



INSIGHTSIAS

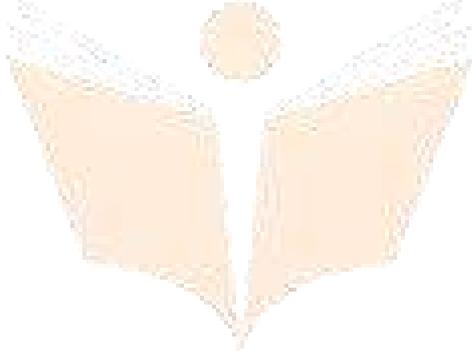
SIMPLIFYING
IAS EXAM PREPARATION

Insights into Yojana: April 2017

Topic: Labour Welfare

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Labour's Landscape in India

Introduction

- **Inadequate employment opportunities** as well as their quality have been major challenges for the global economy, and also in India.
- The report of the International Labour Organization, **Employment and Social Outlook, Trends 2016**, has underlined that Poor job quality remains a pressing issue worldwide.
- Generation of employment and policies to make work decent have been major challenges in India right since Independence and daunting in recent times.

Workforce Participation and Employment Challenges

- Of India's approximately 1.3 billion population, 70 per cent live in villages and 40-45 per cent can be categorized as the working population.
- The **work is segmented along the lines of caste, religion, gender, region, etc.** This leads to several problems, such as labour immobility for different groups, in particular women, huge wage differentials and discrimination, etc.
- The proportion of women in the labour force has been consistently lower than male workers by close to 20% points.
- As per the recent official estimates female work participation is in the range of 25 to 30 per cent. As per the ILO report **Women and Work, 2016**, the **gender wage gap in India is among the highest in the world**, at 26 per cent.
- In India **dependence on agriculture accounts for close to 50 per cent** of the total workforce. Whereas agriculture contributes only approximately one sixth of the GDP of the country.
- The **non-agricultural sector** has extremely **high proportion of vulnerable informal employment**.
- During Economic reforms period, India has experienced significant **agrarian distress** because of changes in its macroeconomic policies and declining public investment in the primary sector, leading to lack of labour absorption in agriculture.
- **Landless and casual workers** have found few opportunities for decent employment in both manufacturing and service sectors.
- The share of the manufacturing sector in the overall national income has been stagnant around 15-16 per cent since the early 1990s.
- The core of the growth pattern is centered on the expansion of the service sector, which has a preponderance of both vulnerable casual and self-employment.

Increasing Vulnerability and Informality

- As per the **World Economic and Social Outlook Report, 2016**, 12 per cent of the workforce in the developed countries and 46 per cent of the workforce in the developing countries are in informal employment.
- In India this proportion is much larger with more than 90 per cent of workers being in **informal employment**.
- Most of these workers can be classed as '**vulnerable**' who work in insecure jobs with negligible social protection.
- Informality and vulnerability has been on the rise, despite, relatively high economic growth rates of GDP in the reforms era.

- Withdrawal of the Indian state from key areas in the social sector has aggravated the vulnerability of the working-class.
- The presence of vulnerable labour reserves is structured by the lack of employment opportunities.

Need for a Social Protection Floor

- **Demographic dividend** if upgraded through skill development, and supported by labour market flexibility, will help to attract investments and create jobs.
- Only a minuscule proportion of the total workforce, which is part of the organized sector, enjoys some protective coverage.
- Except for the **Minimum Wages Act** in some states, informal sector activities remain unaffected by the labour laws which were enacted to address the organized sector.
- India's policy makers face the challenge of designing and implementing a floor of labour rights, with a comprehensive vision of a 'national labour market'.
- Such a vision should clearly spell out a set of core labour standards, including a national minimum wage.
- For workers in informal employment, there is an urgent need to ensure **universal social protection** that improves their conditions of work and helps them live a life with dignity.
- There has to be provisioning of basic services like nutrition, sanitation, health and education. This will improve the material and social conditions of workers.

Questions

1. More than half of India's labour force is still connected directly or indirectly to agriculture for its livelihood. Policymakers face the dual challenge is of increasing income share of labour force, and increasing the rate of employment absorption into industry and services. Examine how these two challenges can be addressed.

2. In India, rural labourers constitute one of the most vulnerable sections of the society. Are their real wages growing? Examine the trend in recent years and suggest what government can do to improve their wages

3. Discuss the effects of minimum wage on employment.

4. In India, rural labourers constitute one of the most vulnerable sections of the society. Are their real wages growing? Examine the trend in recent years and suggest what government can do to improve their wages

5. Consider the following statements with reference to the International Labour Organisation:

- 1. It is the only tripartite United Nations agency**
- 2. India is a founder member**

Which of the statements given above is/are correct?

- (a) 1 only**
- (b) 2 only**
- (c) Both 1 and 2**
- (d) Neither 1 nor 2**

Solution (c)

Informal Labour Market in India

Introduction

- The Indian labour market contains **92 per cent of the workforce in informal employment** and less than 10 per cent in formal employment.
- The reason for this large proportion of workforce being informal draws back to the **socio-economic factors** that existed since the colonial times.
- The Industrial Revolution in Britain failed to create an impact on the Indian economy. At the time of Independence we were left with a largely peasant economy and the labour force was driven by inter-caste rivalry as **non-farm occupations were mostly caste driven**.

Indian Labour Market after Independence

- After independence the **Mahalanobis strategy of industrialisation** focused on **capital intensive industries**.
- The labour-intensive sectors like agriculture, handicrafts, handlooms, small and rural industries did not expand and remained small in size and the labour employed was informal in nature.
- Therefore historically India had a large informal workforce even before the onset of the liberalisation and globalization.

Informal/Unorganised sector

- The **National Commission for Enterprises in the Unorganised Sector (NCEUS)** defined the informal/unorganised sector as all enterprises owned by individuals or households with less than ten workers.
- According to NCEUS “Informal workers consist of those working in the informal sector without any employment and social security benefits provided by the employers.”
- The high proportion of labour force in the informal sector is because more than 50 per cent of the workforce is self-employed and engaged in the unorganised farm sector.
- Post-liberalization due to increasing global competition and withdrawal of subsidies, the entrepreneurs continued to keep their firm size small to be exempt from regulations, tax structure, labour laws including social security for workers.
- This disinclination on the part of the entrepreneurs in increasing firm size led to the growth of **casual and contract labour post-liberalisation**.
- By engaging contract labour the employers would be free of the hassles of hire and fire policy guided by the **Industrial Disputes Act, 1947**.
- Increasing contractactualisation/ casualization of employment has led to the workforce losing out on job security, social security in terms of medical benefit; pension, workmen compensation, minimum wages, overtime wages for extra hours, exposure to occupational hazards and so on.
- To tackle growing informalization, various Committees and Commissions were constituted which reported that labour force was largely illiterate with very low levels of vocational skills which hindered their transition from the agriculture to the manufacturing or service sector.

Policy Measures

- The **Unorganized Workers Social Security Act 2008** was enacted to provide social security and welfare of unorganized workers.

- The **Rashtriya Swasthya Bima Yojana** was launched in 2008 to meet the out-of-pocket health expenses of unorganised sector workers.
- There is the **Contract Labour (Regulation & Abolition) Act, 1970** to regulate the employment of contract labour.
- Various schemes have been introduced with the objective of **universalization of social security cover to the informal workers** such as the **Atal Pension Yojana, Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana** and **Pradhan Mantri Fasal Bima Yojana**.
- **Pradhan Mantri Rozgar Protsahan Yojana** to encourage small firms to take in more workers and provide them social security benefits.
- To encourage employers to take in apprentices the **National Apprenticeship Promotion Scheme** was launched.
- Under the Skill India Mission, through the **Pradhan Mantri Kaushal Vikas Yojana** and skill development programmes being implemented so that new entrants get better paying jobs.
- Under the **Ease of Doing Business initiative** the process of registration, compliance to labour laws, inspection etc has been simplified to encourage more number of enterprises to be set up and provide quality jobs.
- Schemes such as the '**Make in India**', **Digital India, Swachh Bharat Abhiyan** are initiatives that should provide opportunities for employment generation.
- Entrepreneurship is promoted through initiatives such as **Startup India, Standup India, MUDRA, ASPIRE, Atal Innovation Mission, Pradhan Mantri Yuva Yojana** etc.

Questions

1. Many forces—economic, societal, and technological—are interacting to cause “jobless” growth in India. In your opinion, what policies will create more employment in India? Discuss.
2. It is said that shifting markets from the informal sector to the formal sector has several advantages. What are these advantages? Illustrate
3. The unorganised manufacturing sector, which includes both household and non-household units, accounts for a large majority of total manufacturing employment in India and the units in this sector are by definition small in size. Analyse the performance of and challenges this sector faces in comparison to organised sector.
4. Examine the policy measures of the Government to protect India’s unorganised labour force.
5. Consider the following statements about National Commission for Enterprises in the Unorganised Sector (NCEUS)
 - 1) The Commission was established in 2004 to act as an advisory board for matters regarding the informal employment sector.
 - 2) NCEUS works under the Ministry of Commerce and IndustryWhich of the above statements are incorrect?
 - a) 1 only
 - b) 2 only
 - c) Both 1 and 2
 - d) Neither 1 nor 2

Solution (b) (NCEUS works Ministry of Micro, Small and Medium Enterprises)

Labour Reforms in India

Introduction

- Labour reforms have often been viewed as **changes in the labour laws** to make it easy for the entrepreneurs and industrialists to run their businesses without the pain of compliance and fear of punitive action by the state.

Need for Labour Reforms

- It is the most opportune time for labour reforms in India for two reasons:
 - China is fast losing its advantage as manufacturing hub as labour cost has trebled there in last one decade.
 - The Government of India is committed to **'Make in India'** and attracting the investors and large businesses to set up their manufacturing bases in the country.
- Success of 'Make in India' will depend on how soon and how fast labour reforms are taken further.
- Labour market liberalization is likely to augment employment flexibility, skill development and job creation on a wider scale.

Lack of Labour Reforms

- Attempts at reforming Indian labour market have been rather slow. Even the globalization and liberalization process impacted labour market in limited manner.
- India missed the opportunity of being manufacturing hub of the world due to rigidities in labour market, archaic labour laws and glaring skill deficit.

Concerns / Challenges

- **Significant skill shortage** across the country makes the labour market quite unattractive especially for foreign direct investment.
- In terms of vocational skills, India fares worse than some of the developing countries such as Mexico where the percentage of youth having vocational training is 28 per cent.
- **Lack of a holistic labour policy** is a major obstacle in the way of developing a liberal labour market which can contribute towards making a competitive manufacturing and service industry eco-systems in the country.

Way Forward

- It is imperative that **labour laws are progressive, bureaucratic control is substituted by transparent governance** as well as voluntary adoption of labour standards.
- The legislation must be aimed at **protecting the rights of labour** e.g. to form unions for purposes of collective bargaining, laying down minimum obligations which employers must meet with regard to social benefits, health and safety of workers, provision of special facilities for women workers, establishing grievance redressal mechanisms, etc.
- It is important to ensure that **basic rights of the workers are protected** and labour standards are implemented across industries and formal as well as informal sectors.
- **Labour laws need to be simplified** and brought in line with contemporary economic realities, including especially current international practice.

- The labour enforcement machinery needs to be further strengthened in the interest of **better enforcement of labour laws**.
- It is important to eliminate absurdities, dualities and ambiguities from existing labour laws so that industry is in a better position to leverage full potential of labour market.
- Labour laws should **foster an enabling environment** so far as employment practices are concerned. Sooner we overcome 'compliance mind-set', better is our chances enhancing global competitiveness in manufacturing as well as service sector.
- It is high time that the government should focus on coalescing all the existing labour laws into one unified piece of legislation.
- A radical legislative intervention in labour market will be impossible without developing a **national labour policy**. Hence, the government of India should first focus on developing a consensus on national policy framework on labour issues.

Conclusion

- While **jobless growth** is glaring at the country in the wake of highly **automated manufacturing ecosystem**, it is also important for the government of India to create new opportunities.
- While 'Make in India' has already started attracting investments, concomitant jobs in the manufacturing sector have not increased.
- Hence the government of India need to focus on **creation of job opportunities for larger youth** population by way of enabling them to enter the service sector with greater degree of competence.
- This can be accomplished by **integrating vocational training with higher education**.

Questions

1. Essay Topic: Labour Reforms in India and its Role in Economic Development

2. "Success of 'Make in India' programme depends on the success of 'Skill India' programme and radical labour reforms." Discuss with logical arguments.

3. It is often argued that labour reforms are the way to unlock double-digit growth in India. Discuss why and examine what policy challenges exist in bringing labour reforms in India.

4. Which of the following are data sources for estimates on employment growth in India?

1. Labour Bureau
2. National Sample Survey
3. Annual Survey of Industries
4. Census

Select the correct answer using the code given below:

- (a) 1, 2 and 3 only
- (b) 2, 3 and 4 only
- (c) 1 and 4 only
- (d) 1, 2, 3 and 4

Solution (d)

Ensuring Gender Justice in Labour

Introduction

- India has one of the lowest work force participation rates (WPR) of women, which is even lower than many countries in Sub-Saharan Africa and the Middle East and is drastically lower than the participation rates for men (ILO, 2016).
- Though female literacy rates and educational enrolment rates have been moving favourably during a period of higher economic growth, **female employment remains a challenge**.

Trends and Patterns in Female employment

- The data on women's work is not the best. Not only is the WPR lower for women, for rural women there has been a dramatic fall, while for urban women it has stagnated.
- The **positive income effect of higher real wages** in the economy and **positive outcomes of educational programmes** are the main reasons attributed to the **decline in women's employment**.
- A larger proportion of females are opting out of labour force means increasing care responsibilities on women.
- Apart from lack of employment opportunities, many women cannot participate in full-time employment, because to undertake household domestic work.
- In 2011-12, while 62.3 per cent of women were employed in the agriculture, only about 20 per cent were employed in the secondary sector and 18 per cent in the services.
- In the secondary sector, there has been an increase in the proportion of women in construction over the period, where the nature of employment is an issue.

Nature and Quality of Women's Employment

- For rural women unpaid workers/helpers are the largest group (41 per cent) and then casual workers (35 per cent). Agriculture and artisanal work are in crisis and men are moving out to search for other paid work.
- Women's work participation rate is very low in urban areas- just 15 per cent in 2011-12.
- Women are self-employed are working as part of home-based workers in manufacture – in beedi, textiles, bangle or bindi making, packaging, etc. Wage rates in home based work are very low.
- Absence of state laws is an issue, with **many states yet to extend the coverage of Minimum Wages** to these workers.
- The anganwadi and ASHA workers with multiple work responsibilities are not recognized as workers by the state, but ascribed as volunteers, who are eligible only for an honorarium.
- Apart from market oriented activities women are engaged in many economic activities such as collecting firewood and fodder, collecting water and forest produce, weaving and spinning for home use.
- Even after many years of passing of **Equal Remuneration Act, 1974** wage gap between women and men remains a reality affecting women of all ages, classes, communities and regions.
- A recent ILO study shows that India has one of the worst levels of **gender wage disparity**, with men earning more than women in similar jobs, with the gap exceeding 30 per cent.

State Interventions

- Organisation of **micro-credit arrangements**, formation of **NGO-aided Self Help Groups** etc, have been constituted for lifting women out of poverty and to strive for their economic 'empowerment'.
- Though MGNREGS did ease the initial crisis, in the long run the limited number of days of employment guaranteed and the focus on manual work has not been able to address women's employment puzzle.
- There is enough evidence of **young women being denied employment** because of the possibility of them taking leaves to meet **maternity and child care demands**.
- Though there is an increase in the days of maternity leave with the **Maternity Benefit Act (Amendment) of 2017**, the coverage of it is limited to the organised sector. The amended Act is not applicable to all enterprises, but only those employing at least 10 workers.
- **Women from lower income brackets**, who are mostly concentrated in the **informal sector**, are not eligible even for a single day of paid maternity leave.
- In urban informal employment, where education and income levels are higher, many married women drop out of the workforce when they have children, as they have to shoulder the burden of childcare.
- One of the reasons for poor female labour force participation is the **lack of suitable jobs** on offer, i.e. the disparity between what they can do and what is available to them.
- With poor employment rates for middle level educated groups, there is a need to make greater investments in secondary and tertiary education, vocational and skills training of women.
- The discouraging impact of **low wages and poor conditions of work** is found to result in women withdrawing from employment if the households can afford.
- **Social and cultural constraints** are still issues that explain poor participation of women in employment.
- Households in both rural and urban though are increasingly willing to educate their girls, do not see this investment for their employment.
- Women are employed in informal, semi-or unskilled jobs such as domestic work, where incomes are low and there are limited benefits or job security.
- Growing concerns around the **safety of women** is also a clear deterrent to women's employment.
- Provision for safety at the workplace and safe transport of women though has been provided for, it is of least priority with no monitoring mechanism in place.
- The increasing incidences of **sexual harassment at the workplace**, during commuting and in public places are fuelling the perception that cities and towns are not safe, adversely affecting women's mobility for employment.

Conclusion

- It is high time that the state and employers come together on a priority basis to **find comprehensive solutions**, rather than merely introducing patchy interventions which do not address the issues of women's employment.

Questions

1. It is said that women's entrepreneurship might be the tool needed to improve the labour force's gender balance in India. Do you agree? Substantiate

2. "Improving the gender balance in labour force participation, entrepreneurship and growth is an important first step for India's development." Discuss.
3. Essay Topic: Low, stagnating female labour-force participation in India: An anomaly or an outcome of economic reforms?
4. According to a recent report by the International Labour Organisation (ILO), in India, rate of labour force participation of women is declining against the worldwide trend. Critically examine the causes of this decline and suggest ways to halt this decline.
5. The declining female labour force participation in India alongside high economic growth is puzzling. Critically analyse the causes.
6. Consider the following statements:
 1. According to a recent report by the International Labour Organisation, India has one of the lowest rates of women's labour force participation in Asia
 2. The proportion of working women in India has dropped in the course of the first decade of this century
 3. Currently, participation of women in MGNREGA is greater than men'sWhich of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 3 only
- (c) 1, 2 and 3
- (d) None of the above

Solution (c)

7. Maternity Benefit (Amendment) Act, 2017, amends the Maternity Benefits Act, 1961. The Act does *not* make which one of the following provisions?
 - a) Twenty-six weeks maternity leave to working women for the first child
 - b) The employer may permit a new mother to work from home
 - c) Every establishment with more than fifty employees to provide for crèche facilities for working mothers
 - d) None of the above

Solution (d)

Towards a National Policy on Migration

Introduction

- India does not have a **national policy on internal migration**. Such a policy would address domicile requirements, portability of benefits within and across states etc.

Trends in Migration

- Even in the absence of a coherent policy, millions of Indians are migrating from one destination to another. While a large proportion of individuals migrate within their state of residence, others move across state boundaries.
- Their motives for migrating are varied: movement from place of birth, following marriage, in pursuit of education, seeking work opportunities etc.
- While women primarily move on account of marriage, men are more likely to report migrating for reasons related to work.
- From a policy perspective, a distinction needs to be made between those who move permanently versus those who stay for short duration during the course of the year.
- As per Census of India 2011, nearly 38 percent of Indians had permanently migrated at some point of time during the lives.

Way Forward

- Conversations on 'Make in India' often veers towards 'What to make in India' and 'Where to make in India' rather than the 'who' makes 'what' and 'where' in India.
- In reality, migrant workers are a sizable proportion of the 'who'. They are integral to 'Make in India' initiative and this point is glossed over in most discussions.
- There is a need to ensure that **benefits and rights of migrants are protected**. Certain benefits must be made portable. Among this includes making access to the public distribution system portable.
- It should be possible to make the access to the public distribution system within a state boundary portable.
- States like Chhattisgarh have demonstrated such a possibility. The state government linked the beneficiary to all the shops as part of public distribution system in Raipur.
- Ensure that **children migrating with their parents are able to enrol in schools**. Some children do not stay back when their parents migrate seasonally for work. For these children, Government of Odisha, is running seasons hostels for children of parents who migrate.
- Indian Constitution provides the right of freedom of movement within the country. However in some states there is a **domicile quota** wherein residents of the state are preferred for admission to educational institutions or in government jobs.
- "States should be encouraged to proactively eliminate the requirement of domicile status to prevent any discrimination in work and employment".

Questions

1. Analyse the trends and pattern in inter-state migration of people and labour mobility in India.
2. Examine the patterns in Inter-state and intra-state migration from rural to urban areas in recent years and their underlying causes and benefits.

3. It is said that in India deprived social groups are using migration to improve their socio-economic status in the rural economy. Do you think migration is acting as a harbinger of social equality in rural India? Examine.

4. The 'e-Migrate' programme

(a) Provides reliable emigration services in a transparent manner

(b) Is an open, online database of all brick kilns in India

(c) Offers convenient and cost-effective skilling programmes for those seeking to emigrate to countries in west Asia

(d) None of the above

Solution: a.

5. As per Census 2011, migration in India is majorly between

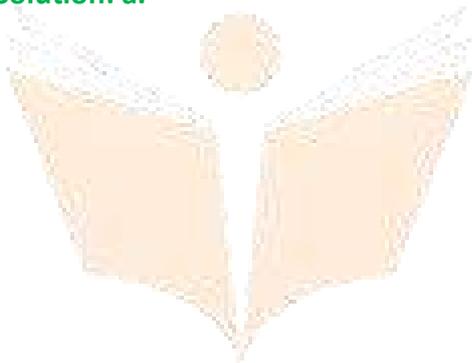
(a) Rural to rural areas

(b) Urban to urban areas

(c) Rural to urban areas

(d) Urban to rural areas

Solution: a.



Reforms in Child Labour Law

Introduction

- Intervention of law is imperative in dealing with the extremely complex issue of child labour which is deeply interwoven in the socio-economic fabric.
- The **National Child Labour Policy** in India aims at progressive elimination of child labour in general and specifically in hazardous occupations.

Child Labour Prohibition

- The **Child Labour (Prohibition and Regulation) Act 1986** was amended in the year 2016 primarily to
 - **Prohibit employment of children** in all occupations and processes to facilitate their enrolment in schools in view of RTE Act, 2009.
 - **Prohibit employment of adolescents** in hazardous occupations and processes.
 - **Regulate the conditions of service of adolescents** in line with the ILO Convention 138 and Convention 182.
- It is believed that **work inculcates confidence** in children and enables them to **gain self-esteem** and also helps in the process of **socialization**.
- It is also deemed that by learning skills from an early age, the **traditional skills are preserved** and are passed on from one generation to the other.
- These positive aspects of work dramatically change when children are forced to work for long hours in situations damaging to their mental and physical health and when they are deprived of childhood and denied of educational and other rights and opportunities.
- Children in workforce are paid very low wages and at times work unpaid in lieu of the debt taken by their parents or their family members.

Government Initiatives

- Government of India has been pro-active in addressing the issue of child labour which is evident from the provisions in the articles of the **Constitution of India**, provisions in various **labour laws** and other laws relating to children and their amendments from time to time.
- The **National Child Labour Policy** seeks to adopt a gradual and sequential approach with a focus on **rehabilitation of children** working in hazardous occupations and processes.
- By the enactment of **RTE Act, 2009** the Government of India has made the right to education, a fundamental right for children.
- Realization of the objectives of child labour policy is reflected not only in the **progressive increase in enrolment and school attendance** of children but also in the reduction in the magnitude of child labour.
- The Amendment to the **Child and Adolescent Labour (Prohibition and Regulation) Act 1986** provides for complete ban on employment or work of children below 14 years in any occupation.
- All children below 18 years are totally prohibited from working in any of hazardous occupations or processes in mines, explosives, hazardous occupations set forth in the Factories Act, 1948.
- Exemptions are given to children helping their families or family enterprises after school hours and during vacations.

- Children working as an artist in an audio-visual entertainment industry, including advertisement, films, television serials or any such other entertainment or sports activities except the circus, are exempted subject to such conditions and safety measures.

Way Forward

- The objective of the amended child labour Act could be realized by carrying out **preventive intervention** by enrolling and retaining all children below the age of fourteen years in school.
- Simultaneously child labour should be identified, rescued and released for their **educational rehabilitation and economic rehabilitation** of their families by way of imparting employable skills and providing income generation avenues with special focus on migrants and vulnerable communities.
- Awareness Generation, Training, Capacity- building, Sensitization and Social Mobilization of State and non-State stakeholders will pave way of effective enforcement of child labour law thereby ending child labour in India.

Questions

1. India has ratified two key global conventions meant to keep children away from work, decades since they were originally adopted by the International Labour Organisation. What's the significance of this ratification? Do you think this ratification would benefit all stakeholders? Critically comment.
2. Critically analyse recent amendments made to India's child labour law.
3. Critically analyse recent amendments made to India's child labour law.
4. 'Bachpan Bachao Andolan' is a grassroots movement for the protection of children and ensuring their quality education. It is an organisation established by
 - (a) The Ministry of Women and Child Development
 - (b) The Ministry of Human Resource Development
 - (c) Late Dr. A.P.J. Abdul Kalam
 - (d) Kailash Satyarthi

Solution (d)

4. Which one of the following pairs is/are correctly matched?
 - (a) International Labour Organisation Convention 182 – Deals with seafarers' identity documents
 - (b) International Labour Organisation Convention 138 – Deals with setting a minimum age of employment
 - (c) Both a and b
 - (d) Neither a nor b

Solution (b) (ILO Convention 182 deals with the prohibition and elimination of the worst forms of child labour.)

A New Mechanism to Finance Skill Development

Introduction

- India's requirements for skilled workers are huge, and the current capacity to train has grown very slowly. The funding for **skill development (SD) remains limited in India**.
- The **Ministry of Skill Development** is new, and although it has received a **World Bank loan for skill development**, given the Union government's ambition for **Skill India**, much larger funding has to be found.
- Financing for SD in countries where it has been successful is mostly private sector driven.
- The Union government needs to think of a **new model of financing SD**. A tax could be levied on companies that go into an ear-marked fund, meant exclusively for SD purposes.
- Firms can be reimbursed the costs of training from such a fund. As many as 63 countries of the world have adopted such an option.

Why create a National Training Fund

- First, the current capacity for SD is limited.
- Second, to **realise the goal of 'Make in India'**, to utilise the youth power and demographic dividend.
- Third, there is a limit to general tax revenues that can be mobilised for SD, since the fiscal deficit should remain controlled.
- Fourth, globally, the source of financing for SD has been the private sector, since they are the direct beneficiaries, even though the state may play a facilitating role.
- Hence, a **National Training Fund is needed soon**. A possible design for the Fund can be:
 - **Collect levies from organized sector and medium + large enterprises.**
 - The levy in India should be, to start with, only on organized sector enterprises, and only on medium and large ones.
 - **Beneficiaries should include both organized and unorganized enterprises.**
 - The current Apprenticeship programme could be incorporated into this mechanism.
 - **Demand side financing of training through payment of stipend.**
 - There is a very strong case for using training levy funds for financing poor students who are unable to bear the opportunity cost of first undertaking training before entering the labour market.
 - If trainees are provided a stipend, it would partially offset the opportunity cost of not working, and the financial cost of training itself.
 - The current scale of PM's **Kaushal Vikas Yojana** one time grant is on too small a scale to be seen as effective.
 - China has incentivized vocational education financially for students very effectively.

Counter arguments against a new tax to finance the National Training Fund

- The economy has slowed down, and investment has declined in the last few years. Adding **another tax would reduce the investible surplus with firms**, and thus would be opposed by firms.
- Govt-controlled funds are very poorly managed, and the private sector does not find worthwhile the time and effort to access such funds for SD.

Way Forward

- Private sector can take complete control of the allocation of funds from NTF.
- Some government control can be maintained by having government specialists on the boards of such funds.

Questions

1. “For any skill development effort to succeed, markets and industry need to play a large role in determining courses, curriculum and relevance. In the light of various efforts made so far by various governments towards skill development in the country, critically comment on the statement.
2. Analyse the need for the creation of National Training Fund for skill development.
3. Examine the need for the creation of National Training Fund to realise the goal of ‘Make in India’.
4. The Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDUGKY) is a flagship programme of the
 - a) Ministry of Skill Development and Entrepreneurship
 - b) Ministry of Micro, Small and Medium Enterprises
 - c) Ministry of Youth Affairs and Sports
 - d) Ministry of Rural Development

Solution (d)

5. Consider the following statements:

Assertion (A): Despite ratifying the International Labour Organisation Conventions 138 and 182, India’s Child Labour (Prohibition and Regulation) Amendment Act, 2016 condones the employment of children below 14 years in specific instances

Reason (R): The ILO Conventions 138 and 182 leave it to the member-states to determine what constitutes acceptable or unacceptable work for children at different ages

Select the correct answer using the code given below:

- a) A is correct, and R is an appropriate explanation for A
- b) A is correct, but R is not an appropriate explanation for A
- c) A is incorrect, but R is correct
- d) A and R both are incorrect

Solution (a)

Labour Policies and Labour Welfare: An International Comparison

Introduction

- **Efficient use** of a country's labour endowment is crucial to its **rapid economic growth**. Therefore labour policies need to have a **significant social or welfare dimension** to them.

China

- China has adopted labour laws that are quite pragmatic in terms of ensuring **efficient and productive use of labour**.
- Permanent employees can be terminated for serious violation of labour discipline or employees rules and regulations.
- The labour laws are much more **flexible in export processing zones** where employers have almost unlimited right to hire and fire. This is done to **attract foreign direct investment** and in view of much higher need for **production flexibility** due to higher uncertainty and variability in exports.

East and South-East Asia

- Most other countries of East and Southeast Asia such as Indonesia, Thailand, Malaysia, Taiwan and South Korea have somewhat **similar policies like China**.
- Most East Asian countries give **large bonuses** often equal to several months wages linked to firm's profitability and often related to individual workers performance evaluation.
- This helps ensure **cooperative behaviour by employees** and helps in the efficient and smooth functioning of the company.

European Countries

- Given that European countries are more developed and have much lesser issues with unemployment, the labour laws are somewhat more **favourable to employees**, although most of them also allow **termination of workers for indiscipline or incompetence** and permit layoffs when a firm is facing serious operational difficulties.
- The western European countries are developed and high income economies that also have a well developed social security system which provides for **reasonable benefits for the unemployed**.

United States

- In the United States labour laws allow employers to **dismiss workers at will** unless specific labour union contracts exist in which case the conditions of the contract have to be respected.
- US has a **well functioning social security system** that pays **unemployment benefits** to unemployed workers for upto one year and also provides additional worker training if needed.

Japan

- Japanese have a tradition of **lifelong employment** with the given company and **termination is extremely rare**, partly because of restrictive laws and partly due to tradition.
- It gives large bonuses which can often be as much as 3-4 months of wages. This helps in ensuring efficient functioning of the workers and the firm.

India

- India has chosen to emphasize the **welfare aspect** and provided one of the most **protective labour laws** in the world for its organized sector workers.
- Public sector employees typically receive fixed annual wage increments unrelated to work performance. There is muted incentive to work hard or to strive to improve one's performance.
- The result is poor productivity, high prices of products, poor exports and eventually low wages, fewer jobs, and higher unemployment.
- **Excessively protective labour policies** are not in the long-term interest of the workers and might do them more harm than good by **reducing worker productivity**, raising the price of goods that make our goods less competitive in export markets.
- Thus a proper balance between efficiency and welfare aspects has not been maintained in India.

Way Forward

- To give blanket job security under all circumstance makes it very difficult to maintain worker discipline and reduces worker motivation and productivity. Employers have to be given some way out from employees who misbehave or do not work properly at the job.
- Adopt the **Japanese style flexible wage system** which give employees a stake in the company's profitability and where promotions are significantly dependent on good job performance, creates incentives for employees to try to improve their skills and cooperate in improving productivity.
- We should experiment with **flexibility in labour laws** across states. For example, in export processing zones, an efficient and competitive labour force will allow us to attract more foreign direct investment.
- Improving the education and training of the workers to make them more productive. Compulsory basic education to class 10 for all children and greater emphasis on vocational training.
- Greater effort needs to be made to increase the availability of **physical capital per worker**. This includes policies to **encourage savings as well as investment**, both domestic and foreign.
- These features, if incorporated in the labour policy, can considerably enhance India's labour potential.

Questions

1. Analyse the Labour Policies and Labour Welfare measures taken in various countries and what best practices can India adopt from these countries.
2. Critically analyse the labour welfare measures taken in India and what the necessary changes the government can take to protect India's labour force.

Automation: Challenge to workforce?

Introduction

- Adoption of technology, global reach, and faster communication is changing the way goods are manufactured, serviced and delivered.
- Automation is going to change the fundamental way of agriculture, manufacturing, and supply chain management system works.

Technology trends

- **Information and communication technology** has been the forerunner during the last decade in providing a technology solution in a most cost effective manner.
- Industrial and automation robots are nowadays popular in many manufacturing assembly lines.
- Technology driven manufacturing units can be powerful drivers of economic opportunity and improved well-being.
- Various industries across the globe are adopting the new technologies for higher efficiency and performance and lower manufacturing cost.
- As per **International Labour Organization (ILO) report in 2015**, there has been a downward trend in the labour share in many of the countries. Labour's declining share in GDP is a cause of concern in many advanced economies as well as developing countries.

Paradigm shift

- It is anticipated that millions of new jobs will be created by technology, including those responsible for designing, manufacturing and maintaining robots.
- However, access to these jobs may be difficult without acquiring adequate skills.
- As location and type of jobs will change, there will be large-scale displacement of the workforce. Women workforce may become vulnerable to these changes.
- It is expected that technology should customise job requirements and **make is accessible to the vulnerable group**.

Social equality

- Technology will **create new high skilled jobs** as well as **improve the quality of existing jobs**. This will lead people to be more productive and eligible for higher remuneration.
- Technology driven new jobs are expected to **remove social barriers** to entry and promote gender equality. For example, some jobs are considered to be labour intensive and male dominated. With a paradigm shift, no such barriers will ever exist.

Challenges

- Continuous investment in technology without considering the impact on existing workforce could lead to a host of operational risks.
- The introduction of the advanced machine tool may worsen the work environment if **investment in training workforce** has not done in advance.
- If technology is used only in making high-speed, cost-effective machines that replace labours, there will be a long-term problem in the macro economy.

- Surging unemployment will damage social cohesion and reduce consumer demand, creating a vicious cycle of a weak economy.

Way Ahead

- Government funded institutions need to investigate how technological changes are going to affect employment, what are the opportunities for consumers, manufacturers and other stakeholders involved in the entire supply chain management.
- **Special emphasis to be given to semi-skilled and unskilled workforces** and labour intensive manufacturing units like construction and agricultural products.
- **Data analysis and research** to investigate how automation is changing production, creating jobs and well-beings of workers and how industries can harness the potential of automation on a sustainable basis.

Conclusion

- Repetitive manual jobs and hazardous jobs are required to be automated.
- Technology intervention is inevitable – **harnessing the potential of technology for overall economic growth and well beings of people is the way forward.**
- Upskilling, reskilling and collaboration will be the key enablers in sustaining business models.
- A new curriculum and pedagogy for our schools, colleges, universities and setting up of more vocational training centres is the need of the hour.

Questions

1. The latest National Sample Survey (NSS) data for 2011-12 show unemployment was only 2.2% of the labour force. Is this data reliable? If unemployment is high, where are the opportunities for India to create more jobs? Examine.
2. In the light of increasing use of robots in various sectors, critically discuss the effect of machines on labour.
3. A recent report from the International Labour Organization found that more than two-thirds of South-East Asia's 9.2 million textile and footwear jobs are threatened by automation. How will automation impact consumers? Are there any lessons for India from this finding? Examine.
4. What are the areas of prohibitive labour that can be sustainably managed by robots? Discuss the initiatives that can propel research in premier research institutes for substantive and gainful innovation.

Facts for Prelims

Reforms in Labour Laws

- Ministry of Labour & Employment have taken several reform initiatives to reduce the complexity in compliance and bringing transparency and accountability leading to better enforcement of the Labour Laws. These include:
- **Prohibition of employment of children below 14 years in all occupations** and processes through amendment in the **Child Labour (Prohibition & Regulation) Act, 1986**.
- **Extending the coverage of Employees State Insurance** by increase in the wage ceiling from Rs. 15000/- per month to Rs. 21000/- per month.
- Enabling provision under the **Payment of Wages Act 1936** for payment of wages through Bank accounts.
- Launching of unified **Shram Suvidha Portal** for allotment of a Unique **Labour Identification Number (LIN)** for establishments, filing of self-certified and simplified Online Annual Return and a transparent Labour Inspection Scheme through computerized system.
- Portability of Employees Provident Fund accounts through **Universal Account Number (UAN)**.

More than 12 Lakh Children rehabilitated under National Child Labour Project Scheme since 1988

- Under NCLP Scheme, funds are released to the District Project Societies headed by District Magistrates/ Collectors who in turn allocate the funds for the Special Training Centres run by NGOs/ Government agencies/ local bodies etc. The volunteers for the special schools are engaged by the NGOs etc.

Labour Identification Number

- In a view to create one-stop-shop **for labour law compliance** and to make a platform which can be shared by all the labour enforcement agencies under the control of Central and State governments, **Shram Suvidha Portal** has been created.
- The aim to start this portal was to do away with all employer codes being issued by separate labour enforcement agencies and by replacing them with new LIN (**Labour Identification Number**).
- As a single point of contact between employer, employee and enforcement agencies, it is also bringing in **transparency** in their day-to-day interactions.

India Innovation Index

- “India Innovation Index” will rank states on Innovations through country’s first online innovation index portal that will capture data on innovation.
- The Index, a joint project of the **Niti Aayog, Department of Industrial Policy & promotion (DIPP) and Confederation of India Industry (CII)** in consultation with **World Economic Forum, the World Intellectual Property Organization, Cornell University, OECD, UNIDO, ILO, UNESCO, ITU and others** is expected to help make India an innovation driven economy.
- The **Global Innovation Index (GII)**, co-published by World-Intellectual Property Organization (WIPO), Cornell University and INSEAD with CII as a Knowledge Partner, has been ranking world economies including India since 2007.
- India currently ranks 60th on the Global innovation Index (GII) 2017.