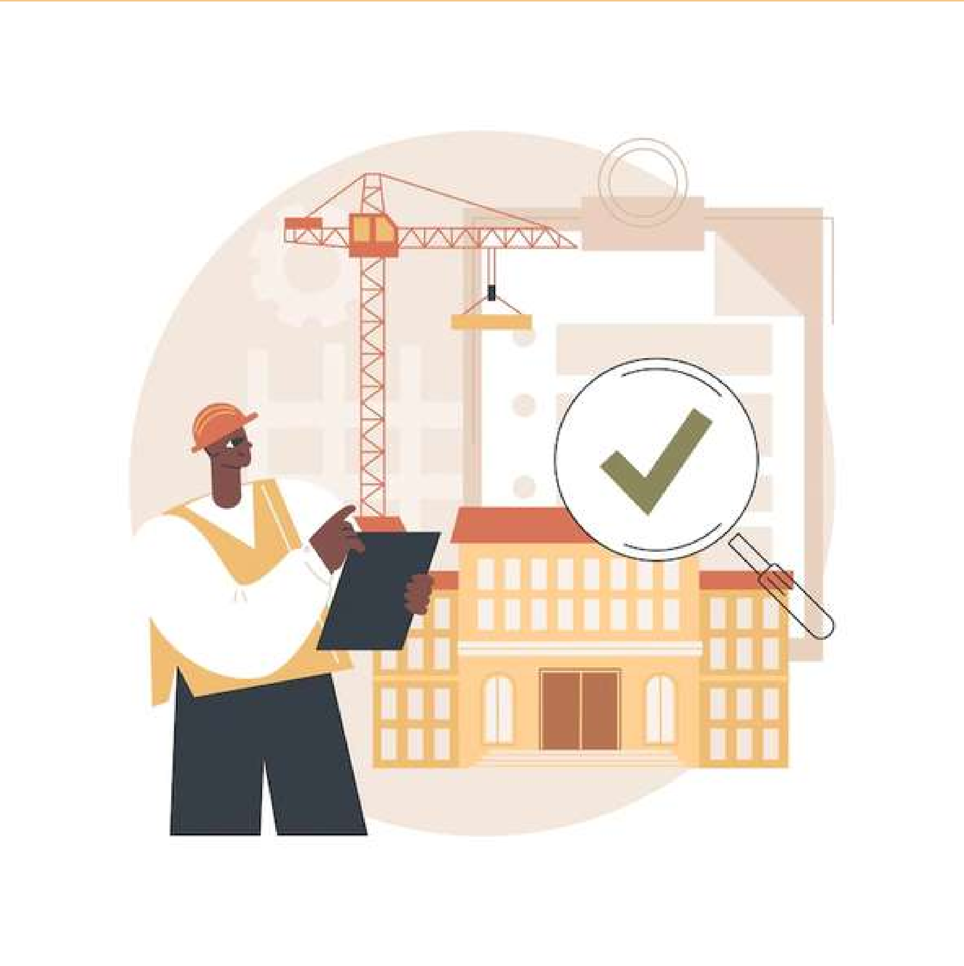
FREE EBOOK

INDUSTRIAL & LABOUR POLICY

ESI Notes
For NABARD Grade A Exam



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What is an Industry?

An industry is a group of companies that are related based on their primary business activities. In modern economies, there are dozens of industry classifications.

Industry classifications are typically grouped into larger categories called sectors.

Industrial and Labour Policy

Industrial policy refers to a framework set by the government to regulate the manufacturing sector. It controls the industrial undertakings of the country. Through industrial policies, the government tries to influence the ownership & structure of industries, along with their performance.

Objectives of the Industrial Policy in India

The objectives of the Industrial Policy in India are:

- Maintaining a sustained growth in productivity
- Enhancing employment in industries
- Achieving optimum utilization of human resources
- Attaining international competitiveness
- Transforming India into a leader in the global arena

Development of Industrial Policy since Independence

- The first industrial policy resolution was announced on April 8, 1948. It stipulated the model of the Indian economic system to be a mixed economy. Since then, different policy resolutions & statements (Industrial Policy Resolution 1956, **Indian policy statement 1969, 1973, 1977, 1980, 1985 and 1986)** have been passed to revise and rectify their forerunner.

- However, soon, the government realized that all these policies had one major loophole, which was the dependence on often costlier foreign capital. This made it very difficult for India to service the external borrowings. Moreover, external events, like the Gulf War, etc., added to the situation.

- To rectify the situation, a **new economic policy was adopted as a part of economic reforms in India**. The government took measures to change the very nature of Industrial Policies, which led to the formulation of the **new industrial policy, 1991**.

New Industrial Policy, 1991

After the LPG reforms, the new age liberalized Industrial Policy was announced in 1991. Since it came into being in the middle of huge economic instability, its primary objective was to foster economic growth by enhancing the efficiency of industries.

Some of the features of the New Industrial Policy included:

- De-reservation of the Public Sector
- De-licensing
- Disinvestment of the Public Sector
- Liberalization of Foreign Investment
- Foreign Technology Agreement

The **New Industrial Policy, of 1991** served as a paradigm shift in the functioning of the industrial sector. Several reforms have been introduced since then to rectify issues & drawbacks and make it even more efficient.

Labour Laws in India

Since the onset of industrialization, there has been a constant struggle between capital and labour. Capital has been exploiting the labour market to generate maximum profits. They are able to do so because they have an economic footing and power.

In doing so, it enacted several laws and took a number of measures to ensure a better quality of life for labourers.

Some of these acts are listed below:

- The Factories Act, 1948
- The Payment of Wages Act, 1936
- The Industrial Employment Act (Standing Orders), 1946

- The Workmen’s Compensation Act, 1923
- The Trade Union Act, 1926
- The Minimum Wages Act, 1948
- The Employees State Insurance Act, 1948
- The Employees Provident Fund, Family Pension Fund, and Deposit-linked
- Insurance Fund Act, 1952.

The objective of all these acts is to provide reasonable wages and optimum working conditions for the worker at the workplace. Further, facilities such as skill development, recreation, medical and social security should also be covered by the employer. However, due to illiteracy and lack of awareness, the mere implementation of these acts was not effective in improving the conditions of the labour force.

Contemporary Labour Welfare Schemes in India

The Government of India then shifted its focus on providing social security and healthcare facilities to ensure labour welfare. There have been a lot of rectifications in the labour laws in India to ensure optimum labour welfare. Some of the contemporary labour welfare schemes in India include:

- Pradhan Mantri Shram Yogi Maan-dhan Yojana
- Aam Aadmi Beema Yojana
- Rural Employment Generation Programme (REGP)
- Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)
- Deendayal Antyodaya Yojana - National Urban Livelihoods Mission (DAY-NULM)
- Labour Welfare Fund
- Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)
- Rehabilitation of Bonded Labourers

Industrial Performance

The industrial performance module is for decision-makers eager to improve their management of the productivity, energy, quality and maintenance of their sites and production processes, combined with industry expertise, this module offers clients support, from collecting data to implementing an appropriate strategy by transforming energy data and processes into decision-making and management tools:

- Optimise management of production and energy use
- Anticipate and schedule maintenance and turnover through the monitoring of dedicated indicators
- Identify training needs
- Optimise the production order

Regional Imbalance in India's Industrial Development

Historical Factors

- Historically, regional imbalances in India started from its British regime, The British rulers, as well as industrialists, started to develop only those earmarked regions of the country which as per their own interest were possessing rich potential for prosperous manufacturing and trading activities.
- British industrialists mostly preferred to concentrate their activities in two states West Bengal and Maharashtra and more, particularly in three metropolitan cities like Kolkata, Mumbai, and Chennai.

Geographical Factors

- Geographical factors play an important role in the developmental activities of a developing economy.
- The difficult terrain surrounded by hills, rivers and dense forests leads to an increase in the cost of administration, and the cost of developmental projects, besides making the mobilisation of resources particularly difficult.
- Adverse climate and proneness to flood are also responsible factors for the poor rate of economic development of different regions of the country as reflected by low agricultural productivity and lack of industrialisation.

Locational Advantages

- Locational advantages are playing an important role in determining the development strategy of a region.
- Due to some locational advantages, some regions are getting special favour in respect of site selections for various developmental projects.

Inadequacy of Economic Overheads:

- Economic overheads like transport and communication facilities, power, technology, banking, and insurance etc. are considered very important for the development of a particular region.
- Due to the adequacy of such economic overheads, some regions are getting a special favour in respect of settlement of some developmental projects whereas due to inadequacy of such economic overheads.
- New investment in the private sector has a general tendency to concentrate much on those regions having basic infrastructural facilities.

The marginalisation of the Impact of Green Revolution on Certain Regions

- In India, the green revolution has improved the agricultural sector to a considerable extent through the adoption of a new agricultural strategy.
- But unfortunately, the benefit of such a new agricultural strategy has been marginalised to certain definite regions keeping the other regions totally untouched.

Lack of Growth of Ancillary Industries in the Backward States

- The Government of India has been following a decentralised approach to the development of backward regions through its investment programmes in public sector industrial enterprises located in backward areas like Rourkela, Barauni, Bhilai, Bongaigaon etc.
- But due to the lack of growth of ancillary industries in these areas, all these areas remained backwards in spite of the huge investment made by the Centre.

Public Sector Enterprises

A commonly accepted definition of a public sector enterprise is Any commercial or industrial undertaking that the government owns and manages with a view to maximize social welfare and uphold the public interest.

Characteristics of Public Enterprises

The primary characteristics of public sector enterprises are

- They function under the direct control of the government, and some are even established under statutes and the Companies Act. Therefore, public enterprises are autonomous or Semi-Autonomous in nature.

- Either the state or the central government can control a public sector enterprise.

- Primarily, the objective of establishing a public enterprise is to serve the public. They can supply essential goods/services at reasonable prices and also create employment opportunities.

- Public enterprise endeavours to serve all sections of people in the community.

- In some sectors, private organizations do not have permission to operate, Therefore, the public sector enterprises enjoy a monopoly in operation. For example, the State enterprises have a monopoly in Energy production, Railways, and Post and Telegraph services.

- Sometimes, the country receives financial/technological assistance from the international community for the development of industries. These grants are applied through public enterprises.

- Public sector enterprises are liable to the general public for their actions.

- These enterprises help in the implementation of the economic plans and policies of the government.

- The government makes the primary investment in a public sector enterprise. However, they arrange finance for the day-to-day operation making it financially independent.

Organization of Public Enterprises

In India, public sector enterprises have three different forms of organization:

- **Departmental Undertaking –** which is primarily used for providing essential services like railways, postal services, etc. to the general public. A Ministry of the Government controls such organizations in the same way as any other department in the government. This form of a public enterprise is apt for activities which require governmental control for the public interest.

- **Statutory or Public Corporation** – The Parliament or State Legislature can create a corporate body through a Special Act which defines its functions, powers, and pattern of management. This is a Statutory or Public Corporation. In this form, the government provides the entire capital. Some examples, are the Life Insurance Corporation of India (LIC), State Trading Corporation, etc.

- **A Government Company** – is a company in which the government holds at least 51 percent of the paid-up capital. A Government Company is registered under the Companies Act. Further, all the provisions of the Act are applicable to such a company. Some examples, are Bharat Heavy Electricals Limited, Bharat Electronics Limited, etc.

Sources Referred:

- Ramesh Singh Book
- Yojana Magazine
- Articles from The Hindu and Economic Times