both quality employment and improvement in the quality of life of the people.