

016 - LABOUR ECONOMICS

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REFERENCES:

1. Sharma. A.K., —Labour Economics, Anmol Publications Pvt Ltd, New Delhi.
2. Sexana. R.C., —Labour problems and Social welfare – K.Nath and Co, Meerut.
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UNIT I INTRODUCTION

MEANING OF LABOUR

Labour is the act of mental and physical activity on some work for some monetary benefits. Any work or services rendered by the professionals such as doctors, engineers, teachers etc are all included in the labour. Alternatively, any activity done with the intention of happiness or pleasure or doing any art work for hobby will not count in labour. Otherwise, if the art work is sold out for some consideration, then the same will be called as labour. S.E.Thomas defines as "Labour connotes all human efforts of body or mind which are undertaken in the expectation of reward."

In economics, labour (or labour) is a measure of the work done by human beings. It is conventionally contrasted with such other factors of production as land and capital. There are theories which have created a concept called human capital (referring to the skills that workers possess, not necessarily their actual work), although there are also counter posing macro-economic system theories that think human capital is a contradiction in terms.

LABOUR AS FACTOR OF PRODUCTION

Human efforts done mentally or physically with the aim of earning income is known as labour. Thus, labour is a physical or mental effort of human being in the process of production. The compensation given to labourers in return for their productive work is called wages (or compensation of employees).

Land is a passive factor whereas labour is an active factor of production. Actually, it is labour which in cooperation with land makes production possible. Land and labour are also known as primary factors of production as their supplies are determined more or less outside the economic system itself.

Capital:

All man-made goods which are used for further production of wealth are included in capital. Thus, it is man-made material source of production. Alternatively, all man-made aids to production, which are not consumed/or their own sake, are termed as capital.

It is the produced means of production. Examples are—machines, tools, buildings, roads, bridges, raw material, trucks, factories, etc. An increase in the capital of an economy means an increase in the productive capacity of the economy. Logically and chronologically, capital is derived from land and labour and has therefore, been named as Stored-Up labour.

Entrepreneur:

An entrepreneur is a person who organises the other factors and undertakes the risks and uncertainties involved in the production. He hires the other three factors, brings them together, organises and coordinates them so as to earn maximum profit. For example, Mr. X who takes the risk of manufacturing television sets will be called an entrepreneur.

An entrepreneur acts as a boss and decides how the business shall run. He decides in what proportion factors should be combined. What and where he will produce and by what method. He is loosely identified with the owner, speculator, innovator or inventor and organiser of the business. Thus, entrepreneurship is a trait or quality owned by the entrepreneur.

Some economists are of the opinion that basically there are only two factors of production—land and labour. Land they say is appropriated from gifts of nature by human labour and entrepreneur is only a special variety of labour. Land and labour are, therefore, primary factors whereas capital and entrepreneur are secondary factors.

TYPES OF LABOUR

- Human capital
- Housework
- Manual labour
- Slavery
- Unfree labour
- Volunteer
- Wage slavery
- Wage labour

CHARACTERISTICS OF LABOUR

Labour has some characteristic features. They are:

1. **Labour is Perishable** - Labour is highly perishable than the other factors of production. They cannot be warehoused. They cannot be postponed or accumulated for the next day. Once the time is lost it is lost forever.
2. **Labour cannot be isolated from the labourer** - Any other factors of production can be separated but not labour from labourers. Labour and labourers are indispensable for each other. For instance, it is not possible to bring the ability of a teacher to teach in the school, leaving the teacher at home.

3. **Less mobility of labour** - when compared to capital and other goods, labour is less mobile. Capital can be mobilised from one place to another and labour cannot be transported from one place to another easily. A labourer may not be ready to go off places leaving his native place.
4. **Work bargaining power of labour** - It means, the ability of buyer to purchase articles at least price and that of seller to a higher price is called work bargaining power. A labourer sells his labour for wages and the employer buys by compensating money. Mostly labourers have poor bargaining power since they are weak and poor whereas employers are comparatively having high bargaining power for hiring labourers.
5. **Inelastic supply of labour** - In any particular time period, the elasticity of supply is inelastic in any nation. It means their supply can neither be raised nor subsided. They cannot be made to order like other goods.
6. **Labourer is a human being and not a machine** - Each and every labourer has his own likes and dislikes. They should not be hurt for they have feelings. Also they cannot work 24 hours a day and 365 days a year. We cannot become owner for a labourer is the actual sense.
7. **Increase in wages may reduce the supply of labour** - In the event if the wages are high, the whole family members are to work for their living. On the other hand if the wages are high, then only one family member may work and hence the supply reduces.
8. **Difficult to find out the cost of production of labour** - It is difficult to ascertain the cost of labour done by a labourer since it is based on his efficiency, experience, human morale. Also if the labour is a professional, it is not easy to ascertain his cost of production such as clothing, education, food etc.
9. **Labour creates capital** - Capital which is considered as a separate factor of production, is in reality is the result of reward for labour. He earns property out of production. Therefore, capital is formulated and accumulated by labour. It is evident that labour is more important in the process of production than the capital since capital is the outcome of the labourers' labour

RURAL VS URBAN LABOURS

India is a land of villages as around two-third of the total labour force in the country lives in rural areas. Wage paid employment is the main source of their livelihood. It has been the endeavour of the Government of India to alleviate poverty, particularly in the rural areas,

by formulating and implementing various target oriented anti-poverty rural development programmes. The IMF reports that 63 percent of the world's impoverished live in rural areas. Education, health care and sanitation are all lacking in rural environments. This causes many of the rural poor to move to cities, which often leads to a rise in urban poverty.

The ILO Rural Labour Statistics Collection on ILOSTAT, which includes indicators for women and men in rural areas, helps to describe and understand the types of work performed in both farm and non-farm jobs and their rural labour-related characteristics. In 2010 the Department of statistics, which is responsible to compile and disseminate the full range of labour statistics produced in ILO member States, began an examination of international repositories of official labour statistics covering rural and urban areas, for the availability of data and definitions. As a result of this ILO Rural Initiative and more extensive data collection under the ILO's area of critical importance (ACI) on the promotion of decent work in the rural economy, the statistical activities completed to date are:

- In-depth inventory of current definitions of rural/urban used at the national level
- List of best practices used by international organizations in defining rural/urban areas
- Review of best practice methodologies for imputing & harmonising data in cross-country datasets
- Proposed methodology for obtaining global/regional employment, unemployment and labour force estimates by rural/urban breakdowns (NOTE: Given findings regarding important differences in definitions of rural/urban across countries, ILO does not intend to implement the methodology at this time.)
- A set of statistical variables and key decent work indicators disaggregated by rural/urban (and other dimensions to the extent possible, such as gender and/or age) for over 100 countries.

Documented rural labour statistics are a requisite tool to support national development plans to ensure that economies (both developing and industrialised) progress in a sound, more geographically balanced manner. Beyond the agricultural sector, rural labour statistics cover more than the conventional presentation by sector of economic activity, which distinguishes agricultural activities from other activities. The agricultural sector has long served as an approximation for rural labour. However, labour statistics that cover all types of work activities, including agriculture, according to their urban or rural location better help to assess the full contribution of rural areas and rural workers to national development. They also better reflect the rural dimensions needed for decent

work, and can lead to improving rural labour markets and the lives of rural workers. Some challenges for producing rural labour statistics that have emerged regard the need to define the concept of “rural” for statistical purposes. This is to ensure that countries collect relevant data, and that rural labour statistics become mainstreamed and comparable.

The ACI on the promotion of decent work in the rural economy aims at providing decent work for all towards sustainable, inclusive and thriving rural economies. Rural Decent Work, helping to ensure the spread of Decent Work to rural areas and rural workers, relies on rural labour statistics compiled, produced and analysed regularly. These will help develop the capacity of constituents and other stakeholders to promote full and productive employment and decent work that fosters sustainability and inclusiveness in rural economies and empower rural communities to realize their aspirations. These statistics provide a better foundation to design, implement, monitor and assess rural development programmes - as an integral part of national development plans. Developing and disseminating rural statistics is a necessary step towards a comprehensive “stocktaking of the nature, magnitude and changing patterns of rural employment in the world, with a particular focus on developing countries” as called for by ILO member States and reflected in the ILO's Rural Employment and Decent Work Programme .

Develop and build capacity for labour force surveys to disaggregate by rural-urban, through the Department of Statistics' technical cooperation and training activities. This will assist countries to enhance their capacity to collect relevant rural and urban labour statistics that account for all of the rural specificities to support the development, implementation, monitoring and evaluation of national policies and programmes for rural development.

Carry on developmental research to define “rural area” for statistical measurement purposes. The different criteria used to classify areas as rural or urban may be based on population, on infrastructural characteristics or other variables. Also, capacity building for a multi-faceted development goes beyond monitoring the concept of rural employment, to monitoring all rural work. The concept of total work includes the production carried out as unpaid household service work and as volunteer work inside the General Boundary of the System of National Accounts, beyond the economic activities measured by the concept of employment.

The ILO Rural Labour Statistics Collection covers over 100 countries and can be accessed through the ILOSTAT Database , with the following indicators available:

In the section "Yearly indicators" (indicators now collected on a yearly basis by the Department of Statistics)

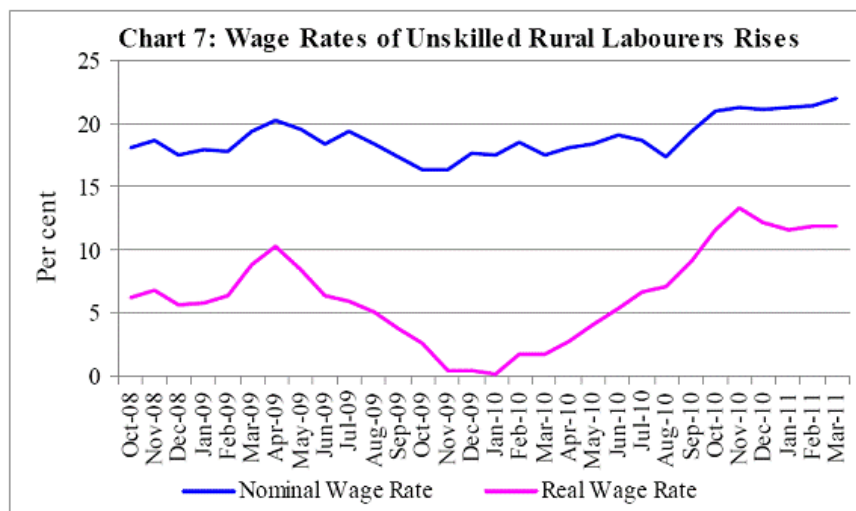
- Working-age population
- Labour force and labour force participation rate
- Employment and employment-to-population ratio
- Unemployment and unemployment rate

In section "Special collections" (indicators collected on a one-time or irregular basis)

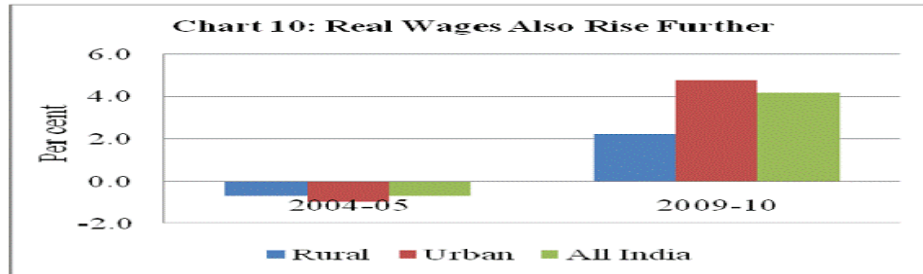
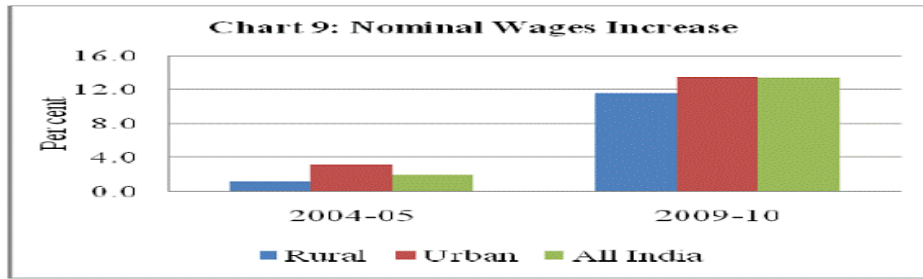
- Estimates and projections of the total population
- Poverty gap at national poverty line and at rural poverty line
- Poverty headcount ratio at national poverty line and rural poverty headcount ratio at rural poverty line
- Share of active contributors to an old age contributory scheme (% of employment)
- Share of population above statutory pensionable age receiving a contributory old age pension
- Average weekly hours actually worked per employed person
- Average hourly earnings of employees

The metadata is disseminated alongside the data to indicate the data source, coverage and definitions, including the criteria used to define rural/urban areas. Statistics were harvested from National Statistical Offices' website as well as international repositories.

As per the NSSO surveys (61st round and 66th round), nominal wage rates of skilled workers in both rural and urban areas increased much faster in the second half of the 2000s than in the first half. While the real wage rates declined in the first half, it increased significantly in the second half



of 2000s.



AGRICULTURAL LABOURS

Agricultural Labour in India Ranjan Kumar Som In a developing economy the change in the pattern of employment indicated by a fall in the number at agricultural labourers and labour households should be welcome unless the erstwhile agricultural labourers shifted to less productive jobs or were rendered unemployed. It is possible that among agricultural labourers those who were comparatively better off readily took the opportunity to shift to better occupations. But the supply of agricultural labour being still far in excess of demand, the wage rate failed to rise as a result of the reduction in the total number of agricultural labourers, This is, of course, a hypothesis but some indirect evidence in support of it is found in the fact that the number of land-holding agricultural labour households fell, while that of non-landholding households increased. Further, increase in the number (and proportion) of child labourers, the decrease in the extent of self-employment and the comparatively higher net income of the non-landholding households all this may be construed to confirm the assumption that the comparatively better off among agricultural labourers have shifted to other occupations.

Agricultural labour constitutes, numerically, the most important single element among the gainfully employed population in India. It is also the poorest. The first Agricultural Labour Enquiry was conducted by the Ministry of Labour in 1950-51 to probe the economic condition of agricultural labourers. The second Enquiry was conducted in 1956-57 by the Ministry, through the agency of the National Sample Survey in the 11th and 12th rounds (August 1956-August 1957) A Working Party consisting of representatives of the Ministry of Labour and Employment, the National Sample Survey Directorate, the Central Statistical Organisation, and the Indian Statistical Institute was responsible for planning the survey. It

made some improvements in methodology of the survey, including the sample design. The concepts and definitions were pretested in the course of a Try-out on Agricultural Labour Enquiry in April-May 1959 conducted in 24 sample villages spread over 15 (pre-reorganization) Sates. The definition of an agricultural labour household adopted for the second ALE was operationally different from and more convenient than that used in the first ALE. In the first ALE, a household in which either the head of the household or 50 per cent or more of earning members reported agricultural labour as the main occupation was deemed to constitute an agricultural labour household. In the second ALE, a household deriving 50 per cent or more of its income (after imputing the value of home-grown and self-consumed products) from agricultural labour was defined as an agricultural labour household. The Try-out on Agricultural Labour Enquiry revealed that the two definitions were co-terminus. All households which were classified as agricultural labour households according to the definition used for the second Enquiry also fell within the scope of the definition used for the first Enquiry. The criterion of earnings to determine the occupation of the household was also adopted in the 1951 Census and later National Sample Survey rounds. The days of work spent in different types of activities — agricultural wage employment, non-agricultural wage employment, self-employment, unemployment and activities outside labour force — were recorded separately under suitable "intensity"-of-employment classification along with the normal length of a full working day and the normal hours of work for the activity in the locality. The days of work were calculated after assigning proper weightage to part-employment. In the event of a person having more than one activity during a day, the activity which occupied him the longest was deemed as the major activity and the other activities as minor activities. THE SAMPLE A two stage stratified sampling design was adopted in both the surveys, the villages being the first-stage unit and the sample agricultural labour households, the second-stage unit. The selection of the sample villages was done with equal probability in the first ALE and with probability proportional to the 1951 Census population in the second ALE. Within the selected villages, a number of sample households was chosen with equal probability in the first ALE and systematically with a random start in the second ALE. About 11,000 agricultural labour households in about 800 villages supplied information in the first ALE. The corresponding figures were about 21,000 households in about 4,700 villages in the second ALE. In the first ALE, the same set of households was to be visited every month for a period of 12 months and the annual data were to be built up from these monthly data. This led to difficulties since a number of households either left the village or were not available for interrogation during most months of the year. Consequently, the

"universe" with which the Survey began changed considerably by the end. Also, the non-sampling biases are likely to be more if such a procedure is adopted, in the second ALE, the sample households were uniformly spread over time and the monthly data collected were inflated proportionately to give annual estimates. In the first ALE the data were collected by an ad hoc staff. In the second ALE the task was entrusted to the regular staff of the NSS. The comparison made below of results of the two surveys assumes that the quality of data was similar in both surveys. This remains to be examined. The reliability of estimates was calculated in the first ALE by the usual method of "standard error"; in the second ALE, although "standard error" were calculated for some items, the margin of error was calculated directly, and more cheaply, from the estimates for the four sub-samples into which the full sample was divided. The probability that the "true" value would lie between the minimum and maximum of the four values is $1-(\frac{1}{2})^3$ or 7 in 8. The proportion of agricultural labour households, with and without land, to the total rural households in the two surveys is given in table 1. The number of households was calculated in the second ALE on basis of the projected population and the average household size for the same period, obtained from the NSS. While the number of rural households increased

INDUSTRIAL LABOUR

Meaning: It refers to all those workers, who are employed in manufacturing units, i.e., the workers employed in large scale, village & small scale industries are considered industrial labour in general sense.

Characteristics:

- 1) **Illiteracy:** A large proportion of industrial workers in India are illiterates & ignorant. So they cannot understand the problems confronting the economy in general & industries in particular. They do not even understand their own problems.
- 2) **Lack of Discipline:** There is no discipline among the industrial labours in India. Indiscipline, absenteeism without any reasons. Moving from one job to another etc, are very common.
- 3) **Majority Characters:** Industrial labour in India is migratory in character. Most of the laborers in industries are drawn from villages & are eager to return to their homes during their busy agricultural seasons.
- 4) **Lack of Organisations:** The industrial labour in India is not united, but is divided & sub-divided on the basis of language, region, caste, etc. They are unable to organize themselves. Consequent upon that most of the trade unions are controlled by outsiders.

- 5) **Low Efficiency:** The efficiency of industrial labour in India is very low. Their productivity is also very low. Lack of education, training, research medical facilities, etc, are reasons for low productivity.
- 6) **Poverty:** The industrial labours in India are very poor. Their salary, standard of living & productivity are very low. They are unable to generate interest in their work because of poverty.
- 7) **Superstitions:** Most of the industrial labour in India are superstitions & tradition – bound. They believe in fatalistic & Meta physical things. They have irrational outlook.
- 8) **Large Scale Absenteeism:** It is another important feature of industrial labour. They remain absent without any reason.
- 9) **Ignorant of Roles & Regulations:** A good proportion of our industrial workers are ignorant of rules & regulation.
- 10) **Bad Habits:** The industrial labourers in India are addicted to bad habits. They are involved in unhealthy practices. As a result, their efficiency & mental discipline are badly affected.

ORGANIZED AND UNORGANIZED LABOR IN INDIA

In India, a major chunk of labor force is employed in the unorganized sector. The unorganized / informal employment consists of casual and contributing family workers; self employed persons in un-organized sector and private households; and other employed in organized and unorganized enterprises that are not eligible either for paid, sick or annual leave or for any social security benefits given by the employer.

According to the results of the National Sample Survey conducted in 1999-2000, total work force as on 1.1.2000 was of the order of 406 million. About 7 % of the total work force is employed in the formal or organized sector (all public sector establishments and all non-agricultural establishments in private sector with 10 or more workers) while remaining 93% work in the informal or unorganized sector. The NSS 55th round, 1999-2000 also covered non-agricultural enterprises in the informal sector in India. As per that survey, there were 44.35 million enterprises and 79.71 million workers employed thereof in the non-agricultural informal sector of the economy. Among these 25.01 million enterprises employing 39.74 million workers were in rural areas whereas 19.34 million enterprises with 39.97 million workers in the urban area. Among the workers engaged in the informal sector, 70.21 million are full time and 9.5 million part times. Percentage of female workers to the total workers is 20.2 percent.

The table below describes major employment trends for the organized and unorganized sector for the years 1983, 1987-88, 1993-94 and 1999-2000. It is evident that throughout this period a large portion of the workforce in India is found to be employed in the unorganized sector. Out of 397 million workers in 1999-2000, it is estimated that 369 million workers (nearly 93 per cent) are employed in the unorganized segment of the economy whereas only 28 million workers (7 per cent) are engaged in the organized sector.

The share of unorganized employment in the economy has displayed remarkable steadiness over the years. The share of informal employment has risen from 92 per cent (nearly 276 million out of 300 million) in 1983 to 93 per cent in the 1999-2000. It is clear that employment opportunity in the organized sector has remained more or less stagnant, showing only a marginal increase from 24 million in 1983 to 28 million in 1999-2000.

The largest numbers of informal workers are in agriculture. In fact, 98.84 percent of the employment in agriculture is informal. In the non-agricultural sector, the highest numbers of informal employees are in retail trade, construction, land transport, textiles etc.

Thus, the unorganized sector plays a vital role in terms of providing employment opportunity to a large segment of the working force in the country and contributes to the national product significantly.

Estimates of population, labor force, employment and un-employment (in million)

	1983	1988	1994	1999-2000
Estimated population	718.21	790	895.05	1004.1
Labor force	308.64	333.49	391.94	406.05
Employed	302.75	324.29	374.45	397
Unemployed	5.89	9.2	7.49	9.05
Unemployment rate (as % of labor force)	1.91	2.76	1.96	2.23
Employment in organized sector	24.01	25.71	27.37	28.11
Employment in unorganized sector	278.74	298.58	347.08	368.89

The contribution of the unorganized sector to the net domestic product and its share in the total NDP at current prices has been over 60%. In the matter of savings the share of household sector in the total gross domestic saving mainly unorganized sector is about three fourth. Thus unorganized sector has a crucial role in our economy in terms of employment and its contribution to the National Domestic Product, savings and capital formation.

LABOUR ECONOMICS

INTRODUCTION:

This unit has been prepared to acquaint you with the Conceptual aspects of labour economics, that is its meaning scope and importance in the Industrial sector in general, and in developing economies in particular. Labour economics is a very important subject of recent origin.

Economic development poses a challenge to the principal partners in the progress of the State, the employers and the worker. The basic aim of all these should be to keep the Tempo of development. This inevitably calls for the degree of concerted efforts. How far such concerted efforts will be forthcoming depends upon the way of society chosen to organise its development endeavour, and how the different partners feel committed to its success. Normally labour would be the weakest partner though perhaps, it is the most important and the role it plays will be largely determined by how it reacts to the roles of the other two.

It is common knowledge that the worker who are Underaged or the poorly housed or who carry worries, would be less efficient. Labour welfare is not a charity. Creating more satisfying working conditions and living conditions for the men and women employed in the industry increase the sense of worker involvement in the objectives of the enterprise and motivates them to put forth their best in the interest of the development of the country welfare. If employee and efficient production of goods and services have been rightly regarded as among the social responsibilities of the industry and state. And that is the need of labour economics which studies the problems, solutions and development of labour in the economy.

Labour economics look out to recognize the dynamics and functions of the **markets** of labour. The **labour market** function is by the interaction and dealing of employers and workers. **Labour economics** tries to understand the result pattern of income, employment and wages by looking at the workers or employees and the employers. According to **economics labour** is the measurement of the work that is done by the human beings. Usually, there is dissimilarity in **labour economics** and other aspects of production such as capital and land. The concept of **human capital** is developed by some economic theories. **Human capital** refers to the skills that workers have, this is not necessary that this is their genuine work. There are some theories of **macroeconomics** system and according to these counter posing theories human capital has contradicted terms. In **labour economics** we study that how the labour services suppliers (**workers**) are distributed in the **jobs** and how their wages or rate of

payments decided and how their abilities of work affected by the other factors. Those who work and gain the capability are included in the labour force of the country as well as those who are unemployed and searching for the job or work. There are many factors manipulate how labour services suppliers (**workers**) are consumed and to what extent they are paid for their services. It also includes the qualities of **labour** force (workers) such as their level of education, their health, allocation of their skills and special trainings and the degree of mobility. Structural characteristics of **economy** are also included in it like heavy **manufacturing** proportions, service industries and technology. In addition institutional factors are included as well such as power and extent of association of employers and labour unions and the existence of the laws of minimum-wages. Miscellaneous factors are also considered which includes variations and customs in **business cycle**. Some specific general trends are extensively recognized by labour economists. For example, level of wages is tending to be elevated in jobs and it engages high risk, higher level of efficiency of labour like training or education is required in the industries, in the **economies** that are highly proportional by such industries and the industries that are highly unionized. **Labour efficiency** is the capability of labour to raise the output of products and goods without raising the labour force. If the labour force is efficient then the **production** level of goods and products will be increased.

DEFINITION – LABOUR ECONOMICS

- Labour economics applies the tools of economics to explain labour market behavior. Study of economic behavior of employers and employees in response to changing prices, profits, wages, and working conditions.

- In particular, it aims to understand the factors that influence the demand for and supply of labour and their interactions.

Labour economics, study of the labour force as an element in the process of production. The labour force comprises all those who work for gain, whether as employees, employers, or as self-employed, and it includes the unemployed who are seeking work. Labour economics involves the study of the factors affecting the efficiency of these workers, their deployment between different industries and occupations, and the determination of their pay. In developing models for the study of these factors, this section deals with the labour force of contemporary industrialized economies.

SCOPE OF LABOUR ECONOMICS

The scope of labour economics covers those fields of state-activity where labour directly or indirectly involved. It is a systematic study of various theories concepts, hypothesis and steps relating to the labour class. Labour economics deal with various aspects such as labour organization, collective bargaining, wages and employment theory, man power economics. The workers are primarily concerned with security of employment upon which depends the well being of the entire working class. The employer, on the other hand, are mainly concerned with the problem of recruitment, training and retention of worker at the wage rates which may provide them sufficient profit while the public policy concerned with the early education of the work force, and the prevention of labour management conflict. Thus, labour economics deal with the specialized study of the areas in as elaborate below.

- Sharma, A.K., “Labour Economics”, Anmol Publication Pvt Ltd, New Delhi.
- Sexana, R.C. “Labour Problems and Social Welfare – K. Nath and Co, Meerut.
- Thyagi, D.P. “Labour Problems and social software”.

Unit II

LABOUR AND INDUSTRIALISATION

WHAT IS 'INDUSTRIALIZATION'

Industrialization is the process by which an economy is transformed from primarily agricultural to one based on the manufacturing of goods. Individual manual labour is often replaced by mechanized mass production, and craftsmen are replaced by assembly lines. Characteristics of industrialization include economic growth, more efficient division of labour, and the use of technological innovation to solve problems as opposed to dependency on conditions outside human control.

NEED AND FEATURES OF INDUSTRIALISATION

Industrialization plays a significant role in the process of economic development. The examples of developed countries indicate that there is a direct relationship between high level of income and industrial development.

Industries account for 37% of the gross domestic product in Japan, 32% in UK and 22% in the U.S. whereas it stands at 27% for India. Further a strong industrial base is required for generating gainful employment opportunities for the unemployed and under-employed labourers in the agricultural sectors. Industrialization also helps in overcoming trade gap.

The less developed countries are generally primary producers and import industrial output. With industrialization of their own economy they need not import industrial product from outside and this helps in reducing the trade gap.

Industrialization also helps in satisfying a variety of demands of the consumer's. With modernization of the economy the demand for industrial product has increased considerably. Industrialization brings a change in the socio-cultural environment of the economy. It makes people dynamic, hard-working, mobile, skillful, efficient, and punctual. It brings a change in the way-of life of the people and makes people more commercial. It also provides security to the economy by making it self-dependent.

Thus industrialization in a nutshell acts as a catalyst in the smooth process of economic development.

THE LABOUR PROBLEMS IN DEVELOPING ECONOMY AND THEIR SOLUTION

The main problems can be discussed under the following heads:

- 1) Unemployment
- 2) Issue of wages
- 3) Long hours of work

- 4) Migration of labour
- 5) Absenteeism and labour turnover
- 6) Industrial accident and disease
- 7) Lack of homogeneity and solidarity amongst the worker
- 8) Poverty and lack of Education
- 9) Political exploitation

1) THE PROBLEM OF UNEMPLOYMENT

In the modern times, the most pressing problem in a developing country is the unemployment i.e. the inability of person willing and able to work under reasonable circumstances to find suitable work which they are not getting. It is really loss to the nation as the unemployed do not contribute anything in building of the nation. The immediately effect of unemployment is obviously a reduce income, and as saving are usually insufficient to support the family for any length of time, the result is a fall in the standard of living. Thus, unemployment threatens great privation in food, clothing etc and causes misery not only to the man directly affected but also to his family. Therefore, an all round effort is needed to solve the problem of unemployment. Development of nation's resources with more investments, capital equipment, increase in the pace of industrialization both in large scale and small scale sectors, agriculture reorganization , a job oriented educational system , man power planning , checks on growth of population, sound monetary and fiscal policies etc, can be some of the remedies to tackle the problem of unemployment particularly in a country of developing economy. In this connection it is also suggested that labour exchange should be established to bring about equilibrium between demand and supply of labour and provide more regular work for the labourer and minimize the evils of casual labour. The public demand for labour can be increased by undertaking public work programs like construction of public buildings, railways, road, canals etc. This will not only give employment to those who are employed in such works but will stimulate private enterprise by creating demands for goods on the part of those workers.

2) ISSUE OF WAGES

The wage problem is so important that it has always engaged the attention of all thoughtful people in all countries of developing economy. "It cannot be denied that the wages from the pivot round which most labour problems revolve. Wages are the main cause of trouble in the industrial disputes. They are main source of the worker's income. His livelihood and that his family depend upon the wages he receives. This problem is more

complicated and compels in India because India is a example of an under developed economy and requires an early solution. Hence, the wage is of super most importance to the worker. The welfare and efficiency of the wage-earner depends upon the amount of earning received.

More earning leads to or means greater satisfaction of wants. The importance of the wage problem also lies in the fact that innumerable wage rates and unscientific differential prevail in most of the factories, and there is a lack of plan in fixing differentials in between different wage rates. The problem of fixing a minimum wage for the work is also most essential at the present time when there is a tendency among the employers to exploit the workers.

Therefore, a number of issue, as pointed out above, are thus, involved in determination a right wage policy e.g. the cost of living, size of family, capacity of industry to pay, productivity of labour etc. The problem has to tackle not only from the economic but social point of view also, as a means of reducing inequalities of income and wealth. Hence the problem of wages is one of the most important and complex problems and require immediate solution.

3) LONG HOURS OF WORK

The healthy and efficiency of worker mostly depend on the number of hours they have to work. In case of long working hours the operative is bound to be tires and slack in his duties. The tiresomeness often becomes the cause of his shattered health, which ultimately tells upon his efficiency. Men are often found absent from their machines, and spare hands have to be employed to attend the machines of the idlers. Long hours not only cause physical exertion but also keep a worker away from home for a long time, and he cannot reasonable look after his household affairs and his family members and devote some time for his physical and mental recreation and social welfare. They lose their efficiency and interest in work.

Therefore, it can be said that long hours work and tiring factory condition representing a marked contrast to the worker's native environment are other cause of inefficiency. The effect of long working hours on worker must viewed over a numbers of years. Conditions of modern industry impose a heavy strain on the workers and fewer hours helps to alleviate the burden. A man may work for a long time on a strenuous task for a dozen hours or more per-day, but his physic is liable to be so impaired that the length of his working life is less than that of a man whose hours are more reasonable. The long working days, multiplied by a short working life are less productive in the aggregate than short working days multiplied by longer working life. The prevention of undue fatigue always increases the

efficiency of the operatives, and the liability to accident and disease is diminished. The above steps are very important in a developing country where to increase the production is prime object of industry. A normal period of working hours, with a rest of interval would enable the worker to perform their duty more efficiently and happily. Hence, the question of reduction in the hours of work has always been an important question for industrial workers.

THE PROBLEM OF MIGRATION OF LABOUR

One of the characteristic features of the industrial worker in developing countries is that it has been mostly of a migratory character in the sense that the workers employed in most industries do not claim as their home town the place at which they work. While in the developed countries where industrialization has taken deep roots, there are big industrial centers which attract a permanent class of industrial workers, completely divorced from land. In those countries the workers have no ties with the village of adjoining area, most of them have been brought up in the town and they depend upon their wages as the only mean of livelihood. But in developing countries most of the unskilled factory workers come from the adjoining villages and continue to keep contact with their village homes and this feature of workers creates many problems. The worker lives and works under conditions and circumstances which are new to his experience and completely vary with many things that he had to face previously. In the village, the worker is spasmodic with long intervals of leisure, while in the cities the worker finds themselves caught within the great wall of the factory and are stupefied by the clang and whirl of machinery. They have to toil continuously for long hours and are subjected to strict discipline which produces a heavy strain on their body as well as mind, causes them a serious distress and impairs their efficiency. The insanitary habits of villagers also prove far more dangerous to the health of the worker in the congested town than in villages. The ill-health is further augmented by the fact that the vast majority of them have to leave their wives behind in the villages, and being deprived of the healthy pleasure of family life, they fall an easy victim to the temptation of prostitution, alcoholism and gambling that abound in all industrial centers. All these factors tend specially at first to produce a state of depression and when as frequently happens, sickness supervenes and there are no proper provisions for looking after the worker at such times, there is a strong inclination to return and endure the privation of the village rather than the vices and hardships of the town. The efficiency of the worker also suffers because with the constant changing of the labour force and workers are not able to get full training. The efforts and the enterprise of the employers in training of the worker are lost when the worker goes back to the villages and often does not return. The migratory character has also got an adverse effect on industrial

organization and leads to unhealthy growth of trade union and do not like to pay their subscription because they do not come to the cities to live permanently.

Therefore, above all factor of migration relating to the worker are very harmful to the developing countries, where a permanent force is needed in order to progress in industrial sector.

Now the question is “should efforts be directed towards building up an industrial population divorced from the villages or should be contact with the villages be maintained and stimulated. Here it is worthwhile to mention the suggestion given by labour investigation committee¹¹. The labour investigation committee pointed out that stability of labour could be brought about by the improvement of working and living condition generally in the industries in which such worker were called upon to work. The committee quoted the opinion of the

All India Trade Union Congress and many employers in this connection. All agree that a stabilized labour force is very desirable in the interest of industry, but the housing condition, wages, condition of work and living and welfare measures and other facilities must be improved before this migratory character can be checked. In the opinion of committee most workers in industrial town and landless labourer and they resort to the village occasionally for the purpose of rest and recreation, social ceremony etc. If that is so, it is obvious that from the worker’s point of view there is no urgent necessity of going back to the villages as often as possible. There is nothing to suggest that the condition of employment, wages, housing etc. are any better in the villages than in the towns. It is of course and undeniable proposition that the villages and joint family has been a bulwark of social security for the industrial works. Hence, present circumstances and till the modern measure for social security, such as insurance against sickness, unemployment, disability etc. are adopted, the villages must be accepted as a source of comfort and security to the worker. But in my views, in order to have a permanent industrial population, as in the west , effort must be continued to provide healthy living and better employment conditions to the worker in industrial towns and for this the Govt. employers and Trade Union organization must take positive steps in the interest of industrial worker, in the form of housing finance and in organization of building industry, low income group housing scheme and the problems of slum and slum clearance improvement scheme.

5) ABSENTEEISM AND LABOUR TURNOVER

“The success of an organized industry largely depends upon the efficiency and experience of its worker. Hence, the extent to which it can reduce absenteeism and labour turnover of the worker is of great importance to the success of an industry.

The worker remain absent for various reason of which only some be genuine. Sickness is responsible for a considerable part of absenteeism at most place. The low vitality of the workers, combined with bad housing and insanitary, condition of living make them easy prey to many epidemics like cholera, small pox and malaria, which break out in industrial areas and force them to be absent from their work Hence, absenteeism is an evil for both the employers and the workers. It also reflects a reaction of the workers to industrial life and leads to serious introduction delay and increased cost. The above evil is generally find in the developing countries and therefore this problem require immediate solution.

As regards measures to be adopted for absenteeism, the Bombay Textiles Labour Inquiry committee has perhaps given the best which the Labour Investigation Committee also agreed. The committee says that the proper condition of work in the factory, adequate wages, protection against accidents and sickness and facilities for obtaining leave for rest and recuperation constitute the most effective means of reducing absenteeism. Creating a sense of responsibility among the worker by proper education and organization and by making them partner in industry and management will also reduce absenteeism. Introduction of an incentive wage scheme and linking wages and bonus with production will also be helpful in checking absenteeism.

LABOUR TURNOVER

Similarly labour turnover is at once the cause and effect of instability of employment. Mostly, turnover is due to resignation and dismissals and a higher rate of turnover becomes harmful to the efficiency of the worker as well as the quality and the quantity of the production. It also affects their organization because it leads to less solidarity among the worker who moves frequently from mill to mill and from industry to industry. Therefore, labour turnover is a serious obstacle to complete utilization of country's human and material resources, although in a developing country in India, with a large number of unemployed and under employed labourers the national loss due to turnover may be of second order so far as full utilization of the resources is concerned.

As pointed out, labour turnover is very undesirable because it leads to lower efficiency and diminished output for the industry. Hence measures have to be adopted for reducing the labour turnover. That implies a positive policy requiring concerted action. Improvement in the system of recruitment will reduce labour turnover. In order to solve this problem, measures should also be adopted to improve economic position of the workers and give them security of employment and other facilities in industrial town so that the worker may not go to the villages as frequently as they do now. "The Badli control system, introduce

at certain place like Bombay, can also reduce labour turnover. Thus, as pointed out by the Bombay Textile Enquiry Committee, improvement in the method of recruitment is one of the principle remedies for excessive labour turnover and some radical and effective methods such as establishment of Employment Exchanges, restriction on the power of jobbers and proper organization of personnel department, are required.

Improvement of working conditions, welfare activities, social insurance scheme, leave and holidays, better wages, worker's participation in management etc., will also make the labour force more stable than at present. Beside, the worker's organization should be encouraged and improved which should lead to the stability of worker in industrial areas.

LABOUR TURNOVER

(a) Definition and Meaning :

Labour Turnover may be defined as the time to time changes in the composition of the work force that result from the hiring, release and replacement of employees. In other words, it is a measure of the extent to which old employees leave and new employees enter the service of concern or a production unit. Thus, in its quantitative aspect labour turnover is rate of change in the working staff of a concern during a definite period which may differ from industry to industry. It is an index of separations, and accessions. In this sense there are two aspect of turnover, that is, the proportion of the workers who go out of employment and the proportion of workers who enter into employment in a specific period. In its sociological aspect labour turnover is understood to mean a process of socioeconomic impact which the employer and employee face in its reality. Some of these separation and accessions, of course, can't be regarded as an expression of employees, dissatisfaction with the job. Some employees are released on the initiative of the employer. Some turnover is the result of reduce demands for workers. A varying proportion of the total, however, represents voluntary separation or quits-which may be significant. Some quits may not indicate low morals; an employee may find it necessary to move for the reasons of health family plans or other extra professional reasons. The cumulative effect of labour turnover consequently attracts the attention of industrial managers and organizers.

(b) Nature and Effects :

Labour turnover in certain situations is unavoidable and within limits not desirable. But all labour turnover whether unavoidable or desirable are likely to attract the attention of managerial personnel and the organizers. The turnover rate differs industry to industry and organization to organization. Low levels of separations and accessions in the industry are desirable economically and psychologically. But high levels of separations and accessions

have greatest significance as indicators of employee's dissatisfaction. The factor which control them are an admixture of three items, the economic and financial conditions affecting the industry and the establishment, the quality and the social skill of the management and the varied attitudes, desires and purpose of the workers as human being.

The study of turnover is helpful in manpower planning. Just as the high reading on a clinical thermometer is a sign to the physician that something is seriously wrong with the human organism, so is a high index of labour turnover rate a warning to management that something is seriously wrong with the health of organizations. But just as clinical thermometer merely indicates that something is wrong but not what is wrong so does the turnover rate merely warn and does not diagnose. A high temperature may mean pneumonia, measles or mumps. A high turnover rate may mean poor personnel management, poor supervisory practices, can also be dangerous signal. Further-to-note, labour turnover involves cost not only in human values but also money. These include:

- (a) Cost incurred in hiring and training each new employee.
- (b) Cost of overtime work required from regular workers in order to maintain the required level of production until the new employee can do his share.
- (c) Less of production in the interval between separation of the former employee and time when his replacement is fully broken in.
- (d) Expenses in equipment or facilities not being fully utilized during the training period.

Since labour turnover is a general condition, almost a disease, its manifestation elsewhere, if accurately and scientifically presented, can be as important to a managerial personnel as data concerning diseases similarly reported to a public health officer.

To avoid this situation it is suggested that the industrial managers and organizers must deal with individuals not groups. If individuals if properly handled, work for management's objectives; group will inevitably oppose management. If we engender competitive spirit among the workers if we breakup the attachment to the group, the result may be increased production. But nevertheless, cohesive will groups show greater team work if it is handled in a cohesive manner. Its member will get greater social satisfaction from working together. Moral is higher. Turnover is frequently lower and at this stage it is easy to supervise closely knit groups. Since the supervisor need not repeat information and order to every member, the informal leader will act as an effective channel of communication to and from the supervisor. A dis-satisfied group finds it hard to work together and may direct its aggressiveness against management in the form of poor workmanship, sabotage, grievances and wild-cat-strikes. On

the other hand certain damages arise when the work group becomes too tightly knit. Such a group may be reluctant to accept new employees as members, and through there may be more co-operations within the group with outsiders may suffer. Thus competition and ill feelings may develop among rival groups. Cohesion results in higher productivity only if the group accepts management demands for higher production as legitimate. **2. (c) Causes:** The ground which prompts a person to leave his employment can of tern be discovered only after a detailed and sympathetic interview of the workers and managerial personnel. The causes of labour turnover may also be discovered form various surveys and the tabulation made from statistics on labour turnover as collected statutorily under the Collection of Statistics Act 1953 in India on a uniform basis for various industries. The analysis will show that these causes are as follow:

(I) Resignations:

Resignation may be due to a variety of reasons such as dissatisfaction with working condition, insufficient wages, bad health, sickness, old age, family circumstances better job opportunities last but not least, exodus to the village for agricultural operations. The village nexus is still strong in certain industries, especially in mining, plantations, cotton and jute textiles and in unorganized industries like shellac, rice milling, mica, splitting etc. The workers do not get long leave for going to village and, hence, they resign at the time of harvesting or sowing of the crops. Moreover, workers who make periodic often regard industrial employment as merely a second string to the bow.

(II) Dismissals :

Dismissal itself is not so cute a reason of labour turnover albeit it appears to be a lesser cause of labour turnover. Nevertheless it is important in itself. Dismissal may be due to disciplinary action in cases of inefficiency, insubordination, avenues from time to time to the workers. More important is the sense of security and keeping high moral of the workers. It could be done by giving them security in job, keep satisfactory relations between the employer and employee and providing promotion opportunities at all stages.

(III) Besides, the agency of recruitment in most industries provide much scope for corruption and criterion and the jobbers are always trying to dismiss the old hands and recruit new ones in order to swell their own pockets. Thus the problem of labour turnover is to a large extent bound up with that of recruitment will reduce labour turnover.

(IV) Measurement should be adopted to improve the economic position of worker and give them security of employment and other facilities essentially in industrial towns so that the workers may go to the villages as frequently as they do now.

(V) The badli control system, introduced in certain places & industrial cities can also reduce labour turnover.

(VI) Establishment of employment exchanges, restriction on the power of jobbers and proper organizations of personnel department may also be a good weapon in reducing the labour turnover.

(VII) Improvement of working conditions, welfare activities social insurance schemes, leave and holidays, better wages, working participation in management will also make the labour force more stable than at present.

(VIII) Besides, the workers organizations and cohesive group also should be encouraged and improve so that the grievance of the workers may be put collectively before the employer. This will helpful in avoiding dissatisfaction among the employees and would lead to the better relations between employers and employees.

ABSENTEEISM

Absenteeism is a peculiar, acute, and common problem throughout to the industrial world including India. The problem of absenteeism is a challenge to the managerial personnel because it causes indiscipline and other industrial evils. The problem of absenteeism is also recognized as a positive symptom of low morals.

(a) Definition and Meaning:

The term "Absenteeism" is used to connote any absence of permanent worker from work whether authorized or unauthorized. Absenteeism refers to the worker's absence from his regular task, no matter what the cause is.

The term "Absenteeism" was properly defined for the first time, in a circular of the labour department, Govt. of India, issued to the provisional Govt. before independence. Accordingly, absenteeism rate is defined as the total man shifts lost because of absence as a percentage of the total number of man shifts schedule. In this sense there is a difference between the man days scheduled to work by the permanent workers and the man days actually worked by them. The man days scheduled to work and computed by multiplying the number of permanent workers with the number of days of work lost due to strikes or lock-out are excluded from these estimates. The calculation of man days actually worked in the month is made by to filling the daily attendance of permanent workers.

For calculation the rate of absenteeism we require the number of person's scheduled to work and the number actually present. A worker who reports for any part of the work-shift is considered as present. An employee is to be considered scheduled to work when the employee has no reason to expect well in advance, that the employee will not be available for

work at the specified time. Following examples illustrate the application of principle. An employee on a regular scheduled vacation should not be considered as scheduled to work or absent. The same is true during an employer's ordered layoff. On the other hands, an employee who request time-off at other than a regular vacation period should be considered as absent from scheduled work until he returns, or until it is determined that the absence will be of such duration that his name is removed from list of active employees. After this date he should be considered as neither scheduled to work nor absent. Similarly an employee who quit without notice should be considered absent from scheduled work. His name is dropped from the active list, but preferably this period should not exceed one week in either case. If a strike is in progress worker on strike should be consider as neither scheduled to work nor absent since data on time lost because of strikes are collected by other means.

This definition does not include absence on account of authorized leave, payoff, retrenchment, strikes etc in the category absenteeism. For the purpose of calculation of absenteeism in different industries the above official definition is considered as authentic even by Labour Bureau, Ministry of Labour, Govt. of India.

(a) Nature:

The general of nature absenteeism results due to sickness or accident, social and other religious causes. Unusually high rate of absenteeism is due to boredom, frustration, lack of recognition and other inherit and environmental condition.

Recognition of high rate of absenteeism ahs encouraged management to examine them carefully.

The high rate of absenteeism found in of many Indian industries are the measure of accommodation which Indian employers have made to the demands of Indian workers that they have considerable periods of time off, work for visit to their home villages for a variety of reasons including genuine or feigned illness. Absenteeism is costly to the worker in terms of lost earning and the increased possibilities of discharge.

(b) Effect of Absenteeism :

The problem of absenteeism has diverse effect which may be explained as follows:-

(I) **Effect on Workers :** There is a distinct loss to workers. It adversely affects the economy of the worker himself. Its reduces his earning and adds indebtedness, decreasing the purchasing power, make it difficult for him to meet necessities of life, leading to personal problems of attitude and moral and in many cases loss of employment and resultant disaster for his dependents.

(II) ***Effect on industry and Employer*** : Absenteeism is industry stop the work process, create the bottlenecks, hampers smooth flow or continuity of work, upsets production targets, results in productions losses, increases direct overhead cost, increases work load of inexperienced, unskilled workers. All these factors can also create problem of recruitment, training, job adjustments, morals and attitudes. Casual, unskilled and substitute workers increase tool down time, rejection of finished products, breakdown which may result in idle machine hours.

Absenteeism on the other hand, directly contributes to the rise in the production cost while on other it deprives the industry of its hard earned reputation due to deterioration in quality of goods produced and the delay in supply to the consumers.

Thus absenteeism is an evil both for the employees and the employers It causes industrial losses, low working capacity of the worker, production delay and increased cost.

(c) Causes :

Absenteeism falls into different categories according to the reasons which bring about. These categories will vary slightly from place to place and due to difference in the nature of human being. Some of them as follows:-

(I) *Sickness* :

Sickness is a cause of absenteeism is more significant than any other reasons. Sickness must be distinguish as either certified sickness or not certified by a doctor. Expediencies like Cholera, Small-Pox and Malaria always break out in sever forming most industrial areas. The low vitality of Indian workers make them an easy prey to such epidemics.

(II) *Impersonal Behavior of the Employers* : Impersonal attitude of the employers toward the workers is also a reason of absenteeism. In the modern industries every worker wants to remain free and to express his view freely. But, once the employer negativities or does not recognize his ambitions and freedom of expression, he became aggressive. This aggressiveness leads him to other persons and groups, because collectively he will be heard and individually he will be ignored. An individual thus get no chance of freedom of expression. He becomes antisocial and frequently remains absent as per the direction of the other fellow being. In this way his habits are distorted and cordial relations do not exit.

(III) *Bad working Condition* : Bad working condition cause many evils and diseases. In many industrial countries like India the working is h handicapped by climatic condition. High environmental temperature reduces the working capacity.

In many factories the roofs are not suitable and many types of pollutions have worsened the working condition of workers. Ultimately the worker remains absent and later on he becomes a habitual absentee.

(IV) ***Unsuitable Working Hours*** : In the factories where running shifts are there absenteeism during the night shift is more than in a day shift owing to the greater discomfort of work during night time.

(V) ***Frequent Urge of the rural Exodus*** : The most important cause of absenteeism, however, is the frequent urge of rural exodus. The rate of absenteeism is higher at the time of harvesting and sowing of the crops.

(VI) ***Inadequacy of Welfare Activities*** : The vast majority of industries still regards welfare work as a barren liability rather than a wise investment. If an industry does not provide better facilities and does not invest its resources in welfare activities then it reduces the strength and stamina of the workers and thus causes labour turnover and absenteeism.

(VII) ***Insecurity of Employment*** : Insecurity of Employment is very common factor in most of the factories. It leads to formation of complexes and inhibitions in a worker. He is not given any sense of belonging psychologically. He stays away off and on because he is not made to feel that he has real place in the scheme of things. He know that nobody bothers much about him and this feeling leads him to remain absent from the work.

(VIII) ***Miscellaneous Reasons*** : Industrial accidents, social and religious ceremonies, festivals, arrival of guest, drinking and gambling, in sanitary living condition, shortage of accommodation, hazardous nature of work, inadequacy of transport facilities, ration difficulties and the like are also the causes of absenteeism. Absenteeism has been found to be higher among women than men due to women's house hold duties, maternity leave etc. age, marital status, education, regulation politics, geographical condition, leave facilities, Supervisory qualities are also the other relevant reasons.

(d) Remedies :

Certain remedies may be suggested as remedial measures in controlling the problem of absenteeism in the industries these are as follows:

(I) Proper condition of the work in the factory adequate wages, protection for accidents and sickness and facilities for obtaining leave etc. are the effective means to reduce absenteeism.

(II) Excessive fatigue and sweltering condition of work are bound to create defense mechanism in the work, and if abiding result are to be obtained, the best policy would be to improve condition of work and life for the workers and make them fell contented and happy.

(III) Besides, the most effective way of dealing with absenteeism is to provide holidays with pay or even without pay and permit workers to attend to their private affairs occasionally and thus regularize absenteeism, instead of merely taking disciplinary action for it.

(IV) Providing good facilities, welfare schemes and suitable housing accommodation will also check the high rate of absenteeism in the industries.

(V) Workers, who are unable to attend work due to illness, accident or personal circumstances must arrange for their immediate supervisor to be notified the reason of absence. If absence is due to sickness, certificate must be produced by the employee.

(VI) It is the responsibility of each employee to keep the employer advised of the circumstances which are preventing him from attending work so that the employer may realize its wrongs or slackness etc, and would be able to avoid such circumstances.

(VII) Employers who are absent from work due to reason other than sickness or accidents are required whenever possible to obtain prior permission of supervisor.

(VIII) The employer must consider each cause of persistent absenteeism on its merits, where such absenteeism appears to be unreasonable or unwarranted. Employees may be liable to disciplinary warning and in certain cases dismissal.

(IX) It is generally believed that Employee's State Insurance Schemes are prevailing in India, is a desirable social security measure but in many cases misused as a convenient umbrella for concealing feigned sickness. Presented with a medical certificate under this scheme there is relatively very little that the employer can do even if he is in possession of reasons to suspect its validity.

(X) Other remedies may be encashment of unutilized leave, advance planning of leave by workers, delayed shift changes, introducing a five days week, granting regularity allowance providing transport facilities, exhortation and counseling at all levels.

(XI) Commitment to industrial employment, however, implies more than presence of workers on the job. It involves also their acceptance of industrial discipline and the performance of tasks under supervisions.

LABOUR EFFICIENCY

Labour efficiency is the capability of labor to raise the output of products and goods without raising the labor force. If the labor force is efficient then the **production** level of goods and products will be increased.

LABOUR EFFICIENCY AND DETERMINING FACTORS

Labour Efficiency Ratio

The labour efficiency ratio measures the performance of the workforce by comparing the actual time taken to do a job with the expected time.

$$\text{Labour Efficiency Ratio} = \frac{\text{Expected hours to produce output}}{\text{Actual hours to produce output}} \times 100\%$$

Labour Capacity Ratio

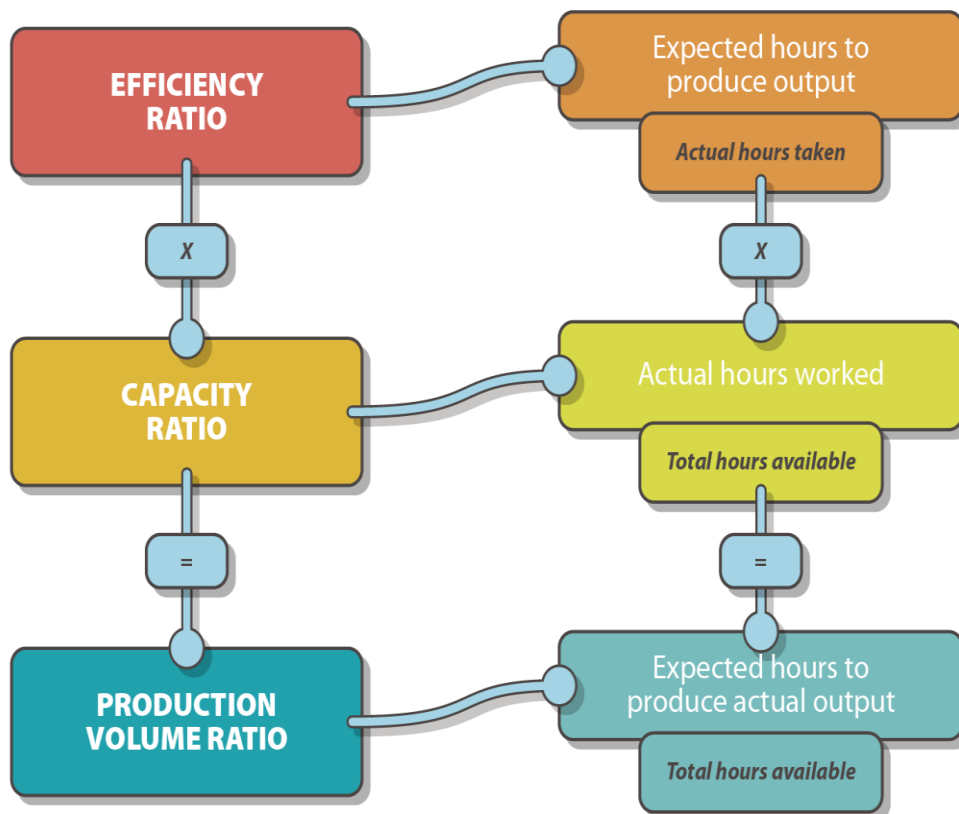
The labour capacity ratio measures the number of hours spent actively working as a percentage of the total hours available for work.

$$\text{Labour Capacity Ratio} = \frac{\text{Number of hours actively spent working}}{\text{Total hours available}} \times 100\%$$

Labour Production Volume Ratio

The labour production volume ratio compares the number of hours expected to be worked to produce actual output with the total hours available for work.

$$\text{Labour Production Volume Ratio} = \frac{\text{Expected hours to produce actual output}}{\text{Total hours available}} \times 100\%$$



Labour Efficiency Variance

The labour efficiency variance measures the ability to utilize labor in accordance with expectations. The variance is useful for spotlighting those areas in the production process that are using more labour hours than anticipated. This variance is calculated as the difference between the actual labour hours used to produce an item and the standard amount that should have been used, multiplied by the standard labour rate. If the variance outcome is unfavourable, there will likely to be a review by industrial engineers to see if the underlying process can be improved to reduce the number of production hours required, using such means as:

- A simplified product design to reduce assembly time
- A reduction in the amount of scrap produced by the process
- Increasing the amount of automation
- Altering the work flow

If this cannot be done, then the standard number of hours required to produce an item is increased to more closely reflect the actual level of efficiency.

The formula is: $(\text{Actual hours} - \text{Standard hours}) \times \text{Standard rate} = \text{Labour efficiency variance}$

An unfavourable variance means that labour efficiency has worsened, and a favourable variance means that labour efficiency has increased.

The standard number of hours represents the best estimate of a company's industrial engineers regarding the optimal speed at which the production staff can manufacture goods. This figure can vary considerably, based on assumptions regarding the setup time of a production run, the availability of materials and machine capacity, employee skill levels, the duration of a production run, and other factors. Thus, the multitude of variables involved makes it especially difficult to create a standard that you can meaningfully compare to actual results.

There are a number of possible causes of a labour efficiency variance. For example:

- *Instructions.* The employees may not have received written work instructions.
- *Mix.* The standard assumes a certain mix of employees involving different skill levels, which does not match the actual staffing.
- *Training.* The standard may be based on an assumption of a minimum amount of training that employees have not received.

- *Work station configuration.* A work center may have been reconfigured since the standard was created, so the standard is now incorrect.

Tracking this variance is only useful for operations that are conducted on a repetitive basis; there is little point in tracking it in situations where goods are only being produced a small number of times, or at long intervals.

Labour Efficiency Variance Example

During the development of its annual budget, the industrial engineers of Hodgson Industrial Design decide that the standard amount of time required to produce a green widget should be 30 minutes, which is based on certain assumptions about the efficiency of Hodgson's production staff, the availability of materials, capacity availability, and so forth. During the month, widget materials were in short supply, so Hodgson had to pay production staff even when there was no material to work on, resulting in an average production time per unit of 45 minutes. The company produced 1,000 widgets during the month. The standard cost per labour hour is \$20, so the calculation of its labour efficiency variance is:

$(750 \text{ Actual hours} - 500 \text{ Standard hours}) \times \$20 \text{ Standard rate} = \$5,000 \text{ Labour efficiency variance}$

CAUSES OF LOW EFFICIENCY OF INDIAN LABOURERS:

1. Unfavourable Climate:

Our country falls in the north temperate type of climate, where the climate is hot. The workers feel fatigue and tired and they cannot work for longer period.

At present, scientific methods and being adopted to provide workers better working condition like air condition room, freeze cold water to drink, but they are not as per requirements.

2. More Hours of Work and Less Leisure:

Indian labourers are exploited. More than the required and fixed hours work is taken with less leisure hours. In foreign countries like Japan and America a worker has to work for five days in a week. They are allowed two days holiday to look after their own health and the welfare of the family members.

3. Place of Work:

Surroundings of the place of work where our workers do work are not healthy. Factories are not well-ventilated. Insufficient space is provided for movement between machines and provision for fresh water, refreshment and rest between work is not found.

4. Lack of Education and Training:

There is dearth of educated and trained labourers in India. Untrained and uneducated labourers do not understand the intricacies of his job in a better way.

5. Low Wages:

A worker who receives wages is low not even to meet the necessities of life. Sufficiently low wage ensures inadequate standard of living with less efficiency. Therefore, it is essential that workers must be paid fair wage so that they may increase their standard of living.

6. Lack of Labour Welfare Activities and Social Security:

In India there is a less provision for welfare activities and social security for workers. But at present government has taken solid steps to improve the condition of social activities and social security activities. For example—Under Employees State Insurance Act, 1948 provision of social securities for workers.

7. Low Standard of Living:

Indian workers standard of living is very low because they get low wages. Provision for so many wage be made so that workers may have proper living accommodation and their children may have appropriate education.

8. Religious Factors:

Indian workers are more superstitious and they believe and depend more on luck. They fear more in name of religion. Therefore, they cannot take any such steps which may be considered against religion.

9. Use of Old and Obsolete Machines:

Majority of the industries in India are using old and obsolete machines. The effect of which is that in-spite of hard work, workers are not in a position to produce what is required. Lack of modern machines decreases efficiency of workers.

10. Lack of Efficient Management and Organisation:

In India there is lack of efficient and well organised management which works as obstruction in the efficiency of the workers.

11. Exploitation of Labourers:

In India, rich people mostly try to take more work from workers. They pay less wages and exploitation of workers is very common and is prevalent here.

12. Evils of Trade Unions:

To help workers, trade unions have not developed as is expected. Further, in trade unions itself, there is conflict and they quarrel for supremacy among themselves.

13. Indebtedness:

Indian workers are born in debt, live in debt and when they die they are in debt. They pay major part of their income as interest to the moneylenders. Unless these evils and short comings are not removed or some reform is not made Indian workers cannot have bright days.

SUGGESTIONS FOR IMPROVEMENT

Economists are of this firm opinion that Indian labour is not regarded as very efficient. His productive capacity is low as compared with the European, the American and the Japanese Labour. For less efficiency Indian labourers are not very much responsible alone because they are without education and the climatic conditions in which they normally do work is un-favourable.

Further, the factory conditions are trying, wages are low and working hours are long. The entrepreneurs are themselves of lower efficiency. The workers mostly live in debt because they waste their money in drinking and gambling. It is really very surprising how under these circumstances the workers are able to do what they are doing.

Therefore, it has been suggested that in order to improve the efficiency of our labour, it will be better if we should impart them general and technical education. We should improve the working conditions in and around the factories as well as the living conditions of the workers. We should provide them with modern and up-to-date machinery, tools and proper materials.

Labour should be looked after in a better way. Their remuneration should be proper and incentive and the working hours should be reduced. Factory must be equipped with heating arrangements in winter season and cooling arrangements in summer season.

Further, the workers should be treated as human beings and not as the property or the slaves of the capitalists. If we will take all these measures then the efficiency of Indian labour is bound to go up and the production will increase.

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UNIT III

LABOUR MARKET

DEFINITION- LABOUR MARKET

A labour market is the place where workers and employees interact with each other. In the labour market, employers compete to hire the best, and the workers compete for the best satisfying job.

Description: A labour market in an economy functions with demand and supply of labour. In this market, labour demand is the firm's demand for labour and supply is the worker's supply of labour. The supply and demand of labour in the market is influenced by changes in the bargaining power.

SUPPLY OF LABOURS

Introduction

In this first part of the subject guide we introduce you to the theory of labour supply. This part of labour economics helps us understand why some individuals decide to work and why different individuals choose to work different hours in the labour market. We first concentrate on the theory of static labour supply, which examines the decisions of one individual at one point in time. Each individual in the market decides whether to work and – if he decides to work – how many hours to work, given the current market wage and any source of nonlabour income. In order to derive this theory we use the standard tools of microeconomics that you have learnt in the first years of your degree.

This model is extremely helpful in understanding a number of issues that are of policy concern. For example, the model helps us understand how unemployment benefits affect participation in the labour market. many hours to work in the labour market, individuals take into account not only their current wage but also the profile of their ages throughout their working lives. In order to distinguish this from the static theory of labour supply, we refer to this as the inter-temporal (or life cycle) theory of labour supply.

Some basic concepts: measures and definitions

Before illustrating the theory of labour supply, it is useful to introduce some fundamental concepts. You might have read many times in the newspapers that the unemployment rate is higher in Europe than in the USA. But what exactly is the unemployment rate? How do we measure it? And is this the only measure of the performance of the labour market? According to the standards set by the International Labour Office, an

individual is employed (denoted by E) if she works for pay for more than one hour per week. A person who is not employed is not necessarily unemployed. In order to be qualified as unemployed (denoted by U), she must have used at least one active method to look for a job in the last four weeks or she must be willing to start a job and able to take one up within two weeks if offered one. We refer to those who are either employed or unemployed as active, or in the labour force (denoted by LF):

If you pay a bit of attention to these definitions, you will realise that there are a number of individuals who are neither employed or unemployed. These are called inactive or out of the labour force (NLF). These include, among others, pensioners, students and those who serve in the military in those countries with compulsory draft. Since individuals are either active or inactive, their sum is the working-age population (denoted by P):

$$P = LF + NLF$$

One index that labour economists use to measure how well a certain labour market is doing is the unemployment rate, which is defined as the ratio between the total number of unemployed and those in the labour force:

$$ur = U/LF$$

Sometimes we are not interested in the proportion of those without a job but in the proportion of those who have a job or would like to take one.

Labour supply

One typically used measures of labour market performance is the labour force participation rate:

$$lfpr = LF/P$$

which is the ratio between the labour force and population. This is also called the activity rate. The employment to population rate is the ratio of total employment to total working-age population:

$$epr = E/P$$

and the employment rate is $er = E/LF$.

Static labour supply

In order to derive the static theory of labour supply, we use the standard tools of consumer theory. Recall that consumer theory helps us understand how an individual (the consumer) allocates a certain amount of money (income) to her expenditure on different goods. Her utility-maximising bundle will depend on the level of income and the relative prices of the different goods. But, as we suggested in the introduction to this guide, most

people derive their income from working. People sell their work in the market to buy consumption goods through labour earnings. If people want to consume more goods they will have to work more. However, people dislike working because this reduces their free time. Work in this sense is a ‘bad’.

Utility function

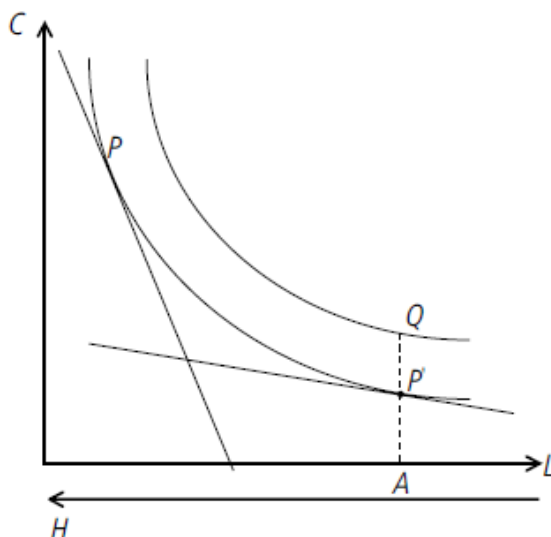
An easy way to embody this concept into the standard consumer model is to assume that individuals’ utility depends not only on consumption but also on leisure. Leisure is the amount of time that workers devote to nonproductive activities and therefore it is a ‘good’. If T is the individual’s time endowment (for example 14 hours a day, once we have subtracted from the 24 hours the amount of time devoted to sleep and personal care) and H is hours of work (for example 8 hours), it must be that:

$$(1) L = T - H$$

where L denotes leisure (for example 6). A rise in hours of work is associated with a one-to-one fall in leisure. Equation (1) is called the time constraint. A rational worker maximises her utility that depends on leisure and consumption:

$$(2) \text{Max}_{C,L} U = U(C, L)$$

In Figure 2.1 we have drawn a set of indifference curves (i.e. the loci of consumption and leisure combinations corresponding to a given level of utility). On the horizontal axis we measure leisure and on the vertical axis, consumption. Since, as leisure increases, hours of work decrease, one can travel from right to left on the horizontal axis to measure hours of work H . At the origin, for example, $L = 0$, which implies that $H = T$. But as we move to point A, leisure has increased, which suggests that hours of work have decreased.



Marginal rate of substitution

The slope of the indifference curve at a given point is called the marginal rate of substitution (MRS). The marginal rate of substitution measures the change in consumption that is required to keep utility unchanged as leisure changes by one unit. This is often expressed as $dC/dL|U$ (i.e. the derivative of consumption with respect to leisure along an indifference curve (that we represent by the subscript U to signify at 'given' utility)).

The MRS is a negative number since consumption has to increase for utility to stay unchanged as leisure decreases by one unit. The increase in consumption which is required to keep utility unchanged as leisure decreases by one unit varies with the level of leisure. If the worker consumes very little leisure she will value her leisure highly. If she is required to reduce leisure by one unit she will need a high increase in consumption to keep her utility unchanged which suggests that the absolute value of the MRS is high. This is a situation corresponding to point P in the figure where the indifference curve is steep. But if the consumer is already consuming plenty of leisure she will not value leisure very highly and she will only require a small increase in consumption for a one unit reduction in leisure to maintain her utility unchanged. This corresponds to a point like P' in the figure where the indifference curve is relatively flat. The marginal rate of substitution is therefore decreasing in leisure.

Constraints

A rational consumer will want to maximise her utility in (2). But she cannot choose freely any bundle of consumption and leisure. She faces two constraints. The first constraint comes from the fact that extra consumption can only be afforded at the cost of extra work.

This is called the budget constraint and it is written as follows:

$$(3) C = V + WH$$

where V is unearned income that is to say any income level the worker receives which is independent of how much she works. For example, state benefits paid to the unemployed, or the money transfers children receive from their parents are all sources of unearned income. Implicitly we have assumed here that the price of consumption goods is equal to one. W is the market wage rate, or the increase in income associated with one extra hour of work H . The budget constraint simply states that any expenditure on consumption (C) must be financed by either earned income (WH) or by unearned income (V). We assume in this case that one cannot borrow and there are no savings. Adding to both sides of (3) the quantity WL and exploiting (1), the budget constraint can be rewritten as:

$$(3') C + WL = V + WT$$

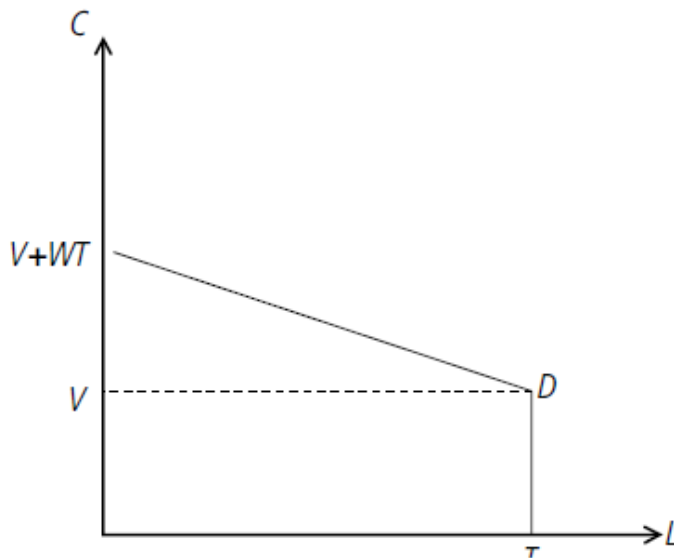
The left-hand side is total expenditure on the two goods: consumption and leisure. The wage rate W can be thought of the price of leisure. It is essentially the amount of money that the worker has to give up if she wants to consume one extra unit of this good. The right-hand side is the sum of unearned income (V) plus the income the worker would gain if she devoted all her available time to work (WT). The sum of these two components is called full income. This equation looks very much like the budget constraint in a classical consumer optimisation problem. On the left-hand side we have expenditure and on the right ‘income’. A basic difference here is that income depends on W , that is on the price of one of the goods. This circumstance suggests that the worker’s problem is somehow ‘special’. A rise in the wage rate W has two effects in this model. Not only does it alter the relative price of the two goods by making leisure more expensive but it also affects the total amount of consumption goods a worker can afford at a fixed number of hours of work. It is important that you keep this in mind because this is one of the most important differences between classical consumption theory and the

Theory Of Labour Supply.

The second constraint the worker faces is that the total number of hours she can work in the market cannot be negative or greater than T :

$$(4) 0 \leq H \leq T$$

Equations (3’) and (4) define the worker’s opportunity set, which we have drawn in Figure 2.2. This is the set of consumption-leisure combinations that are achievable by the worker. Again we have reported leisure on the horizontal axis and consumption on the vertical axis. Equation (4) restricts the set of feasible bundles to the area between the vertical axis and the vertical line at $L=T$. The downward-sloping line is the budget constraint (3’) whose slope is $-W$, the (negative of) the wage rate. This line intercepts the vertical axis at $V+WT$, which simply says that at zero hours of leisure the worker can devote her full income to consumption. At point D a worker consumes T hours of leisure (and works zero hours) and can afford V of consumption goods. This is called the endowment point. With a utility function and the two sets of constraints we now have all the elements to solve the worker’s problem. To start with, we concentrate on the decision on whether to work or not, also called the participation decision. Later on we study the optimal number of hours of work for those who decide to participate.

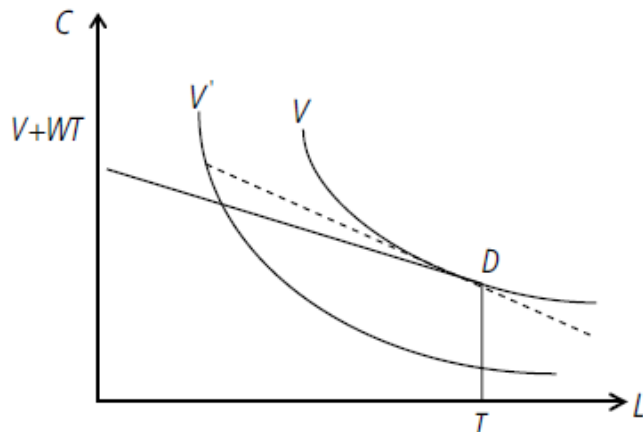


Participation decision

We have said in the introduction that not everybody in the population qualifies as active. In order for people to participate they must be offered a high enough market wage W . If the worker were offered a wage that was unreasonably low, she would rather not work. We define the reservation wage as the minimum wage rate which makes a worker indifferent between working and not working. We denote this by W^* . The worker will participate in the labour market if the market wage is at least equal to the reservation wage:

$$W \geq W^*$$

Otherwise, if $W < W^*$, the worker will not participate. Graphically, the reservation wage is the (absolute value of the) slope of the indifference curve at the endowment point D , (i.e. at zero hours of work, as drawn in Figure 2.3 (dotted line)). We denote the indifference curve going through D by U . To understand why this slope is the reservation wage, you can draw the budget line and observe that the (absolute value of the) slope of this line is the market wage W (see equation 3'). In Figure 2.3 we have depicted the case in which the reservation wage W^* is higher than the market wage W . You can check that if the worker locates somewhere to the left of the endowment point D along the budget line she is going to attain a lower level of utility than at U (for example U'). In this case the worker would rather not work: she will locate at D .



Hours of work decision

Suppose now that $W > W^*$. We know that in this case the individual will work. But how much will she work? This is the hours of work decision. In order to derive the optimal hours of work decision, recall from the consumer theory that the optimum is achieved at the tangency point between the indifference curve and the budget line. However, we know from the previous discussion that (negative of the) slope of the indifference curve is the marginal rate of substitution while the (negative of the) slope of the budget line is the wage rate. The optimal condition is therefore:

$$|MRS| = W$$

This says that the worker's subjective evaluation of the trade-off between consumption and leisure (the *MRS*) must be equal to the market evaluation, which is the market price of leisure, that is the wage rate W . What happens to the optimal hours of work if the level of unearned income increases? Again the graphical analysis is going to be of great help.

This situation is depicted in Figure 2.4. A rise in unearned income from V to V' shifts the budget line up in a parallel fashion .

In the rest of this guide we assume that leisure is a normal good. A normal good is one such that its consumption increases as income increases. If leisure is a normal good, the new optimal allocation is at A' . An increase in income raises leisure and therefore reduces hours of work. This makes sense: if a worker becomes richer, she will decide to work less. A change in the wage rate in this setting is more complicated. To understand this complication, recall from our previous discussion that a rise in W has two separate effects. On the one hand, at fixed labour supply, a rise in W makes a worker better off. If leisure is a normal good, a rise in W therefore tends to increase leisure and the optimal number of hours

of work tends to fall. This is the income effect associated to a rise in market wage. However, if the wage rate increases, the price of leisure increases relative to the price of consumption (recall that this last price is set arbitrarily equal to one) and therefore workers will tend to substitute away from leisure (which has become more expensive) towards consumption. This is the substitution effect. Through this channel an increase in the wage rate tends to decrease the optimal hours Economics of labour of leisure and therefore to increase hours of work. Overall, the net effect of a rise in the wage rate on the total number of hours is ambiguous, since this is the combined effect of two forces acting in opposite directions. Essentially, if W goes up the worker has to decide whether to work more to take advantage of the fact that working now pays more, or to work less to take advantage of the fact that by doing so she can still afford the same amount of consumption goods as before the wage rise.

In formulas, the net effect of an increase in W when V is given can be expressed in terms of the Slutsky equation:

$$dH/dW|V = (dH/dV) H + dH/dW|U$$

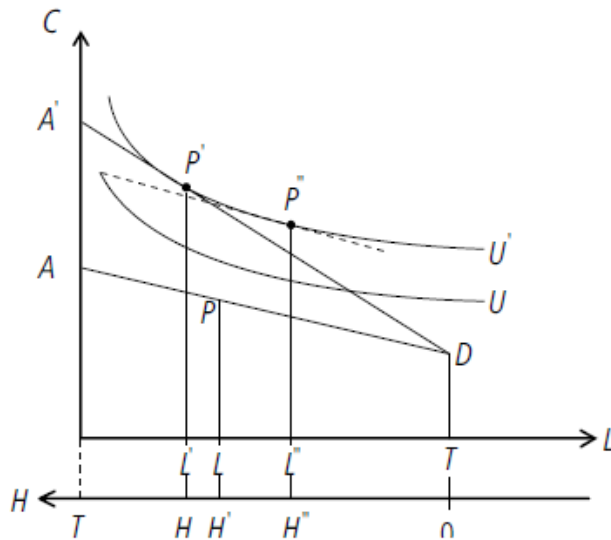
total effect income effect substitution effect ambiguous ≤ 0 if leisure normal ≥ 0

The left-hand side is the net effect of a rise in hours of work as wages increase by one unit and assuming that V is given. The first term on the right-hand side is the income effect. This is equal to the change in hours associated with a rise in income, times the change in income associated with a rise in wages. This last term is the number of hours worked H . The second effect is the move along the indifference curve induced by the substitution effect.

The same equation can be rewritten in terms of elasticities by multiplying both sides of the Slutsky equation by W/H . You can check that this leads to:

$e = e^* + eV k$ where $e^*(dH/dW|U)W/H$ is the compensated (i.e. at fixed utility) elasticity of hours of work with respect to wages, $eV(dH/dV) V/H$ is the elasticity of hours of work with respect to unearned income and $k WH/V$ is the ratio of labour to non-labour income. The left-hand side $e (dH/dW|V)W/H$ is called the uncompensated elasticity.¹

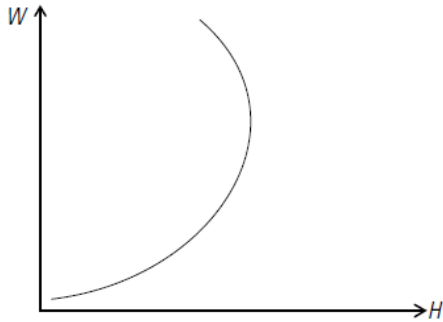
To give a graphical illustration of the effect of a rise in W on total number of hours of work, in Figure 2.5 we have depicted the case in which the substitution effect outweighs the income effect. Suppose we start from point P which is determined by the tangency point between the original budget line AD and the indifference curve U . Suppose that the wage rate increases from W to W' . This is equivalent to an upward rotation of the budget line around D . [Be sure you check that this is true.]



The new optimum is at P' which is to the left of P . This is determined by the tangency point between the new budget line $A'D$ and the new indifference curve U' . The overall effect of a rise in wages in this case is a reduction in leisure from L to L' (i.e. a rise in the number of hours of work from $H = T - L$ to $H' = T - L'$). In order to decompose the move from P to P' into an income and a substitution effect, you can draw a line parallel to original budget line AD that is tangent to the new indifference curve U' .

This tangency point is denoted by P'' . You can see that point P'' is to the right of P and the associated number of hours of work is given by $H'' = T - L''$. The move from H to H'' is called the income effect and you can see that it is associated with a fall in the number of hours of work. You can think of this move as the change in the optimal level of leisure induced by a change in W , assuming that the relative prices of the two goods have remained unchanged and the only effect of a rise in W is to make the worker better off. However, since prices have changed, this induces an extra move from P'' to P' , which tends to increase hours of work from H'' to H . This movement is the substitution effect which goes in the opposite direction.

Since we have assumed that the substitution effect is greater, $H'' - H > H'' - H'$ and total number of hours of work increase ($H' > H$).



Labour demand

Introduction

we analysed the motivations behind the individual decision to supply labour services to a firm. We turn now to the other side of the coin and we study the demand for labour. This is to say, we analyse how many workers a firm will decide to put on its payroll, when it will be profitable for a firm to hire new workers and when it will be more likely that workers will be fired. Although we will discuss policy issues in the next chapter, where we analyse the market equilibrium, it is worth pointing-out at this stage that many of the central questions in economic policy involve the number of workers that firms employ and the wage that these workers get paid. Such diverse policies as the minimum wage, employment subsidies, and restrictions in firing or laying off workers are attempts to regulate various aspects of the firms' labour demands.

We start this chapter by analysing the objective of the firm and what it does to achieve its objective. This allows us to set up the essential features required to analyse the demand for labour. Next, we study the determination of the demand for labour (at the firm and the industry level) when labour is the only variable input of production. The so-called short-run analysis is followed by the long-run analysis where the firm can vary all inputs, not only labour, at will. We finish this chapter by pointing out the potential importance of non-wage labour costs to the demand for labour.

The objective of the firm

Consider a company that produces some good or service, which sells at the market price. The revenue of that firm is the price of each unit of output, P , times the number of units produced, Y

$$(1) \text{ Revenue} = P * Y.$$

This firm produces output by using factories, machines, office space, etc. (i.e. capital) and by hiring a given number of employee hours (i.e. labour) to operate the machines and sell

the good. We will summarise the production capabilities of the firm by using the following production function:

$$(2) Y = F(L, K).$$

Where L is the total number of hours the firm hires and K is the stock of capital. We will assume that no output can be produced without using some labour and some capital and that an extra unit of labour or capital increases output (i.e. $\partial F / \partial L = F_L > 0$ and $\partial F / \partial K = F_K > 0$).

The total cost of producing a given level of output for the firm is the number of hours of work it hires times its price, the wage rate W , plus the amount of capital times its rental price, R :

$$(3) \text{Cost} = W * L + R * K.$$

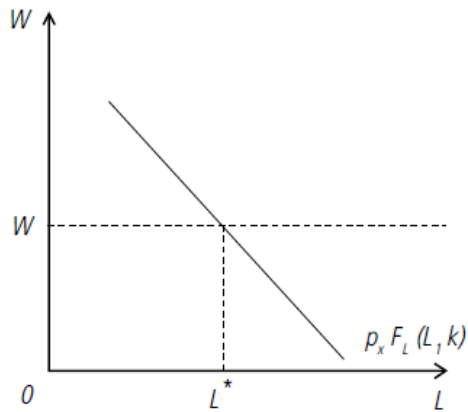
The objective of the firm is to choose the level of output that maximizes its profits (the difference between revenue and cost). The demand for production inputs (such as capital and labour) is a derived demand, in the sense that inputs are bought and rented for the contribution that they make towards the production of the good or service that the firm sells.

The demand for labour in the short run at the level of the firm:

We will start by considering the case where capital is in place and cannot be expanded in the short run (i.e. $K = k$). The analysis of the short run is of interest as the assumption that office space, machines and other things cannot be expanded immediately to accommodate changes in output is quite realistic. When the stock of capital is fixed, the only way to increase output in the short run is to hire more hours of work. However, it is usual to assume that the increase in output generated by an extra hour of work decreases as more hours of work are hired (i.e. $\partial^2 F / \partial L^2 = F_{LL} < 0$). This property is called the law of diminishing returns.

In the short run, when capital is fixed, the only part of the firm's costs that is variable is the wage bill (there is a fixed outlay equal to the cost of capital, $R * k$). The choice of L , and therefore of output, that maximises the firm's profit in the short run is obtained by setting the value of the marginal revenue of labour equal to the marginal cost of labour. If the firm takes the product price and the wage rate as given this condition can be written as

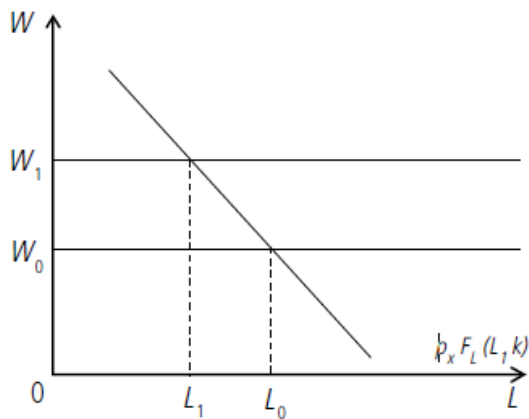
$$(4) P * F_L(L, k) = W$$



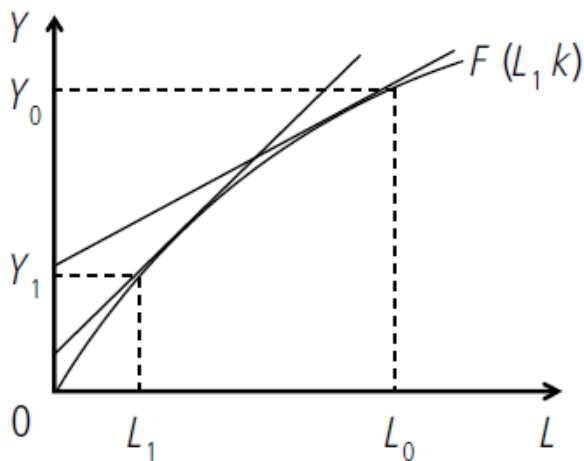
The demand for labour is determined by solving equation (4) in terms of L .

$$(5) L = LSR(W, P, k).$$

As can be seen from Figure 3.2 an increase of the wage rate from W_0 to W_1 in this firm only (i.e. leaving P constant) will decrease the demand for labour from L_0 to L_1 in that firm. In general, the demand for labour is downward sloping.

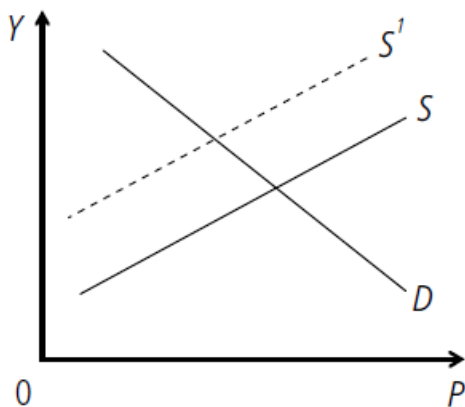


The supply of output is decreasing in the wage rate. This can be seen in Figure 3.3. When the real wage rate is W_0/P the equilibrium employment level is L_0 . When the wage rate increases to W_1 the equilibrium employment level is L_1 . As we see in Fig. Therefore, the tangency of the real wage rate and the production function occurs at a lower level of employment and output, L_1 and Y_1 .



The demand for labour at the level of the industry:

What happens with demand for labour when the wage rate increases from W_0 to W_1 for the whole industry? Individually, as we have seen, all firms will be willing to reduce employment and output. The increase in the wage rate at the industry level will shift the output supply function of the industry, S , to the left (which would not happen if only one firm would face a wage rate increase). If the demand for output is a negatively sloped function, D , the shift in supply will increase the equilibrium price of output. We draw this process in Figure 3.4. The increase in the price of output will shift out the value of marginal product function counterbalancing some of the fall in employment. It can be proved, however, that P will rise proportionally less than W so that the effect on employment and output will not disappear completely. Therefore, the short-run demand for labour at the industry level is also negatively sloped.



THE DEMAND FOR LABOUR IN THE LONG RUN

At level of the firm:

Let's consider now the demand for labour when the firm can adjust both capital and employment. The firm now wants to determine what is the combination of inputs, and therefore the level of output, that maximizes profits. A graphical analysis of the equilibrium requires the definition of two terms: isoquants and isocosts. We explain these concepts and pursue the graphical analysis of the equilibrium in what follows.

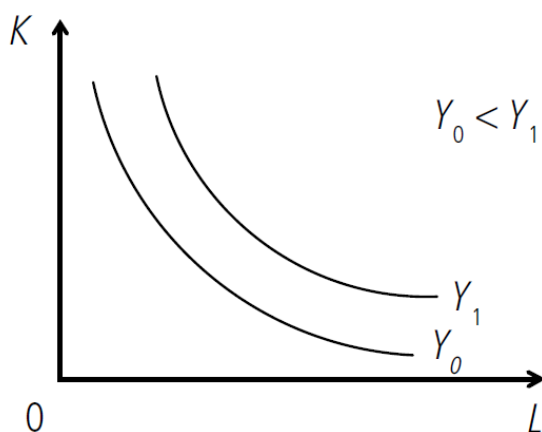
The production function, equation (3), defines the minimal amount of capital and labour that are required to produce a given level of output. An isoquant is the minimal combination of capital and labour that allows the firm to produce a given level of output. We present a set of isoquants in Fig.

The slope of an isoquant, the marginal rate of technical substitution, is negative (i.e. $MRTSKL = -FL/FK$). If the firm reduces employee hours in one unit it must increase the capital level by some amount in order to maintain the output level constant, as both inputs are productive. The isoquants are convex to the origin (i.e. $dMRTSKL / dL < 0$) because the higher the level of employee hours the smaller is the increase in capital level required to compensate for a reduction in labour while keeping the level of output constant.

The elasticity of substitution

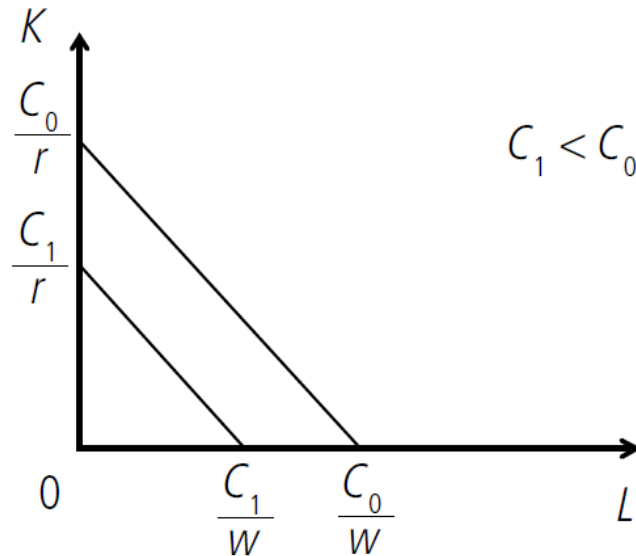
$$(7) SKL = d \log (K/L) / d \log (MRTSKL)$$

characterises the degree of substitution between production inputs. The elasticity of substitution gives the percentage change in the capital-labour ratio when the marginal rate of substitution increases. When inputs are perfect substitutes $SKL = -\infty$ (L-shaped isoquant) and when they are perfect complements $SKL = 0$ (straight-line isoquant).



The cost of using a given combination of inputs is given in equation (2). The combinations of capital and employee hours that keep costs constant, the isocost, is presented

in Figure 3.6. The closer to the origin is the isocost the lower is the cost of production. The slope of the isocost, the marginal rate of transformation, is the rate at which it is possible, in the market, to trade one unit of work for one unit of capital ($MRT_{KL} = -W/R$).



Which is the level of employee hours and capital that correspond to a given profit-maximising level of output Y_0 ? The combination of capital and labour that is chosen in this case is the one that minimises production costs. This occurs when the isocost is tangent to the isoquant Y_0 . At a higher isocost the firm can increase profits by reducing costs and at a lower isocost it cannot produce the desired level of output. Of course, given a set of input prices every point of tangency between an isocost and an isoquant (that is to say, every point where $W/R = FL/FK$), constitutes a cost-minimising point but not every production level is profit maximising.

Formally, the choices of K and L that maximise profits are obtained when the value of the marginal product of both inputs equal their market prices:

$$(8) P \cdot FL(L, K) = W$$

$$(9) P \cdot FK(L, K) = R$$

Of course dividing (8) and (9) gives the condition for cost minimization and solving the system of two equations in two unknowns gives the input demands:

$$(10) L = LLR(W, R, P)$$

$$(11) K = KLR(W, R, P).$$

Furthermore, replacing (10) and (11) in the production function we obtain the supply function.

What are the consequences of an increase in the wage rate in one firm only¹ (i.e. leaving P constant) on the demand for labour and capital in that firm? The effect can be decomposed into two parts: a substitution effect and a scale effect. The substitution effect captures how the demand for the inputs changes when we leave output constant. The scale effect captures how the demand for the input changes when the scale of production changes. Note that inputs are defined as normal (inferior) when an increase in output increases (decreases) the amount used of the input. For a given output level, an increase in the wage rate will cause slope of the isocost to increase, inducing a cost-minimising firm to replace capital with labour as shown in the movement from A to B in Fig.

Notice that when the elasticity of substitution is higher (i.e. the isoquant is flatter), the substitution effect is more pronounced. (Try to draw this.) As happens in the short run, and provided that labour is a normal input, the increase in the price of the input will reduce the level of output that maximises profits. If both inputs are normal, the scale effect will reduce the demand for both inputs (the movement from B to C in Figure 3.7). In sum, an increase in the wage rate will always decrease the demand for labour.

The (absolute) value of the elasticity of industry labour demand increases when:

- the (absolute) value of the elasticity of output demand increases
- the share of labour in the cost of output increases
- the elasticity of substitution between labour and capital increases
- the capital's supply elasticity increases.

The rules 1, 3, and 4 should follow from the discussion above. Further, explanation of these rules is provided in the recommended readings We also find them useful for the chapter on Unions.

As in the analysis of labour supply, the effect on employment of a 1 per cent change in wage is measured by the elasticity of the demand curve, (12) $d \log E / d \log W = (W / E) * (d E / d W)$. Is the demand for labour more elastic in the long run than in the short run? Yes. Why is that the case? There are two main explanations. First, in the long run the firm can substitute away from labour by using capital when the wage rate rises. Second, in the short run the demand for output is less elastic. Therefore, any change in the wage rate (and thus on output price) has a larger effect on employment in the long run.

Wages

The (absolute) value of the elasticity of industry labour demand increases when:

- the (absolute) value of the elasticity of output demand increases

- the share of labour in the cost of output increases
- the elasticity of substitution between labour and capital increases
- the capital's supply elasticity increases.

The followings are some of the causes of difference in wages:

1. Difference in efficiency:

All persons are not equally efficient. They differ in abilities, efficiency, skill and attitude. Some people are more efficient and some are not efficient at all. An efficient worker gives better output than others. Different types of work require different abilities. Efficiency requirement in jobs varies from occupation to occupation. For example, the job of a District Magistrate requires more efficiency and responsibility than a clerk. The efficiency of a doctor is more than a nurse. Such differences in abilities, intelligence, efficiency and responsibility account for differences in wages in different occupations.

2. Immobility of labour:

Labour is generally immobile. The presence of non-competing groups in society makes the labour more immobile. Sometimes people are not prepared to accept higher wages if it involves a change of place. Transport difficulties also play a vital role in the immobility of labour. Political barriers against the free movement of labour from one country to another result in the difference in wages in different countries.

3. Presence of non-competing group:

There are different groups of labour which are not competitive. These are called non-competing groups of labour. In our country this is generally due to caste system. The work of one caste cannot be done by others. For example, a sweeper finds difficulty in getting the work which is meant for higher classes. Different occupations require labour of various qualities. The work of a doctor is different from that of an engineer.

The teacher cannot do the work of a lawyer. So people belonging to a particular group can only compete for that work. For this reason, a sweeper cannot apply for the post of a District Magistrate. Poverty is also another reason which creates non-competing groups in society. The children of a labourer have very little opportunity of getting high paid jobs. The existence of non-competing groups prevents mobility of labour and thereby creates difference in wages.

4. Nature of work:

The nature of work influences the wage differences. Dangerous, disagreeable, hazardous and risky work carry higher money wages to attract larger supply of labour. For example, The labour working in the coal mines are getting more wages than a peon in the office. Soldiers are getting more wages than ordinary police personnel. The salary of the mining engineer is more than a civil engineer. Safe, pleasant, comfortable and occupation of greater risk gives higher wages.

5. Training and extra qualification:

Trained and skilled workers get more wages than ordinary workers. Extra qualifications and special training demand higher wages for a job. If an occupation requires expensive specialized training high wages will be offered.

6. Steadiness of employment:

If work in an occupation is seasoned or irregular, higher wages will be offered whereas in regular employment low wages are given. The wage rate is lower in government jobs than in companies or private sectors.

7. Future prospects:

If future promotion prospects in a job are better, then the initial wages are low. People prefer this type of future prospective jobs, though the wage rate is lower. On the other hand, wages are higher in the jobs where there is no future prospects.

8. Presence of labour unions:

Wages in different occupations like factories, mines, companies are determined by the bargaining strength of labour unions. If the labour union is strong enough, the workers are getting higher wages.

9. Scope for extra earnings:

If the job has a scope for supplementary earnings, the regular income may be lower. For example, a doctor may accept the job with lower wage, because he can do private practice.

10. Wages of women:

Wages paid to women are less than men Specially a male labourer is getting more wages than a female labourer. This is only seen in contract manual labourer. But this case is not seen in other government and private sector occupation. For example, doctors, teachers, office workers, engineers, IT workers in companies etc.

11. Experience:

Experienced workers are normally paid more than the less experienced or inexperienced workers. It is through experience that man gradually knows things. Experience makes the worker wiser and more perfect. Therefore, everywhere experience counts and is being rewarded. Differences in wage rates exists due to varying experiences of different wages.

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UNIT IV

TRADE UNIONS, COLLECTIVE BARGAINING AND INDUSTRIAL RELATIONS

Trade Unions

Meaning

The Plan said that there is need for a considerable readaptation in the outlook, functions and practices of trade unions. They have to be accepted as an essential part of the apparatus of industrial and economic administration of the country and should be prepared for the discharge of responsibilities. Their leadership has to grow progressively out of the ranks of the workers and this process will be greatly accelerated as the programme of workers education gathers momentum. A union having membership of 15 per cent of the workers in the establishment over a period of 6 months shall be recognized as representative union for an industry or area. It also emphasized that once a union has been recognized, there should be no change in its positions for a period of two years, if it has been adhering to the provisions of the Code of Discipline. The Plan proposed a suitable training programme for the personnel of the industrial relations machinery.

The Commission felt that a strong trade union movement is necessary both for safeguarding the interests of labour and realizing the target of production. The Plan suggested to minimize the number of outsiders as office-bearers of the union to check unhealthy rivalries in the labour movement, and suggested training of workers themselves in trade union philosophy and methods. Recognition of workers union and statutory provisions therefore were suggested.

Trade Union Movement

“A trade union is a voluntary organization of workers formed for the purpose of promoting & protecting the interest of workers through collective action”.

Growth of Trade Union Movement

Modern industrial sector in India has a history of just 150 yrs. The first trade union of textile works of Bombay came into existence in 1890. Since then, several trade unions were formed. The real beginning of the trade union movement in India was made towards the end of 1st world war. The Russian revolution which took place in 1917 gave fillip to the movement with the formation of Madras Trade Union in 1918. The trade union movement saw its real beginning by the country. All India trade union congress was formed in 1920.

Again in 1922, all India railway men federation & all India post & telegraph unions were formed.

Trade Union Act 1926

It was a land mark in the history of the growth of the trade union movement in India. This act gave legal status to trade union & thereby contributed for their rapid growth. This act was amended in 1948, 1960 & in 1964. The no. of registered unions increase from 4000 to 25000 (1951 – 1999).

National Level Labour Organisation.

1. Indian National Trade Union Congress (INTUC).
2. The All India Trade Union Congress (AITUC).
3. The Centre of Indian Trade Unions (CITU).
4. Hind Mazdoor Sabha (HMS).
5. Bharaliya Mazdoor Sabha (BMS).
6. United Trade Union Congress (UTUC).

Weakness of Trade Union in India

1. **Limited Membership:** The Trade Union in India have limited membership. Majority of the workers have not taken the membership of the union. Only 40-50% of the workers get membership. This tendency has made the union weak.
2. **Lack of Unity:** There is no unity among the members of the trade union. They are divided & sub – divided on the basis of cast, religion, language, etc.
3. **More than One Union:** In India, there is existence of too many trade unions. Many unions are formed within one industry. This is an unhealthy trend. This will result in inter union rivalry.
4. **Weak Finance:** It is an important factor affecting the functioning of trade union in India. Hence, the trade union cannot undertake labour welfare & benefit schemes.
5. **Illiteracy:** Majority of Indian Industrial workers are illiterates. They are unable to understand the importance of unity & unionism. They do not come forward to launch united struggle. Thus, they easily become victims of employees.
6. **Outside Leadership:** Most of the unions are controlled by outsiders. They do not take those in the development of trade union nor protection of labour interest.
7. **Migratory Character:** The factory workers in India are controlled by the sentiments. They come from villages & return to villages as soon as the work is completed. They move from one job to another without any reason.

8. **Political Influences:** The Indian trade unions are controlled by political parties & politicians. Most of the times, politicians victimise the workers to protect their self-interest.
9. **Defective Administration:** The administration of trade unions is not efficient with the lack of proper functioning of the trade union; the functioning of workers body cannot be healthy & efficient.
10. **Lack of Government Interest:** The government does not take much interest in the formation & growth of trade unions. This indifferent attitude of the government is partly responsible for the slow growth of trade union movement.

Suggestions to Strengthen Indian Trade Union Movement

1. Expansion of educational facilities
2. Encouraging internal leadership.
3. Implementation of one industry, one union.
4. Control of political interference.
5. Strengthening of their financial position.
6. Providing proper training.
7. Co-operation of employers.
8. Eliminating inter union rivalry.
9. Reforming the structure of unions

Work Participation Rate

It may be defined as the percent of total workers to total population. The work participation rate in India as per 2001 census is about 39.3%. This is higher than the rate of 37.64% in 1991, 36.77% in 1981 & 34.2% in 1971.

Women Empowerment Programs:

1. **Swayam Sidha:** It is an integrated part of the project for the development & employment of women through self-help groups with emphasis on covering service, provision of credit & promotion of small scale enterprises.
2. **Swa Shakti Project:** This is centrally sponsored scheme to be implemented in the states of Bihar, Gujarat, Jharkand, Karnataka & M.P., U.P., etc, This scheme was mainly intended to enhance women status through providing them loans, imparting skills & confidence & income generating activities.
3. **Support to Training & Employment Program for Women:** This program seeks to provide updated skills & new knowledge to the poor women in traditional sectors of the economy.

4. **Swalamban:** This scheme is to provide training & skills to women to facilitate them for self-employment on sustainable basis. Ex.: Computer programming, medical, transportation, etc.,
5. **Way Care Centers for Children of Working Women:** This scheme aims to provide day care services to children below 5 yrs. Where, the income of the family does not exceed 1800/- per month.
6. **Hostels for Working Women:** This aims at expansion of hostel buildings for working women with day care centres. They also undertake the provision for safe & affordable accommodation to workingwomen.
7. **Swadhas:** This is a centrally sponsored scheme for all round development & integrated services to women under difficult circumstances such as destitute, widow, women prisoners & survivors of natural disasters, etc.,
8. **Rashtriya Mahila Kosh:** It is also known as national credit fund for women. It was started with a view to facilitate credit support.

Collective bargaining

One of the aims of a trade union is to negotiate with employers about matters affecting their members and other employees. Once a trade union is recognised in a workplace, the negotiations they have with the employer are called collective bargaining; these negotiations will be regarding terms and conditions of employment.

Trade unions and employers will agree on how the process will operate, for example:

- who will represent the workers, or group of workers (bargaining unit) in negotiations
- which workers are included in the bargaining unit
- how often meetings will take place
- which issues, including which terms and conditions will be discussed
- how failures to agree will be resolved
- how discussions will work if more than one trade union is recognised

For trade unions and employers who face problems at work which result in a dispute Acas can help. Collective conciliation can move parties towards a resolution of a dispute through the expertise of an impartial and independent third party - for example through the use of **Acas services**.

Collective agreements

Where collective bargaining has lead to an agreement, for example pay increase, these agreements are called collective agreements. Collective agreements within the workplace can

cover both union and non-union staff as trade unions often negotiates on behalf of the staff employed in a specific group. This group is known as the bargaining unit.

Features of Collective Bargaining

Essential Features of collective bargaining are as follows:

Collective bargaining is regarded as a constructive response to industrial conflict as it reflects a willingness to remove the conflicts by discussion and understanding rather than by warfare.

Collective bargaining is not an ideal system. At best, it is an imperfect institutional process that works reasonably well in an imperfect society. No one has now come forth with any alternative procedure that will work better. Collective bargaining is necessarily a pragmatic process.

(1) It is a two-way process. It is a mutual give and take rather than takes it or leave it method of arriving at the settlement of a dispute. Both parties are involved in it. A rigid position does not make for a compromise settlement. Collective bargaining is a 'civilized confrontation' with a view to arriving at an agreement, for the object if not 'warfare' but 'compromise.'

(2) It is a continuous process which provides a mechanism for continuing an organised relationship between the management and trade unions. Collective bargaining begins and ends with the writing of a contract.

(3) Collective bargaining is not a competitive process but it is essentially a complementary process.

(4) Collective bargaining is a negotiation process and it is a device used by wage earners to safeguard their interests. It is an instrument of an industrial organisation for discussion and negotiation between the two parties.

Function of the collective agreement.

Since the right to collective bargaining was recognised in the Constitution and implemented in the standards, the regulatory functions of the collective agreements have been broadened considerably. Originally, collective agreements were virtually confined to the regulation of working days and wages. Nowadays, besides regulating the various aspects of the employment relationship (working days, salary, reconciliation of work and family life, prevention of labour risks, etc) they regulate economic issues (e.g. a company's employment policy, or outsourcing policy) and those related to workers' collective action (e.g. rights of

workers' representatives, establishment of union sections, workers' right to assembly, etc). This historical trend towards boosting collective bargaining is also something of our own time. One can say that over the last twenty years the role of collective bargaining in the regulation of working conditions has changed to the point that nowadays it regulates aspects of labour relations before exclusively governed by law. Traditionally, collective bargaining has played the role of improving working conditions laid down in the rules of the respective mandatory law. This is a typical feature of the first manifestations of collective bargaining in history. However, nowadays collective bargaining continues to have a significant role (e.g. art. 38 WS provides a minimum of 30 calendar days' holidays, which can be extended by the collective agreement). In fact, collective bargaining has gradually increased its regulatory role with respect to the law, and now has three functions more in addition to the above: 1) Sometimes the law allows collective agreement to regulate certain matters, replacing non-mandatory standards (e.g. art. 14.1 WS - duration of the qualifying period-, art. 29.1 WS - payslip model-). 2) In other cases, the law partly regulates some matters, entrusting the collective agreement to complete the legal regulation; e.g. Art. 23.2 WS (entrusts the collective agreement to establish the terms for the exercise of some rights such as leave to sit examinations, as well as the option to choose work shifts for workers following courses. 3) Also in other cases, the law chooses to enable the collective agreement to regulate some matter. In other words, the law merely mentions said matter, requiring the collective agreement to establish all regulation; e.g. Art. 24 WS (promotion scheme), Art. 25 WS (terms for economic development).

Industrial Relations:

Harmony and cordial relations are the sole basis of peaceful industrial progress. The Commission was not satisfied with the functioning of the legal machinery for the settlement of industrial disputes. Excessive delays, lack of balance in judgments and disharmony with the true requirements of the situation occurred in judgments. Work of the industrial and labour courts had suffered in quality and speed of disposal. Therefore the Commission favored settlement of disputes by the employer and employees themselves without any external interference and was not in favor of Appellate Tribunal. It suggested no appeal except in extraordinary cases. However, machinery, needed to settle certain extra ordinary cases of, disputes without delay, was not ruled out. It suggested that machinery should be in accordance with the principles as under :

- (i) reduction of legal technicalities and formalities of procedure.

- (ii) final and direct settlement of each dispute.
- (iii) trained and expert personnel for tribunals and courts.
- (iv) reduction of appeals over these courts, and
- (v) prompt enforcement of the terms of award.

A Central Tribunal to deal with disputes of an all India Character was recommended. workers Committees were recommended for the settlement of differences on the spot, while Joint Committee for the Centre and for the industry as whole were also recommended.

The Commission recommended setting up of "norms" and standards to govern mutual relations between employers and workers. To avoid disputes the commission suggested that duties and responsibilities of employers and workers should be laid down in specific terms. Workers should be enabled to approach the authorities and should be kept in touch with We affairs of industry. The workers' right to association, organization and collective bargaining should be accepted and trade unions should be welcomed.

With regard to Public Sector, the Commission pointed out that wages, working conditions and welfare arrangements should serve as models in such undertakings. All labour laws should be extended to them.

Industrial Relations in the Fourth Plan rested on the working of the Code of Discipline. The obligations of the Code were extended to all the constituents of the Central Organizations of employers and workers. The Plan referred to the Industrial Disputes Act which provided for the settlement of disputes through conciliation, adjudication and voluntary arbitration. The Plan said while the provisions of this legislation were available as a last resort, the greater emphasis should be placed on collective bargaining and on strengthening the trade union movement for securing better labour management relations supported by recourse in large measure to voluntary arbitration. The Plan provided for the establishment of Workers Committees at the plant level and Joint Management Councils to new industries. It further says that there is wide agreement on the need to strengthen the machinery at present available for conciliation, adjudication and voluntary arbitration. In this connection, it would be useful if summary powers could be conferred on labour courts to enable them to recover dues and monetary benefits to which workers might be entitled under various awards and agreement.

INDUSTRIAL DISPUTES

In the wake of the so called New Economic Policy (NEP), there were widespread expectations in certain quarters that time had come for labour policies to be dovetailed with industrial, policies so that both moved in a unified direction rather than the opposite direction. There was much talk about the so-called 'exit policy'. Recently, the Government has constituted the Second National Commission on Labour on the recommendation of the Indian Labour Conference.

Labour is in the concurrent list of the Constitution. According to Article 246 of the constitution of India, both parliament and state legislature can enact on aspects relating to employment, trade unions, industrial disputes, social security etc. Generally speaking, the state government is the appropriate authority for administering central laws in most of the cases.

Industrial Disputes:

Industrial disputes refer to the differences between the employers and workers in an industry. These disputes take various forms of protest. From the workers side the forms of protest are strikes, gheraos, demonstration, etc. from the employer's side the forms of protest are retrenchment, dismissal, lockouts etc.

The two most important forms of protest lead to loss in industrial production and decline in the national income. Hence, it is essential to know the nature and magnitude of industrial disputes, factors responsible for their occurrence and measures used to resolve them.

There has been a growing trend in terms of workers involved and man days lost in industrial disputes in India.

Causes of Industrial Disputes:

The main causes of industrial disputes are:

i) Wages:

Low wages of industrial workers constitute a major cause of industrial disputes in the country. Wages have not been rising in proportion to the rise in prices. This has forced the labourers to demand higher wages, consequently leading to disputes.

(ii) Bonus:

The demand for bonus or increase in bonus has been the second major cause of industrial disputes. The workers feel that they should have a greater share in the profits of the industrial concern. Non-acceptance of this fact by the employers has been a source of friction among the employers and the workers.

(iii) Working Conditions:

The demand for improvement in working conditions such as lesser working hours, security of job, better safety measures in the factory, leave, canteen, gratuity facilities, etc., are also responsible for many industrial disputes.

(iv) Other Causes:

Among other causes that lead to disputes are failure of employers to recognise trade unions, conflict between rival unions for representation, insult to trade union leadership by the employer, introduction of rationalisation in the factory, the fear of retrenchment of workers, sympathetic strikes with fellow employees in other establishments, general discontent and sense of frustration among labourers, political issues etc.

Measures for Industrial Peace:

Some of the measures undertaken by the Government for improving industrial relations and for establishing industrial peace are as follows:

- (i) Enactment of the Factories Act, 1948 and other labour laws for regulating conditions of work in factories.
- (ii) Introduction of schemes like profit sharing, workers participation in management, subsidised industrial housing etc.
- (iii) Framing of Industrial Employment, (Standing Orders) Act, 1948 for defining conditions of employment and for framing model service rules.
- (iv) Introduction of bonus scheme making it compulsory for all establishment to pay a minimum of 8.33 per cent bonus to all employees under the Payments of Bonus Act, 1965.
- (v) Enactment of an Equal Remuneration Act 1976, which provides for payment of equal remuneration to men and women workers for the same work, or work of similar nature and for prevention of discrimination against women in matters of employment.
- (vi) Arrangement for settlement of industrial disputes under the Industrial Disputes Act, 1947.
- (vii) Adoption of 'Code of Discipline' (1958) by both employers and workers for settlement of disputes and avoiding direct action.
- (viii) Provision of social security benefits for industrial workers under various laws like the Employees Provident Fund and Family Pension Act, 1952; Employees State Insurance Act, 1948, Payment of Gratuity Act, 1972 etc.
- (ix) Fixation of minimum wages under the Minimum Wages Act, 1948 and the government's efforts to get fair wages for workers, etc.
- (x) Introduction of a scheme for workers participation in management.

Curative and preventive measures

We are worried and conscious that your machines must be in a proper working condition. So, we make available to you a large range of services :

- preventive maintenance contract,
- valuation of your fittings
- renovation or improvement of your equipment
- repairing on the premises

Curative measures :

- GPS is independent as regards the making of mechanical or mechanically-welded parts with a stock of more than 5.200 benchmarks. So, we will answer to your material needs as soon as possible. Whatever the benchmark of your machine, we will come up to your expectation.

Preventive measures :

- A preventive maintenance is the assurance of a long duration of life and the guarantee of a best exploitation of the machines. Moreover, the preventive maintenance answers perfectly to needs of support and regarding the security.
- Our team of highly skilled 10 engineers is at your disposal to thrust in your workshops by simple request from you to value your machine in order to detect failures.
- So, don't hesitate to ask your question, we will know to provide a customized answer.

Statistics of Industrial Disputes:

Statistics of industrial disputes are compiled by the labour Bureau on the basis of the reports received from the State Labour Departments. All India statistics are published every month in the Indian Labour Gazette. Such statistics are collected through voluntary submission of returns by the employers, but official agencies are also utilized to trace the occurrence of disputes and to collect fuller details relating to them. These relate to industrial disputes (both strikes and lockouts) resulting in work stoppage involving ten or more workers in all Sectors of employment including mines, trade, transport, plantations etc. The data available refer to :

- (i) Number of disputes
- (ii) Number of workers involved
- (iii) Duration of disputes and

(iv) Number of worker involved.

All this information is available with regard to each State and each industry. The disputes have also been classified according to causes, e.g., wages and allowances Bonus, Personnel Leave and Hours of work etc.

Workers Participation in Management : Definition, Characteristics and Objectives!

Like other behavioural terms, WPM means different things to different people depending upon their objectives and expectations. Thus, WPM is an elastic concept. For example, for management it is a joint consultation prior to decision making, for workers it means co-determination, for trade unions It is the harbinger of a new order of social relationship and a new set of power equation within organisations, while for government it is an association of labour with management without the final authority or responsibility in decision making.

Let us also go through some important definitions of WPM.

According to Keith Davis, “Workers’ participation refers to the mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share in responsibility of achieving them”.

In the words of Mehtras “Applied to industry, the concept of participation means sharing the decision-making power by the rank and file of an industrial organisation through their representatives, at all the appropriate levels of management in the entire range of managerial action”.

A clear and more comprehensive definition of WPM is given by the International Labour Organisation (ILO).

According to the ILO:

“Workers’ participation may, broadly be taken to cover all terms of association of workers and their representatives with the decision-making process, ranging from exchange of information, consultations, decisions and negotiations to more institutionalized forms such as the presence of workers’ members on management or supervisory boards or even management by workers themselves as practised in Yugoslavia”

In Yugoslavia, WPM is governed by the Law on Workers’ Management of State Economic Enterprises and Higher Economic Association. The Act consists of a three-tier participation structure: collective bargaining, workers’ council, and hoard of management.

In fact, the basic reason for differences in perception of WPM is mainly due to the differential pattern of practices adopted by various countries while implementing workers' participation in management.

For example, in Great Britain and Sweden, WPM is in the form of Joint Consultation through Joint Consultative Committees, Works Committees in France, Co-determination Committees in West Germany, Joint Work Council in Belgium, Workers' Council and Management Board in Yugoslavia and Union Management Co-operation in USA.

In India, WPM is in the form of, what we call Labour Management Cooperation and Workers' Participation in Management. It is implemented through the agencies like Works Committees, Joint Management Councils (JMCs) Shop Councils, Unit Councils and Joint Councils. Notwithstanding, these different forms of WPM differ only in degree, not in nature. Be the perceptual differences as these may, WPM is a system of communication and consultation, either formal or informal, by which the workers of an organisation are kept informed, as and when required, about the affairs of the undertaking and through which they express their opinion and contribute to decision-making process of management.

Characteristics:

The following are the main characteristics of WPM:

1. Participation implies practices which increase the scope for employees' share of influence in decision-making process with the assumption of responsibility.
2. Participation presupposes willing acceptance of responsibility by workers.
3. Workers participate in management not as individuals but as a group through their representatives.
4. Worker's participation in management differs from collective bargaining in the sense that while the former is based on mutual trust, information sharing and mutual problem solving; the latter is essentially based on power play, pressure tactics, and negotiations.
5. The basic rationale for worker's participation in management is that workers invest their labour and their fates to their place of work. Thus, they contribute to the outcomes of organization. Hence, they have a legitimate right to share in decision-making activities of organisation.

Objectives:

The objectives of WPM are closely netted to the ration-able for WPM. Accordingly, the objectives of WPM vary from country to country depending on their levels of socio-economic development political philosophies, industrial relations scenes, and attitude of the working class.

To quote, the objective of WPM is to co-determine at the various levels of enterprises in Germany, assign the final to workers over all matters relating to an undertaking in Yugoslavia, promote good communication and understanding between labour and management on the issues of business administration and production in Japan, and enable work-force to influence the working of industries in China, for example.

In India the objective of the government in advocating for workers' participation in management, as stated in the Industrial Policy Resolution 1956, is a part of its overall endeavour to create a socialist society, wherein the sharing of a part of the managerial powers by workers is considered necessary.

The objective of WPM, as envisaged in the Second Five Year Plan of India is to ensure:

1. Increase in productivity for the benefit of all concerned to an enterprise, i.e., the employer, the employees and the community at large.
2. Satisfaction of worker's urge for self-expression in the matters of enterprise management.
- 3 Making employees better understood of their roles in the organisation.

In ultimate sense, the objective of WPM in India is to achieve organizational effectiveness and the satisfaction of the employees.

Accordingly, the objectives of WPM in India are to:

1. Promote mutual understanding between management and workers, i.e., industrial harmony.
2. Establish and encourage good communication system at all levels.
3. Create and promote a sense of belongingness among workers.
4. Help handle resistance to change.
5. Induce a sense among workers to contribute their best for the cause of organisation.
6. Create a sense of commitment to decisions to which they were a party.

Levels of Participation:

Having known the objectives of WPM, the question then is to what extent workers can participate in decision-making process. In other words, it is important to know the extents/levels of co-determination in an organisation.

Viewed from this angle, Mehtras has suggested five levels of workers' participation ranging from the minimum to the maximum. Since these levels of workers' influence the process and quality of decision making in an organisation. We are therefore highlighting here these levels briefly ranking them from the minimum to the maximum level of participation.

Informative Participation:

This refers to management's information sharing with workers on such items those are concerned with workers. Balance Sheet, production, economic conditions of the plant etc.,

are the examples of such items. It is important to note that here workers have no right of close scrutiny of the information provided and management has its prerogative to make decisions on issues concerned with workers.

Consultative Participation:

In this type of participation, workers are consulted in those matters which relate to them. Here, the role of workers is restricted to give their views only. However the acceptance and non-acceptance of these views depends on management. Nonetheless, it provides an opportunity to the workers to express their views on matters involving their interest.

Associative Participation:

Here, the role of the workers' council is not just advisory unlike consultative participation. In a way, this is an advanced and improved form of consultative participation. Now, the management is under a moral obligation to acknowledge, accept and implement the unanimous decision of the council.

Administrative Participation:

In the administrative participation, decisions already taken are implemented by the workers. Compared to the former three levels of participation, the degree of sharing authority and responsibility by the workers is definitely more in this participation.

Decisive Participation:

Here, the decisions are taken jointly by the management and the workers of an organisation. In fact, this is the ultimate level of workers' participation in management

Financial participation

This method involves less consultations or even joint decisions. Performance of the organization is linked to the performance of the employee. The logic behind this is that if an employee has a financial stake in the organization, he/she is likely to be more positively motivated and involved

Some schemes of financial participation

Profit-linked pay

Profit sharing and Employees' Stock Option

Schemes.

Pension-fund participation

WORKERS EDUCATION

INTRODUCTION

This meeting of members of the Panel of Consultants on Workers' Education is convened in compliance with the decision taken by the Governing Body of the International Labour Office at its 249th session (February-March 1991). The following agenda was approved for the meeting: - The development of the ILO Workers' Education Programme with special emphasis on the problem areas covered as well as the consistency and impact of the means of action and the new approaches adopted since 1985. - The role of workers' education for the promotion of trade union rights. - The priority areas on which the Programme should focus in the 1990s, taking into account the new challenges trade unions have to face in connection with social and economic changes, the impact of structural adjustment policies and the current trends in employment structures and the introduction of new technologies. The meeting is expected to afford opportunities to review the activities carried out in the framework of the Workers' Education Programme of the ILO; to exchange ideas and information on latest developments in the field concerned; to identify priority needs to be dealt with under future programmes; and to consider new approaches that might be adopted to increase the efficiency and impact of workers' education activities. A report outlining the main results of the present meeting will be submitted to the Governing Body for consideration and the Workers' Education Programme of the ILO in the coming years will broadly draw its inspiration from the overall conclusions of the meeting as well as from individual suggestions and recommendations made by the participants. Three working papers have been prepared as a basis for discussion: - Working Paper No. 1 deals with the first item on the agenda and is aimed at summarising relevant information on the main features of the Workers' Education Programme of the ILO as well as on the activities carried out under it since 1985. - Working Paper No. 2 refers to the second item on the agenda and focuses on the role of workers' education in the promotion of trade union rights. In this paper a wide range of paramount issues are considered, such as the importance of including "trade union rights" as a component of workers' education programmes on a regular basis; the most suitable ways and means to make the subject interesting and enjoyable; the emphasis to be put on the history of the struggle for trade union rights; and considerations concerning the target audience. - Working Paper No. 3 is related to the third agenda item and is meant to draw attention to and set a framework for the discussion on some of the priority subjects that should become an integral part of workers' education programmes, taking into account the

new challenges the trade union organisations have to face in connection with social and economic changes the world is undergoing.

Objectives

- To strengthen among all sections of the working class, including rural workers, a sense of patriotism, national integrity, unity, amity, communal harmony, secularism and pride in being an Indian.
- To equip all sections of workers, including rural workers and women workers, for their intelligent participation in social and economic development of the nation in accordance with its declared objectives.
- To develop amongst the workers a greater understanding of the problems of their social and economic environment, their responsibilities towards family members, and their rights and obligations as citizens, as workers in industry and as members and officials of trade union.
- To develop capacity of workers in all aspects to meet the challenges of the country from time to time.
- To develop strong, united and more responsible trade unions and to strengthen democratic processes and traditions in the trade union movement through more enlightened members and better trained officials.
- To empower the workers as employees of the organization and to develop sense of belongingness as effective instruments of amicable industrial relations and maintaining industrial peace.
- To meet the needs of workers to have access to ways of acquiring and continuous up gradation of knowledge and skills that they require to find and hold a job.

Objectives of Rural Workers Education

1. To promote among rural workers, critical awareness of the problems of their socio-economic environment and their privileges and obligations as workers, as members of the village community and as citizens
2. To educate the rural workers to enhance their self-confidence and build-up a scientific attitude.
3. To educate rural workers in protecting and promoting their individual and social interests.
4. To educate rural workers in developing their organizations through which they can fulfill socio-economic functions and responsibilities in rural economy and

strengthen democratic, secular, and socialist fiber of rural society. Hence motivating rural workers for family welfare planning and to combat social evil.

Industrial Discipline:

Hard and efficient work and avoidance of indiscipline are required to achieve the goal which the community desires to reach. For maintaining discipline in industry, the Plan suggested that various -aspects of indiscipline should be examined.

Industrial discipline is the act of doing the right thing on the shop floor. Industrial discipline means practicing 5S and putting tools away, using andons and reporting problems even if they make you look bad, and following Standard Work every time.

Industrial discipline is an enabler of Lean. When people do what is asked of them with minimum supervision, Lean thrives. Industrial discipline is most effective when employees are trusted rather than closely monitored. When workers are

- engaged with their work
- satisfied with their job
- and given respect, responsibility, and authority

they have a much greater incentive to follow rules and processes and creatively participate in a continuous improvement culture.

PRINCIPLES OF INDUSTRIAL DISCIPLINE TO ENSURE A GOOD DISCIPLINARY SYSTEM IN YOUR ORGANISATION

Article shared by Vignesh Rajshekar

The principles of industrial discipline to ensure a good disciplinary system are given below:

Principles

1. Knowledge of Rules:

The employees (both supervisor and the worker) must be informed clearly about what constitutes good behaviour and the rewards that may emanate from it. For this purpose, the organisation should develop a code of discipline in co-operation with the workers.

This code should contain in writing the rules, regulations and procedures considered necessary to maintain discipline. These must be known to all concerned along with the punishment for their violations. Code of discipline should be published in employee handbook.

2. Prompt Action:

All violations and misconducts should be promptly enquired into. When the penalty is imposed immediately after the misconduct, the offender identifies the punishment with the act he has committed.

Accordingly, the subordinate attempts to avoid the violation in future. The principle followed here is “strike the iron when it is hot”. The greater the delay, the more one forgets and the more one feels that punishment is not deserved.

3. Fair Action:

All acts of indiscipline should be punished consistently and uniformly. All persons should receive the same punishment for the same offence.

If different rules were applied to different persons, management would be accused of favouritism. An action in order to be fair must possess the following characteristics:

- (a) All violations – big and small – should be duly punished.
- (b) All individuals should receive equal punishment for similar equal indiscipline.
- (c) Inconsistent behaviour of management leads to uncertainty in the minds of subordinates. Discipline should be uniformly enforced at all times.
- (d) The alleged violation should be fully inquired into.
- (e) The employee should always be given an opportunity to explain his action.
- (f) The burden of proving the violation always lies on the management.

4. Well-Defined Procedure:

The procedure to be used for disciplinary action should be clearly laid down. Definite and precise provisions for appeal and review of all disciplinary actions should be provided for. It should include the following steps:

- The supervisor must assure himself that some violation of the rules has taken place.
- The supervisor should state precisely and objectively the nature of the alleged violation.
- The supervisor should then proceed to gather full facts about the case and maintain proper records.
- The appropriateness of a disciplinary action should be decided in terms of its effectiveness in correcting the employee.
- The accused employee should have the right to appeal to higher authorities.

5. Constructive Approach:

The disciplinary system should be as far as possible preventive rather than punitive. Focus should be on preventing violations rather than on administering penalties.

The immediate line supervisor should carry out disciplinary action. The employee should be told not only the reason for the action against him but also how he can avoid such penalties in future.

6. Self-discipline:

Self-discipline is the best form of discipline and management should encourage such sense of discipline among employees. After taking the disciplinary action, the supervisor must assume a normal attitude towards the worker.

7. Review and Revision:

A supervisor must play the role of a judge enforcing the law with impartiality. He should not engage in personal ridicule, insult or even criticism.

All rules and regulations should be appraised at regular intervals to ensure that they are appropriate to the changing times. If a particular rule is violated time and again, it should be thoroughly studied to discover and remove the causes of such violations

TYPES OF DISCIPLINE

Discipline is classified as either positive or negative. Characteristics are as follows

1. *Positive discipline*

- i. It implies a sense of duty to observe the rules regulations and is also called self discipline.
- ii. It involves creation of a favourable atmosphere in the organization where by employees willingly conform to the established rules and regulations.
- iii. Positive discipline can be achieved through rewards and effective leadership.
- iv. It is more effective than negative discipline.
- v. Positive discipline promotes cooperation and coordination with a minimum of formal organization and reduces the need for personal supervision required to maintain standards
- vi. According to Spiegel, "positive discipline does not replace reason but applies reason to the achievement of a common objective. Positive discipline does not restrict the individual but enables him to have a greater freedom in that he enjoys a greater degree of self-expression in striving to achieve the objective, which he identifies as his own."

2. *Negative discipline*

It is also known as punitive or corrective discipline involves imposition of penalties or punishment to force workers to obey rules and regulations objective is to ensure that employees do not violate the rules and regulations. Negative disciplinary action involves such techniques as fines reprimand, demotion, layoff, transfer etc. Negative discipline does not eliminate undesirable behaviour, it merely oppresses it. It requires regular monitoring causing wastage of time. Punishment also causes

resentment and hostility. While exercising negative discipline, management should proceed in a sequential manner viz. an oral reprimand, a written reprimand ,a warning, temporary suspension and dismissal or discharge.

Alternatives to Punishment

Alternatives to punishment in eliminating undesired behaviour include the following:

- a. **Extinction:** Find out what reinforces the undesired behaviour. For example, the unruly subordinate may be getting praise and recognition from peers. Then get those peers to co-operate with you by ignoring the unruly behaviour. When such behaviour is not reinforced, it will eventually lose strength and extinguish.
- b. **Environment Engineering:** Rearrange the features of the environment so that the Stimulus situation does not evoke the undesired response but some other response. Skinner (1953) tells the story of a manager who had a traffic problem caused by women hurrying down the corridor as soon as the end of the workday was signaled. The manager solved his problem by placing wall mirrors along the corridor. The stimulus situation that had evoked stampeding down the hallway was transformed into one which encouraged a more leisurely and orderly walk-and-stop sequence.
- c. **Reward:** Reward either desirable or natural behaviour, which is physically incompatible with the undesired behaviour. If children are rewarded for taking exercise or for performing light outdoor chores before dinner, they are prevented from excessive snacking and television watching.
- d. **Adjustment:** Allow adjustment, development, or maturation to take its course. New or inexperienced employees make many mistakes and do many wrong things that they will learn to avoid, given a reasonable period of adjustment: punishment may not hasten this process, and it causes undue anxiety, it can actually retard this process.

Causes for Indiscipline

Based on the severity of the consequences flowing from indiscipline or misconduct, they are divided into three categories.

What is indiscipline? In simple words, what is not discipline is 'indiscipline'. Indiscipline is also called 'misconduct'. Misconduct is a transgression of some established or definite rules and regulations which is prejudicial to the interests of the employer, or which is likely to impair the reputation of the employer, or create unrest among other employees'. Indiscipline can be created by the employees while on the job, off the job, inside organisation or outside

organisation. It is, therefore, necessary for the management to determine what constitutes indiscipline or misconduct

1. Minor Infractions:

These refer to actions which do either no harm or very little harm. Carelessness, wage garnishment, and negligence are some of the examples of minor infractions. Yes, accumulation of these may become serious in due course of time.

2. Major Infractions:

The acts which damage morale such as cheating, lying, stealing, refusal to carry out orders, etc. fall under the category of major infractions.

3. Intolerable Offences:

These refer to acts of drastic and illegal nature. Examples of some of these offences/acts are threat to use force. Considering all acts of employees' omissions and commissions which constitute indiscipline or misconduct, one can, with little difficulty, list a series of causes of indiscipline. For simplicity's sake, we have classified the major ones into four broad categories: attendance, on the job, dishonesty, and outside activities.

A brief description of these follows:

Attendance:

Attendance is one of the most serious infractions creating disciplinary problem for managers. Research findings report that attendance problem is much more serious and widespread than other problems such as carelessness, negligence, violation of established rules and procedures.

Now, the question arises is why attendance is such a serious problem. While there is no simple and clear answer to it, one might postulate more than one reason.

Examples are use of hard drugs on the job, fighting, smoking at the place where inflammables and combustibles are kept.

These are listed below:

1. Failure in aligning workers' goals with those of the organisation.
2. Change in most of the employees' attitude toward their employment considering the job/work involving no more central life interest.
3. Change in the backgrounds of the new entrants like rapid movement of minorities and women into the job market.
4. Employees' preference to consume earned leave, regardless of whether they really need or not.
5. Difficulty involved in firing employees because of union protection to them.

On-the-Job Behaviours:

These refer to employees' behaviours evinced while on the job. This blanket level may include the actions of the employees such as carelessness, fighting, gambling, failure to use safety devices, insubordination, refusal to obey orders, horseplay, etc.

In contrast to ambiguous infractions such as taking unnecessary leaves, most of above actions of employees reflect direct infractions and violation of the organisational rules and established procedures. Two of the most widely discussed disciplinary problems in organisations today are abuse of alcohol and drugs.

Arriving at work drunk' or consuming alcoholic drinks on the job is a problem most of the organisations have been experiencing for long time. Of course, many organisations now consider alcoholism a curable disease and, therefore, have started programmes to treat alcoholic employees.

But, the use of drugs on the job is a newer problem hovering in organisations. Evidences indicate that the use of drugs among the employees is on increase. With more and more employees experimenting with drugs off the job, the carryover of drug abuse onto the job is expectedly on' increase.

Dishonesty:

It will not be less than correct to state that if honesty is the best policy, dishonesty is the worst curse. Dishonesty of employees has traditionally been one of the more widespread severe disciplinary actions found in organisations. Stealing, theft, information falsification, etc. have been the common examples of employee dishonesty.

An employee who tells a lie or steals something even once is no more trusted. Such instances often happen in our day-to-day life also. For example, evidence of such practice appears in the media (usually local newspapers) on an almost regular basis.

Given the impending implications of employees' dishonesty for an organisation, it needs to be severely punished. The public's treatment of Richard Nixon attests to this statement.

Similarly, when it was confirmed that a Professor of a major Indian University had plagiarized nearly two-third part of his doctoral thesis, his admirable performance as an effective teacher was dwarfed by the fact that he had broken a cardinal rule within the academic community. Under pressure from the teaching community of the University, the Senate of the University and the media, the University authority fired the Professor from the job.

According to one study, as many as 90 percent of the surveyed organisations discharged an employee for the theft, even it was only a first offense. Similarly, 88 percent discharged those

employees who were found to have falsified information on their employment application. Azim Premji suspended one of his executive for submitting the false TA bill.

Outside Activities:

These activities or infractions of the employees take place outside of their jobs. These are, therefore, also called ‘off-the -job activities’. Examples of such activities include unauthorised strike, wage garnishing, outside criminal activities, working for a competing organisation, bad-mouthing of own organisation, questioning the values of own organisation, etc.

In nutshell, these activities may involve two types of implications either these may affect on-the-job performance of employees or may impair the organisation’s image or goodwill. Hence, there is a need for disciplinary actions against such off-the-job activities of the employees.

Besides above activities, there are some activities of management also, as considered by the employees that create indiscipline in an organisation.

Included in these are:

1. Weak, flexible, incompetent and distrustful leadership. Henry Fayol opines, “Discipline is what the leaders make it”.
2. Defective supervision due to absence of good and knowledgeable supervisors.
3. The “divide and rule” policy practiced by the management destroying team spirit among the employees.
4. Bad and unhealthy working conditions.
5. Discrimination based on caste, colour, creed, sex, language, place etc. in matters like selection, promotion, penalty, etc.
6. Improper co-ordination, delegation of authority, fixing of responsibility, etc.
7. Defective communication system.
8. Lack of timely redressal of employee grievances.

It seems pertinent to quote here the apt observation in the context of discipline made by the American Management Association (AMA-Special Research Report No.3)

Until human nature attains greater perfection, the fullest measure of freedom of action can be realised only within the framework of an expressed discipline. In the social situation, this takes the form of laws, in industry, it is manifested in standards.

Firmness in securing conformity in both instances is wholly consistent with the democratic approach. But the requirements must be fair, the reasons behind them must be

clear and, in so far as possible, they must be arrived at cooperatively. This is the road to self-discipline; this is the aim of wise leadership”.

UNIT V

LABOUR WELFARE AND LABOUR SECURITY

Labour Welfare:

Now days, welfare has been generally accepted by employers as a social right. But the degree of importance given by them varies.

Therefore, the Government also intervenes and introduces legislation from time to time to bring about uniformity in providing such amenities. The intervention of the state, however, is only to widen the area of its applicability.

Meaning and Definition of Labour Welfare:

Labour welfare is a flexible and elastic concept. Its meaning and implications differ widely with times, regions, industries, countries, social values and customs, the general economic development of the people and the political ideologies prevailing at particular moments. As such, a precise definition is rather difficult.

Approaches to Labour Welfare is a dynamic concept and so it needs to be constantly adapted to the changing circumstances. This is a truism in the industrial system as well. For example the first approach was the paternalistic approach. This approach to labour welfare can be traced back to the beginning of the modern industrial system when there was hardly any difference between management and ownership and the owners got first hand information of the living and working conditions of workers. Some of them, motivated by philanthropic, humanitarian and religious considerations, did much to improve the lot of the working masses. Though considerable amount of the so called welfare work was done during the post first world war period; (mainly as a product of the stresses and strains of the war) it was insufficient to result in promoting welfare as is clear from the following observation of the British Trade Union congress Delegation (1927-28). "We became convinced that under the cover of paternalism and benevolence, many unjust conditions of work obtained and that was not really much, if anything, to be said in favour of employees parsing welfare work as against others who do not. Our general conclusion on welfare work as at present carried on is that it is a delusion and a snare." Paternalistic approach was followed by the industrial efficiency approach Industrial efficiency approach was an outcome of the growth of big companies which brought about a separation of functions of management and ownership, and increased the distance between the owners and the workers Personal relationship was replaced by impersonal rules. With "bigness" arose the problem of commitment and

efficiency, and a solution was attempted by formulating welfare schemes. Thus, philanthropy was substituted by enlightened self-interest. The primary drawback of this approach was that it is the ulterior motive of improving efficiency that guides employer's welfare scheme. The latest approach to labour welfare is to conceive it as an integral part of the programme of general welfare. This approach, being a social approach, is neither philanthropic nor with any ulterior motive. It is so designed as an end in itself, to serve as an instrument of socio-economic policy. The objective of labour welfare scheme has at last aims "it serves man, to alleviate the burdens of his struggle for existence and to reduce the hardships of life"

WORKING CONDITIONS

It has to be realized that good working conditions have a great effect not only on the efficiency of the works, but also on their wages, migratory character and on industrial relations. Under working condition, we can include a number of things like sanitation, dust and dirt, temperature and humidity, ventilation, space inside the factory, safety measures and also many welfare measures like canteen, bathrooms, drinking water arrangements, refreshment room etc. and also hours of work. The study of general working conditions of laborers are studied in labour economics, the study of working conditions in industries carried out by Labour Investigation Committee and by several independent searchers point out that the working conditions in factories need to be improved considerably. However, on the legislation for shops and commercial establishment are sufficient for the purpose but should be properly implemented and enforced so that working condition of industrial worker may be improved.

Regulations on Working Hours

There are laws in place which state how many hours you can make your employees work for. These can be opted out of, but you must be sure to follow the correct procedures. If you employ staff in your business, there are limits on the amount of time you can expect them to work. This can be a complicated issue, so you should take care that you do not breach the relevant regulations.

Weekly limits

Working time regulations state that, normally, staff should not have to work more than 48 hours per week on average. Please note that this does not mean they can never work more than 48 hours in a week – this is permitted as long as they do not do exceed this amount on average. In order to calculate the average, you should generally base the figures on the past 17 weeks.

However, while most staff cannot be made to work an average of more than 48 hours a week, they can opt out of this limitation if they wish to do so, allowing them to work longer hours. They must, however, do this voluntarily, and they should set out their decision to do so in writing.

A worker can agree to opt out for a certain period of time (for example, during a busy time for a business) or indefinitely.

You cannot implement an agreement with your entire staff that they will opt out of the 48-hour limit – while you are allowed to ask if specific workers would be willing to do it, this must be discussed individually. If a worker doesn't want to opt out, you cannot dismiss them or treat them worse than other workers because of this.

A worker who has opted out is allowed to change their mind at any time and will no longer be obliged to work longer than an average of 48 hours a week. In order to cancel their opt-out, they need to give you at least seven days' notice. The notice period may be longer if they agreed to this when initially opting out – at this stage you can set it to a maximum of three months.

As well as not being able to force a worker to opt out of the regulations, you cannot force them to cancel an opt-out agreement.

Exceptions to the working time regulations

There are exceptions on both sides of the working time regulations. Some workers can always be made to work more than an average 48 hours in a week, and some workers are not allowed to work more than 48 hours a week on average even if they want to.

The 48-hour weekly work limitation does not apply to:

- security and surveillance roles
- domestic servants in private households
- workers on board sea transport or sea-fishing vessels
- mobile workers on vessels on inland waterways
 - the emergency services (except trainee doctors) and the armed forces, in certain situations
 - positions where 24-hour staffing is needed
 - roles where the worker is in control of their time and their working hours are not measured (for example, self-employed people or senior managers)

Workers cannot opt out of the 48-hour working week if they are:

- airline workers
- staff members on ships or boats

- road transport workers or other operators of vehicles covered by EU drivers' hours regulations
- security guards on vehicles with high-value loads

How to figure out working hours

In order to check that an individual does not work more than an average of 48 hours per week, a reference period is used; usually, this will be 17 weeks. People can work for more than 48 hours in any given week, as long as the amount of time they work over a 17-week period averages out to 48 hours or less. Time off does not count as part of the reference period (for example, if a worker is taking annual leave or is off sick, this will not reduce the average).

For the purposes of calculating average working hours, you should include time spent on:

- training relating to the worker's role
- paid overtime or involuntary unpaid overtime
- travel time for workers where travel is part of their job (e.g. travelling salespeople)
- working lunches
- being available if needed (being 'on-call') while remaining in the workplace
- anything else which is stated as 'working time' under a contract

Concept:

The concept of labour welfare originated in the desire for a humanitarian approach to ameliorate the sufferings of the workers and their families on account of the baneful effects of large-scale industrialisation like undesirable social consequences and the labour problems which have evolved in the process of transition from tradition to modernity. Later it became a utilitarian philosophy which worked as a motivating force for labour and for those who were interested in it. Lastly, labour welfare received inspiration from the evolution of the social thought in regard to democracy and welfare state. With such a varied background and changing values, labour welfare and its contents have acquired a kaleidoscopic nature.

The Concept of Labour / Employee Welfare:

□ The I.L.O. (SEA) session held at New Delhi in 1947 defined Labour Welfare as "such services, facilities and amenities, which may be established in or in the vicinity of, undertakings to enable persons employed therein to perform their work in healthy, congenial surroundings and to provide them with amenities conducive to good health and good morale.

□ N.M. Joshi felt that labour welfare “covers all the efforts which employers make for the benefit of their employees over and above the minimum standard of working conditions fixed by Factories Act and over and above the provision of social legislation providing against accident, old age, unemployment and sickness”.

□ The Committee on Labour Welfare (1969) defined labour welfare to “include such services, facilities and amenities as adequate canteens, rest and recreational facilities, sanitary and medical facilities, arrangements for travel to and from work and for the accommodation of workers employed at a distance from their homes and such other services, amenities, and facilities including social security measures as contribute to improve the conditions under which workers are employed”.

□ An analysis of the definitions given above presents three broad features of labour welfare concept, namely – (1) It is anything given beyond the wages to the workers; (2) The employer, Government, union or any other voluntary body can be the agency for labour welfare; and (3) Labour welfare can be measures provided in the precincts of the company, outside the premises of the company, and social security measures.

Scope of Labour Welfare:

Labour welfare is a dynamic concept which acquires new dimensions with the changes in the environment of industry. It was as early as 1931 that „Whitley Commission observed“, “Labour welfare is one which must necessarily be elastic, bearing a somewhat different interpretation in one country from another, according to the different social customs, the degree of industrialisation and the educational development of the workers”. The Rege Committee (1946) observed that, “We prefer to include under welfare activities anything done for intellectual, physical, moral and economic betterment of workers whether by employer, Government or other agencies, over and above provided by law or under some contract and what is normally over and above provided by law or under some contract and what is normally expected as part of the contract for service”. The Study Team, appointed by the Government of India in 1959 to examine labour welfare activities then existing, divided the entire range of these activities into three groups, viz.,

- i. Welfare within the precincts of an establishment: medical aid, crèches, canteens, supply of drinking water, etc.,
- ii. Welfare outside the establishment: provision for indoor and outdoor recreation, housing, adult education, visual instructions, etc. and
- iii. Social security.

Types of Welfare Services:

The Committee of Experts on Welfare Facilities for Industrial Workers set up by the ILO in 1963 divided welfare services into two groups – (a) within the precincts of the establishment and (b) outside the establishment.

a. Intramural:

Welfare amenities within the precincts of the establishment (intramural) such as latrines and urinals; washing and bathing facilities; crèches, rest shelters and canteens, arrangements for drinking water, arrangements for prevention of fatigue, health services including occupation safety, administrative arrangements to look after uniform and protective clothing and shift allowances.

b. Extramural:

Welfare amenities outside the establishment such as maternity benefits, social insurance measures including gratuity, pension, provident fund and rehabilitation, benevolent funds; medical facilities including programmes for physical fitness and efficiency; family planning and child welfare; education facilities including adult education; housing facilities; recreational facilities including sports, cultural activities, library and reading room, holiday homes and leave travel facilities; workers' cooperative stores, fair price shops and cooperative thrift and credit societies; vocational training for dependants of workers; welfare programmes for welfare of women, youth and children; and transport to and from the place of work.

The following categorization is used by I.L.O. 4 OSN Academy, Lucknow

These facilities and benefits can be further classified into those provided by legislation and those provided voluntarily by management or as a result of bipartite settlements between management and the trade unions. who strove for the welfare of labour.

(ii) Gandhian / Trusteeship Theory:

According to this theory, the industrialist or employer holds the total industrial estate, properties, and profits accruing from them in trust. In other words, he uses it for himself, for the benefit of his workers, and also for the society. The employers therefore have the moral responsibility to look after the interests of their workers. There is naturally no legal binding; but since it is a moral obligation, it is supposed to be no less effective. The main emphasis here is on the idea that employers should provide, out of the funds under their control, for the well-being of their workers. Mahatma Gandhi very strongly advocated the trusteeship theory.

(iii) The Placating Theory:

This theory is based on the fact that labour groups are becoming demanding and militant, and are now more conscious of their rights and privileges than ever before. Their demand for higher wages and better facilities cannot be ignored. According to this theory, timely and periodical acts of labour welfare can appease the workers. They are some kind of pacifiers which come with a friendly gesture. Sincerity may lack in such measures though discontent can be brought off in this manner.

(iv) The Functional / Efficiency Theory:

Under the functional or efficiency theory, welfare work is used as a means to secure and preserve the efficiency and productivity of labour. It is obvious that if an employer takes good care of his workers, they will tend to become more efficient and will thereby step up productivity. But all this will depend on a healthy collaboration between union and management and their mutual concern for the growth and development of the industry. Higher production is of benefit to both management and labour. The latter will get better wages and also a higher share in the profits. This is the functional aspect of welfare having efficiency as its purpose. This theory is a reflection of contemporary support for labour welfare. It can work well if both parties have an identical aim in view, that is, higher production through welfare.

(v) Public Relations Theory:

This theory provides the basis for an atmosphere of goodwill between the labour and the management and also between the management and the public. Labour welfare programmes, under this theory, work as a sort of publicity and help an industrialist to build up good public relations. The measures for labour welfare may also be utilized to improve relations between management and labour. An exhibition of a labour welfare programme may help an industrialist to project to the public a good image of his company.

(vi) The Police Theory:

1. According to this view, employers will not leave any opportunity of exploiting the workers, if not enforced by law. They may force the labour to work for long hours, by paying low wages, by keeping unhygienic conditions, by neglecting, safety and health measures, by ignoring the basic necessities.
2. This is based on the contention that a minimum standard of welfare is necessary for labourers. Here, the assumption is that without policing, that is, without compulsion, employers do not provide even the minimum facilities for workers.

3. Hence, the state has to intervene to provide minimum standard of welfare to the working class. The state has to take the role of policeman and compel the employers to provide welfare facilities, and punish the non-complete.

(vii) The Religious Theory:

- This is based on the concept that man is essentially “a religious animal”. Even today, many acts of man are related to religious sentiments and beliefs.
- These religious feelings sometimes prompt an employer to take up welfare activities in the expectation of future emancipation either in this life or after it.
- It is all based on Hindu concept of re-birth and on the belief system what we are today is the resultant of our deeds in the last birth and what we do now will be reflected in our next birth in the coming future.
- This is why the benevolent acts of welfare are treated either as an investment or atonement.

INDUSTRIAL HEALTH

Cleanliness.

Every factory shall be kept clean and free from effluvia arising from any drain, privy or other nuisance, and in particular-

Accumulation of dirt and refuse shall be removed daily by sweeping or by any other effective method from the floors and benches of workrooms and from staircases and passages, and disposed of in a suitable manner;

The floor of every workroom shall be cleaned at least once in every week by washing, using disinfectant, where necessary, or by some other effective method; Where a floor is liable to become wet in the course of any manufacturing process to such extent as is capable of being drained, effective means of drainage shall be provided and maintained;

All inside walls and partitions, all ceilings or tops of rooms and all walls, sides and tops of passages and staircases shall-

Where they are 1*[painted otherwise than with washable water-paint] or varnished, be repainted or revarnished at least once in every period of five years;

Where they are painted with washable water paint, be repainted with at least one coat of such paint at least once in every period of three years and washed at least once in every period of six months;

Where they are painted or varnished or where they have smooth impervious surfaces, be cleaned at least once in every period of fourteen months by such method as may be prescribed;

`In any other case, be kept whitewashed or colour washed, and the whitewashing or Colour washing shall be carried out at least once in every period of fourteen months; All doors and window frames and other wooden or metallic framework and shutters shall be kept painted or varnished and the painting or varnishing shall be carried out at least once in every period of five years;

The dates on which the processes required by clause (d) are carried out shall be entered in the prescribed register.

If, in view of the nature of the operations carried on 1*[in a factory or class or description of factories or any part of a factory or class or description of factories], it is not possible for the occupier to comply with all or any of the provisions of subsection (1), the State Government may be order exempt such factory or class or description of factories [or part] from any of the provisions of that sub-section and specify alternative methods for keeping the factory in a clean state.

Disposal of wastes and effluents.

Effective arrangements shall be made in every factory for the treatment of wastes and effluents due to the manufacturing process carried on therein, so as to render them innocuous and for their disposal.

`The State Government may make rules prescribing the arrangements to be made under sub-section (1) or requiring that the arrangements made in accordance with sub-section 91) shall be approved by such authority as may be prescribed.

Ventilation and temperature.

(1) Effective and suitable provision shall be made in every factory for securing and maintaining in every workroom--

- Adequate ventilation by the circulation of fresh air, and
- Such a temperature as will secure to workers therein reasonable conditions of comfort and prevent injury to health;- and in particular,-
- Walls and roofs shall be of such material and so designed that such temperature shall not be exceeded but kept as low as practicable;

Where the nature of the work carried on in the factory involves, or is likely to involve, the production of excessively high temperatures, such adequate measures as are practicable shall

be taken to protect the workers there from, by separating the process which produces such temperatures from the workroom, by insulating the hot parts or by other effective means.

The State Government may prescribe a standard of adequate ventilation and reasonable temperature for any factory or class or description of factories or parts thereof and direct that [proper measuring instruments, at such places and in such position as may be specified, shall be provided and such records, as may be prescribed, shall be maintained.]

If it appears to the Chief Inspector that excessively high temperatures in any factory can be reduced by the adoption of suitable measures, he may, without prejudice to the rules made under subsection (2), serve on the occupier, an order in writing specifying the measures which, in his opinion, should be adopted, and requiring them to be carried out before a specified date.]

Dust and fume.

In every factory in which, by reason of the manufacturing process carried on, there is given off any dust or fume or other (Subs. by Act 20 of 1987, s. 6, (w.e.f. 1-12-1987) impurity of such a nature and to such an extent as is likely to be injurious or offensive to the workers employed therein, or any dust in substantial quantities, effective measures shall be taken to prevent its inhalation and accumulation in any workroom, and if any exhaust appliance is necessary for this purpose, it shall be applied as near as possible to the point of origin of the dust, fume or other impurity, and such point shall be enclosed so far as possible.

In any factory no stationary internal combustion engine shall be operated unless the exhaust is conducted into the open air, and no other internal combustion engine shall be operated in any room unless effective measures have been taken to prevent such accumulation of fumes there from as are likely to be injurious to workers employed in the room.

Artificial humidification.

In respect of all factories in which the humidity of the air is artificially increased, the State Government may make rules,-

- (a) prescribing standards of humidification;
- (b) regulating the methods used for artificially increasing the humidity of the air;
- (c) directing prescribed tests for determining the humidity of the air to be correctly carried out and recorded;
- (d) prescribing methods to be adopted for securing adequate ventilation and cooling of the air in the workrooms.

In any factory in which the humidity of the air is artificially increased, the water used for the purpose shall be taken from a public supply, or other source of drinking water, or shall be effectively purified before it is so used. If it appears to an Inspector that the water used in a factory for increasing humidity is required to be effectively purified under sub-section (2) is not effectively purified he may serve on the manager of the factory an order in writing, specifying the measures which in his opinion should be adopted, and requiring them to be carried out before specified date.

Overcrowding.

(1) No room in any factory shall be overcrowded to an extent injurious to the health of the workers employed therein.

(2) Without prejudice to the generality of sub-section (1), there shall be in every workroom of factory in existence on the date of the commencement of this Act at least 1*[9.9 cubic metres] (Subs. by Act 20 of 1987, s. 7 (w.e.f. 1-12-1987) and of a factory built after the commencement of this Act at least [14.2 cubic meters] of space for every worker employed therein, and for the purposes of this sub-section no account shall be taken of any space which is more than [4.2 meters] above the level of the floor of the room.

(3) If the Chief Inspector by order in writing so requires, there shall be posted in each workroom of a factory a notice specifying the maximum number of workers who may, in compliance with the provisions of this section, be employed in the room.

(4) The chief Inspector may by order in writing exempt, subject to such conditions, if any, as he may think fit to impose, any workroom from the provisions of this section, if he is satisfied that compliance therewith in respect of the rooms is unnecessary in the interest of the health of the workers employed therein.

Lighting.

In every part of a factory where workers are working or passing there shall be provided and maintained sufficient and suitable lighting, natural or artificial, or both.

In every factory all glazed windows and skylights used for the lighting of the workrooms shall be kept clean on both the inner and outer surfaces and, so far as compliance with the provisions of any rules made under sub-section (3) of section 13 will allow, free from obstruction.

In every factory effective provision shall, so far as is practicable, be made for the prevention of-

(a) glare, either directly from a source of light or by reflection from a smooth or polished surface;

(b) the formation of shadows to such an extent as to cause eye-strain or the risk of accident to any worker.

(4) The State Government may prescribe standards of sufficient and suitable lighting for factories or for any class of description of factories or for any manufacturing process.

Drinking water.

In every factory effective arrangements shall be made to provide and maintain at suitable points conveniently situated for all workers employed therein a sufficient supply of wholesome drinking water.

All such points shall be legibly marked "drinking water" in a language understood by majority of the workers employed in the factory, and no such point shall be situated within [six meters of any washing place, urinal, latrine, spittoon, open drain carrying sullage or effluent or any other source of contamination] unless a shorter distance is approved in writing by the Chief Inspector.

In every factory wherein more than two hundred and fifty workers are ordinarily employed, provision shall be made for cooling drinking water during hot weather by effective means and for distribution thereof.

In respect of all factories or any class or description of factories the State Government may make rules for securing compliance with the provisions of sub-sections (1), (2) and (3) and for the examination by prescribed authorities of the supply and distribution of drinking water in factories.

Latrines and urinals.

In every factory--

- (a) sufficient latrine and urinal accommodation of prescribed types shall be provided conveniently situated and accessible to workers at all times while they at the factory;
- (b) separate enclosed accommodation shall be provided for male and female workers;
- (c) such accommodation shall be adequately lighted and ventilated, and no latrine or urinal shall, unless specially exempted in writing by the Chief Inspector, communicate with any workroom except through an intervening open space or ventilated passage;
- (d) all such accommodation shall be maintained in a clean and sanitary condition at all times;
- (e) sweepers shall be employed whose primary duty it would be to keep clean latrines, urinals and washing places.

In every factory wherein more than two hundred and fifty workers are ordinarily employed-

- (a) all latrine and urinal accommodation shall be of prescribed sanitary types;

(b) the floors and internal walls, up to a height of [ninety centimetres] of the latrines and urinals and the sanitary blocks shall be laid in glazed tiles or otherwise finished to provide a smooth polished impervious surface;

(c) without prejudice to the provisions of clauses (d) and (e) of sub-section (1), the floors, portions of the walls and blocks so laid or finished and the sanitary pans of latrines and urinals shall be thoroughly washed and cleaned at least once in every seven days with suitable detergents or disinfectants or with both.

The State Government may prescribe the number of latrines and urinals to be provided in any factory in proportion to the numbers of male and female workers ordinarily employed therein, and provide for such further matters in respect of sanitation in factories, including the obligation of workers in this regard, as it considers necessary in the interest of the health of the workers employed therein.

Spittoons.

In every factory there shall be provided a sufficient number of spittoons in convenient places and they shall be maintained in a clean and hygienic condition.

The State Government may make rules prescribing the type and the number of spittoons to be provided and their location in any factory and provide for such further matters relating to their maintenance in a clean and hygienic condition.

No person shall spit within the premises of a factory except in the spittoons provided for the purposes and a notice containing this provision and the penalty for its violation shall be prominently displayed at suitable places in the premises. Whoever spits in contravention of sub-section shall be punishable with fine not exceeding five rupees.

INDUSTRIAL SAFETY

Fencing of machinery

In every factory the following, namely,--

- (i) every moving part of a prime mover and every flywheel connected to a prime mover whether the prime mover or flywheel is in the engine house or not;
- (ii) the headrace and tailrace of every water-wheel and water turbine;
- (iii) any part of a stock-bar which projects beyond the head stock of a lathe; and
- (iv) unless they are in such position or of such construction as to be safe to every person employed in the factory as they would be if they were securely fenced, the following, namely,--
 - (a) every part of an electric generator, a motor or rotary convertor;
 - (b) every part of transmission machinery; and

(c) every dangerous part of any other machinery, shall be securely fenced by safeguards of substantial construction which [shall be constantly maintained and kept in position] while the parts of machinery they are fencing are in motion or in use: Provided that for the purpose of determining whether any part of machinery is in such position or is of such construction as to be safe as aforesaid, account shall not be taken of any occasion when-

(i) it is necessary to make an examination of any part of the machinery aforesaid while it is in motion or, as a result of such examination, to carry out lubrication or other adjusting operation while the machinery is in motion, being an examination or operation which it is necessary to be carried out while that part of the machinery is in motion, or (ii) in the case of any part of a transmission machinery used in such process as may be prescribed (being a process of a continuous nature the carrying on of which shall be, or is likely to be, substantially interfered with by the stoppage of that part of the machinery), it is necessary to make an examination of such part of the machinery while it is in motion or, as a result of such examination, to carry out any mounting or shipping of belts or lubrication or other adjusting operation while the machinery is in motion, and such examination or operation is made or carried out in accordance with the provisions of sub-section (1) of section 22.]

The State Government may by rules prescribe such further precautions as it may consider necessary in respect of any particular machinery or part thereof, or exempt, subject to such condition as may be prescribed, for securing the safety of the workers, any particular machinery or part thereof from the provisions of this section.

Work on or near machinery in motion.

Where in any factory it becomes necessary to examine any part of machinery referred to in section 21, while the machinery is in motion, or, as a result of such examination, to carry out-

(a) in a case referred to in clause (i) of the proviso to sub-section (1) of section 21, lubrication or other adjusting operation; or

(b) in a case referred to in clause (ii) of the proviso aforesaid, any mounting or shipping of belts or lubrication or other adjusting operation, while the machinery is in motion, such examination or operation shall be made or carried out only by a specially trained adult male worker wearing tight fitting clothing (which shall be supplied by the occupier) whose name has been recorded in the register prescribed in this behalf and who has been furnished with a certificate of his appointment, and while he is so engaged,--

(a) such worker shall not handle a belt at a moving pulley unless20

- (i) the belt is not more than fifteen centimeters in width;
 - (ii) the pulley is normally for the purpose of drive and not merely a fly-wheel or balance wheel (in which case a belt is not permissible);
 - (iii) the belt joint is either laced or flush with the belt;
 - (iv) the belt, including the joint and the pulley rim, are in good repair;
 - (v) there is reasonable clearance between the pulley and any fixed plant or structure;
 - (vi) secure foothold and, where necessary, secure handhold, are provided for the operator;
- and

(vii) any ladder in use for carrying out any examination or operation aforesaid is securely fixed or lashed or is firmly held by a second person;]

(b) without prejudice to any other provision of this Act relating to the fencing of machinery, every set screw, bolt and key on any revolving shaft, spindle, wheel or pinion, and all spur, worm and other toothed or friction gearing in motion with which such worker would otherwise be liable to come into contact, shall be securely fenced to prevent such contact.

[(2) No woman or young person shall be allowed to clean, lubricate or adjust any part of a prime mover or of any transmission machinery while the prime mover or transmission machinery is in motion, or to clean, lubricate or adjust any part of any machine if the cleaning, lubrication or adjustment thereof would expose the woman or young person to risk of injury from any moving part either of that machine or of any adjacent machinery.

(3) The State Government may, by notification in the Official Gazette, prohibit, in any specified factory or class or description of factories, the cleaning, lubricating or adjusting by any person of specified parts of machinery when those parts are in motion.

Employment of young persons on dangerous machines.

Employment of young persons on dangerous machines.

(1) No young person [shall be required or allowed to work] at any machine to which this section applies, unless he has been fully instructed as to the dangers arising in connection with the machine and the precautions to be observed and-

- (a) has received sufficient training in work at the machine, or
- (b) is under adequate supervision by a person who has a through knowledge and experience of the machine.

(2) sub-section (1) shall apply to such machines as may be prescribed by the State Government, being machines which in its opinion are of such a dangerous character that young person ought not to work at them unless the foregoing requirements are complied with.

Striking gear and devices for cutting off power.

In every factory-

(a) suitable striking gear or other efficient mechanical appliance shall be provided and maintained and used to move driving belts to and from fast and loose pulleys which form part of the transmission machinery, and such gear or appliances shall be so constructed, placed and maintained as to prevent the belt from creeping back on to the fast pulley;

(b) driving belts when not in use shall not be allowed to rest or ride upon shafting in motion.

(2) In every factory suitable devices for cutting off power in emergencies from running machinery shall be provided and maintained in every work-room:

Provided that in respect of factories in operation before the commencement of this Act, the provisions of this sub-section shall apply only to work-rooms in which electricity is used as power.

[When a device, which can inadvertently shift from "off" to "on" position, is provided in a factory to cut off power, arrangements shall be provided for locking the device in safe position to prevent accidental starting of the transmission machinery or other machines to which the device is fitted.]

Self-acting machines.

Self-acting machines. No traversing part of a self-acting machine in any factory and no material carried thereon shall, if the space over which it runs is a space over which any person is liable to

pass, whether in the course of his employment or otherwise, be allowed to run on its outward or inward traverse within a distance of [forty-five centimeters] from any fixed structure which is not part of the machine:

Provided that the Chief Inspector may permit the continued use of a machine installed before the commencement of this Act which does not comply with the requirements of this section on such conditions for ensuring safety as he may think fit to impose.

Casing of new machinery.

(1) In all machinery driven by power and installed in any factory after the commencement of this Act,-

(a) every set screw, bolt or key on any revolving shaft, spindle, wheel or pinion shall be so sunk, encased or otherwise effectively guarded as to prevent danger;

(b) all spur, worm and other toothed or friction gearing which does not require frequent adjustment while in motion shall be completely encased, unless it is so situated as to be as safe as it would be if it were completely encased.

(2) Whoever sells or lets on hire or, as agent of a seller or hirer, causes or procures to be sold or let on hire, for use in a factory any machinery driven by power which does not comply with the

provisions of [sub-section (1) or any rules made under sub-section (3)], shall be punishable with imprisonment for a term which may extend to three months or with fine which may extend to five hundred rupees or with both.

[(3) The State Government may make rules specifying further safeguards to be provided in respect of any other dangerous part of any particular machine or class or description of machines.]

Prohibition of employment of women and children near cottonopeners.

No woman or child shall be employed in any part of a factory for pressing cotton in which a cotton-opener is at work: Provided that if the feed-end of a cotton-opener is in a room separated from the delivery end by a partition extending to the roof or to such height as the Inspector may in any particular case specify in writing, women and children may be employed on the side of the partition where the feed-end is situated.

Hoists and lifts.

In every factory-

(a) every hoist and lift shall be

(i) of good mechanical construction, sound material and adequate strength:

(ii) properly maintained, and shall be thoroughly examined by a competent person at least once in every period of six months, and a register shall be kept containing the prescribed particulars of every such examination;

(b) every hoist way and lift way shall be sufficiently protected by an enclosure fitted with gates, and the hoist or lift and every such enclosure shall be so constructed as to prevent any person or thing from being trapped between any part of the hoist or lift and any fixed structure or moving part;

(c) the maximum safe working load shall be plainly marked on every hoist or lift, and no load greater than such load shall be carried thereon;

(d) The cage of every hoist or lift used for carrying persons shall be fitted with a gate on each side from which access is afforded to a landing;

(e) Every gate referred to in clause (b) or clause (d) shall be fitted with interlocking or other efficient device to secure that the gate cannot be opened except when the cage is at the landing and that the cage cannot be moved unless the gate is closed.

(2) The following additional requirements shall apply to hoists and lifts used for carrying persons and installed or reconstructed in a factory after the commencement of this Act, namely:-

(a) Where the cage is supported by rope or chain, there shall be at least two ropes or chains separately connected with the cage and balance weight, and each rope or chain with its attachments shall be capable of carrying the whole weight of the cage together with its maximum load;

(b) Efficient devices shall be provided and maintained capable of supporting the cage together with its maximum load in the event of breakage of the ropes, chains or attachments;

(c) An efficient automatic device shall be provided and maintained to prevent the cage from over-running.

(3) The Chief Inspector may permit the continued use of a hoist or lift installed in a factory before the commencement of this Act which does not fully comply with the provisions of sub-section (1) upon such conditions for ensuring safety as he may think fit to impose.

(4) The State Government may, if in respect of any class or description of hoist or lift, it is of opinion that it would be unreasonable to enforce any requirement of sub-sections (1) and (2), by order direct that such requirement shall not apply to such class or description of hoist or lift.

[Explanation.--For the purposes of this section, no lifting machine or appliance shall be deemed to be a hoist or lift unless it has a platform or cage, the direction or movement of which is restricted by a guide or guides.]

Lifting machines, chains, ropes and lifting tackles.

(1) In any factory the following provisions shall be complied with in respect of every lifting machine (other than a hoist and lift) and every chain, rope and lifting tackle for the purpose of raising or lowering persons, goods or materials:-

(a) All parts, including the working gear, whether fixed or movable, of every lifting machine and every chain, rope or lifting tackle shall be--

(i) Of good construction, sound material and adequate strength and free from defects;

(ii) properly maintained; and (iii) thoroughly examined by a competent person at least once in every period of twelve months, or at such intervals as the Chief Inspector may specify in writing; and a register shall be kept containing the prescribed particulars of every such examination;

(b) no lifting machine and no chain, rope or lifting tackle shall, except for the purpose of test, be loaded beyond the safe working load which shall be plainly marked thereon together with

an identification mark and duly entered in the prescribed register; and where this is not practicable, a table showing the safe working loads of every kind and size of lifting machine or chain, rope or lifting tackle in use shall be displayed in prominent positions on the premises; (c) while any person is employed or working on or near the wheel track of a travelling crane in any place where he would be liable to be struck by the crane, effective measures shall be taken to ensure that the crane does not approach within 1*[six months] of that place.

(2) The State Government may make rules in respect of any lifting machine or any chain, rope or lifting tackle used in factories- (a) prescribing further requirements to be complied with in addition to those set out in this section;

(b) Providing for exemption from compliance with all or any of the requirements of this section, where in its opinion, such compliance is unnecessary or impracticable. (3) For the purposes of this section a lifting machine or a chain, rope or lifting tackle shall be deemed to have been thoroughly examined if a visual examination supplemented, if necessary, by other means and by the dismantling of parts of the gear, has been carried out as carefully as the conditions permit in order to arrive at a reliable conclusion as to the safety of the parts examined.

Explanation.--In this section,--

(a) "Lifting machine" means a crane, crab, which teagle pulley block, gin wheel, transporter or runway;

[(b) "lifting tackle" means any chain sling, rope sling, hook, shackle, swivel, coupling, socket, clamp, tray or similar appliance, whether fixed or movable, used in connection with the raising or lowering of persons, or loads by use of lifting machines."]

Revolving machinery.

[In every factory] in which the process of grinding is carried on there shall be permanently affixed to or placed near each machine in use a notice indicating the maximum safe working peripheral speed of every grindstone or abrasive wheel, the speed of the shaft or spindle upon which the wheel is mounted, and the diameter of the pulley upon such shaft or spindle necessary to secure such safe working peripheral speed.

(2) The speeds indicated in notices under sub-section (1) shall not be exceeded.

(3) Effective measures shall be taken in every factory to ensure that the safe working peripheral speed of every revolving vessel, cage, basket, flywheel, pulley, disc or similar appliance driven by power is not exceeded.

Pressure plant.

If in any factory, any plant or machinery or any part thereof is operated at a pressure above atmospheric pressure, effective measures shall be taken to ensure that the safe working pressure of such plant or machinery or part is not exceeded.]

(2) The State Government may make rules providing for the examination and testing of any plant or machinery such as is referred to in sub-section (1) and prescribing such other safety measures in relation thereto as may in its opinion be necessary in any factory or class or description of factories.

(3) The State Government may, by rules, exempt, subject to such conditions as may be specified therein, any part of any plant or machinery referred to in sub-section (1) from the provisions of this section.]

Floors, stairs and means of access.

In every factory--

(a) all floors, steps, stairs, passages and gangways shall be of sound construction and properly maintained [and shall be kept free from obstructions and substances likely to cause persons to slip], and where it is necessary to ensure safety, steps, stairs, passages and gangways shall be provided with substantial handrails; (b) there shall, so far as is reasonably practicable, be provided and maintained safe means of access to every place at which any person is at any time required to work;

(c) when any person has to work at a height from where he is likely to fall, provision shall be made, so far as is reasonably practicable, by fencing or otherwise, to ensure the safety of the person so working.]

Pits, sumps, openings in floors, etc.

(1) In every factory every fixed vessel, sump, tank, pit or opening in the ground or in a floor which, by reason of its depth, situation, construction or contents, is or may be a source of danger, shall be either securely covered or securely fenced.

(2) The State Government may, by order in writing, exempt, subject to such conditions as may be prescribed, any factory or class or description of factories in respect of any vessel, sump, tank, pit

or opening from compliance with the provisions of this section. 34.

Excessive weights.

(1) No person shall be employed in any factory to lift, carry or move any load so heavy as to be likely to cause him injury.

(2) The State Government may make rules prescribing the maximum weights which may be lifted, carried or moved by adult men, adult women, adolescents and children employed in factories or in any class or description of factories or in carrying on any specified process.

Protection of eyes.

In respect of any such manufacturing process carried on in any factory as may be prescribed, being a process which involves--

(a) risk of injury to the eyes from particles or fragments thrown off in the course of the process, or

(b) risk to the eyes by reason of exposure to excessive light, the State Government may by rules require that effective screens or suitable goggles shall be provided for the protection of persons

employed on, or in the immediate vicinity of, the process.

Precautions against dangerous fumes, gases, etc.

(1) No person shall be required or allowed to enter any chamber, tank, vat, pit, pipe, flue or other confined space in any factory in which any gas, fume, vapour or dust is likely to be present to such an extent as to involve risk to persons being overcome thereby, unless it is provided with a manhole of adequate size or other effective means of egress.

(2) No person shall be required or allowed to enter any confined space as is referred to in subsection (1), until all practicable measures have been taken to remove any gas, fume, vapour or dust, which may be present so as to bring its level within the permissible limits and to prevent any ingress of such gas, fume, vapour or dust and unless-

(a) a certificate in writing has been given by a competent person, based on a test carried out by himself that the space is reasonably free from dangerous gas, fume, vapour or dust; or

(b) such person is wearing suitable breathing apparatus and a belt securely attached to a rope the free end of which is held by a person outside the confined space."]

Precautions regarding the use of portable electric light.

In any factory--

(a) no portable electric light or any other electric appliance of voltage exceeding twenty-four volts shall be permitted for use inside any chamber, tank, vat, pit, pipe, flue or other confined space; [unless adequate safety devices are provided] and

(b) if any inflammable gas, fume or dust is likely to be present in such chamber, tank, vat, pit, pipe, flue or other confined space, no lamp or light other than that of flame-proof construction shall be permitted to be used therein.]

Explosive or inflammable dust, gas, etc.

(1) Where in any factory any manufacturing process produces dust, gas, fume or vapour of such character and to such extent as to be likely to explode on ignition, all practicable measures shall be taken to prevent any such explosion by--

- (a) effective enclosure of the plant or machinery used in the process;
- (b) removal or prevention of the accumulation of such dust, gas, fume or vapour;
- (c) exclusion or effective enclosure of all possible sources of ignition.

(2) Where in any factory the plant or machinery used in a process such as is referred to in sub-section (1) is not so constructed as to withstand the probable pressure which such an explosion as aforesaid would produce, all practicable measures shall be taken to restrict the spread and effects of the explosion by the provision in the plant or machinery of chokes, baffles, vents or other effective appliances.

(3) Where any part of the plant or machinery in a factory contains any explosive or inflammable gas or vapour under pressure greater than atmospheric pressure, that part shall not be opened except in accordance with the following provisions, namely:--

- (a) before the fastening of any joint of any pipe connected with the part or the fastening of the cover of any opening into the part is loosened, any flow of the gas or vapour into the part of any such pipe shall be effectively stopped by a stop-valve or other means;
- (b) Before any such fastening as aforesaid is removed, all practicable measures shall be taken to reduce the pressure of the gas or vapour in the part of pipe to atmospheric pressure;
- (c) where any such fastening as aforesaid has been loosened or removed effective measures shall be taken to prevent any explosive or inflammable gas or vapour from entering the part or pipe until the fastening has been secured, or, as the case may be, securely replaced:

Provided that the provisions of this sub-section shall not apply in the case of plant or machinery installed in the open air. (4) No plant, tank or vessel which contains or has contained any explosive or inflammable substance shall be subjected in any factory to any welding, brazing, soldering or cutting operation which involves the application of heat unless adequate measures have first been taken to remove such substance and any fumes arising therefrom or to render

such substance and fumes non-explosive or non-inflammable, and no such substance shall be allowed to enter such plant, tank or vessel after any such operation until the metal has cooled sufficiently to prevent any risk of igniting the substance.

(5) The State Government may by rules exempt, subject to such conditions as may be prescribed, any factory or class or description of factories from compliance with all or any of the provisions of this section.

Precautions in case of fire.

(1) In every factory, all practicable measures shall be taken to prevent outbreak of fire and its spread, both internally and externally, and to provide and maintain--

(a) safe means of escape for all persons in the event of a fire, and (b) the necessary equipment and facilities for extinguishing fire.

(2) Effective measures shall be taken to ensure that in every factory all the workers are familiar with the means of escape in case of fire and have been adequately trained in the routine to be followed in such cases.

(3) The State Government may make rules, in respect of any factory or class or description of factories, requiring the measures to be adopted to give effect to the provisions of sub-sections (1) and (2).

(4) Notwithstanding anything contained in clause (a) of subsection

(1) or sub-section (2), if the Chief Inspector, having regard to the nature of the work carried on in any factory, the construction of such factory, special risk to life or safety, or any other circumstances, is of the opinion that the measures provided in the factory, whether as prescribed or not, for the purposes of clause (a) of sub-section (1) or sub-section (2), are inadequate, he may, by order in writing, require that such additional measures as he may consider reasonable and necessary, be provided in the factory before such date as it specified in the order.]

Power to require specifications of defective parts or tests Of stability.

Power to require specifications of defective parts or tests of stability. If it appears to the Inspector that any building or part of a building or any part of the ways, machinery or plant in a factory is in such a condition that it may be dangerous to human life or safety, he may serve on 1*[the occupier or manager or both] of the factory an order in writing requiring him before a specified date--

(a) to furnish such drawings, specifications and other particulars as may be necessary to determine whether such building, ways, machinery or plant can be used with safety, or

(b) To carry out such tests in such manner as may be specified in the order, and to inform the Inspector of the results thereof.

Safety of buildings and machinery.

(1) If it appears to the Inspector that any building or part of a building or any part of the ways, machinery or plant in a factory is in such a condition that it is dangerous to human life or safety, he may serve on 1*[the occupier or manager or both] of the factory an order in writing specifying the measures which in his opinion should be adopted, and requiring them to be carried out before a specified date.

(2) If it appears to the Inspector that the use of any building or part of a building or any part of the ways, machinery or plant in a factory involves imminent danger to human life or safety, he may serve on 1*[the occupier or manager or both] of the factory an order in writing prohibiting its use until it has been properly repaired or altered.

Maintenance of buildings.

If it appears to the Inspector that any building or part of a building in a factory is in such a state of disrepair as is likely to lead to conditions detrimental to the health and welfare of the workers, he may serve on the occupier or manager or both of the factory an order in writing specifying the measures which in his opinion should be taken and requiring the same to be carried out before such date as is specified in the order.

Safety Officers.

(1) In every factory,--

(i) wherein one thousand or more workers are ordinarily employed, or

(ii) wherein, in the opinion of the State Government, any manufacturing process or operation is carried on, which process or operation involves any risk of bodily injury, poisoning or disease, or any other hazard to health, to the persons employed in the factory, the occupier shall, if so required by the State Government by notification in the Official Gazette, employ such number of Safety Officers as may be specified in that notification.

(2) The duties, qualifications and conditions of service of Safety Officers shall be such as may be prescribed by the State Government.]

Power to make rules to supplement this Chapter. The State Government may make rules requiring the provision in any factory or in any class or description of factories of such further 1*[devices and measures] for securing the safety of persons employed therein as it may deem necessary.

Measures of social security

Social Security Measures Social security forms an important part of labour welfare providing the "security" which is of great importance to the worker's and their families well-being. The concept of social security measure is well reflected in the ILO definition. "It can

be taken to mean the protection which society provides for its members, through a series of public measures, against the economic and social distress that otherwise would be caused by the stoppage or substantial 'reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old age and death; the provision of medical care, and the provision of subsidies for families with children " The concept of social security varies from country to country with different political ideologies. In the socialist countries, the avowed goal is complete protection to every citizen from the cradle to the grave. In other nations with less regimented economics, a measure of protection is afforded to all the needy citizens by means of schemes evolved by democratic processes consistent with the resources of the state. The social security (minimum standards) convention (No.102) adopted by the ILO in 1952 defines the nine branches of social security benefit: They are 1. Medical care 2. Sickness benefit 3. Unemployment benefit 4. Old age benefit 5. Employment injury benefit 6. Family benefit 7. Maternity benefit 8. Invalidity benefit ILO and J Social Security 'The International Labour Organization was founded in 1919 for the primary purpose of promoting social justice and improving the living and working conditions of workers throughout the world. It made a beginning in this field by emphasizing the importance of comprehensive social security measures in the preamble to its constitution, in which it promised "protection of the worker against sickness, disease and injury arising out of his employment, the protection of children, young persons and women, provision for old age and ~rljury'~ In order to implement the measures the ILO took certain steps (1) It tried to create international standards by way of recommendations regarding the definitions of social security (2) It collected and spread the information about social security schemes in various countries (3) It provided technical assistance and guidance so that social security schemes may be properly formulated by means of co-operation with other social organizations, Twentynine conventions and twenty-seven resolutions passed by ILO refer to social security The ILO researches, publications, studies and reports have all underlined the importance of social security. 7.8 Social Security in India The following legislative measures have been adopted by the government of India by way of social security schemes for industrial workers. I. Workmen Compensation Act 1923 Under the Act, compensation is payable by the employer to workmen for all personal injuries caused to him by accident arising out of and in the course of his employment which disable him for more than three days. If the workman dies, the compensation is to be paid to his dependents.

Social Security System

It refers to the schemes undertaken by the govt. to protect the industrial workers & other sections of people of the society against various types of risk. Ex.: Insurance, old age pensions, medical benefits, etc,

Types of Social Security

1. **Social Insurance:** It is usually financed through contributions by the employee, employer & the state. The benefits to insured persons are linked to their contributions. It is provided against risk such as accidents, sickness, disablement & old age.
2. **Social Assistance:** To provide help to poor & the needy person. They are not linked to the contributions made by them, but is financial from the general revenues of the state.

Social Security in India

1. **The Industrial Dispute Act 1947:** It provides that, no workers shall be removed from the job without giving one month's written notice. This rule applies to those workers, who are not in continuous service for less than one year.
2. **Employee State Insurance Act 1948:** It applies to all non-seasonal factories run with power & employing twenty or more person & whose income does not exceed 7500/- a month. This scheme is financed by employee's state insurance fund. The fund is utilized for the benefits of insured persons, provision for medical benefits, establishment of hospitals & dispensaries.
3. **Employee Provident Fund Act 1952:** Retirement benefits are given to the employees under the employees provident fund. It covers 180 industries & establishments employing twenty or more persons.
4. **The Bonus Act of 1965:** It applies to all factories covered by the Factories Act. It provides for the payment of bonus by the employer to the employees.
5. **Employees Pension Scheme 1995:** Under this scheme pension @ 50% of pay is payable to the employees on retirement & on completion of 33 yrs. Of service. A minimum of 10yrs. of service is required for entitlement to pension. It also provides for grant of family pension ranging from 450/- to 2500/- per month.
6. **Maternity Benefit Act 1961:** This act regulates employment of women in certain establishments for a certain period before & after child birth & period before for maternally & other benefits. There is no wages limit for coverage under the act. This act provides for payment of maternity benefit at average daily wages for a total period of 12 weeks.

National Renewal Fund:

The process of industrial restructuring under new economic policy was launched in 1991. It aims at making the country globally competitive. Under the restructuring technological upgradation of industry & closure of sick unit accorded top priority. In this regard, to safeguard the interest of workers who may be affected by this restructuring program, the govt. established NRF in February 1972.

Objectives of NRF:

1. To provide assistance to firm, to cover the cost of retraining & redeployment of employees arising as a result of modernization & technological upgradation.
2. To provide funds for compensation to employees affected by restructuring of industrial units both in public & private sector.

Workmen 's (compensation Act 1923)

Under the Act, compensation is payable by the employer to workmen for all personal injuries caused to him by accident arising out of and in the course of his employment which disable him for more than three days. If the workman dies, the compensation is to be paid to his dependents.

Maternity Benefits Acts, 1961

The Act applies to women in factories, mines and other establishments. This Act replaced the Mines Act and it was adopted by most of the states. It does not apply to those covered by the ESI schemes.

The Employee Provident Fund and Miscellaneous Provisions Act, 1952

The Act has made schemes for three types of benefits viz, provident fund, family person and deposit linked insurance.

Coal Mines Provident Fund Bonus Schemes Act, 1948

It applies to workers employed in the coal mines (including the National Coal [development Corporation) earning less than Rs.300 per month. The Bonus scheme applies to all those earning less than Rs.7301- per month in coal mines other than the NCDC and is paid entirely by the employers.

The Seaman's Provident Fund Act 1966

Under this workers contribution of 8 percent with an equal contribution from the employers and are entitled to a full refund on retirement or after 15 years of membership.

Unemployment Benefits

Unemployment Allowance is provided to workers losing their jobs under no fault of their own (on account of closure of factories, retrenchment or permanent invalidity of at least 40% arising out of non-employment injury). Unemployment allowance is the 50% of an insured worker's daily average earnings. It is paid up to one year to the workers who have paid contributions for at least 3 years. During this time, free medical care is also provided to beneficiaries and their dependents.

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