



**“MAKE IN INDIA”:  
IT’s IMPACT ON INDUSTRIAL RELATIONS AND LABOUR LAWS.**

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**ABSTRACT**

*“Make in India” which aims at transforming India as a “Manufacturing hub” and providing jobs entails umpteen impediments, most glaring and conspicuous obstacle for “Make in India” is labyrinthine Industrial relations and labour laws. Reforming labour laws have become an inconclusive and a moot topic for many years. For “Make in India” conducive labour laws are imperative for investors. This paper helps to know about the impact of “Make in India” on Industrial relations and Labour Laws, brings out the various initiatives taken by government to reform labour laws, E-governance of labour laws, and also to know the impact of some of the proposed labour reforms*

**ABBREVIATIONS AND ACRONYMS**

**GDP**-Gross domestic product, **RFCTLARR**- Rehabilitation and Resettlement Act, **HR**- Human resource, **IR**- Industrial relations, **FICCI**-Federation of Indian Chamber of Commerce and Industry, **IDA**- Industrial disputes act, **SEZ**-special economic zones, **ESIC**-Employees State Insurance Corporation of India

**INTRODUCTION**

“Make in India” aims at transforming India as a manufacturing hub.

As “Make in India” is a programme initiated to boost the manufacturing sector in India first let’s ask the question!



**Why “Make in India”? (Manufacturing sector).**

India has transformed from an agricultural economy into an economy determined by the services sector, the anticipated vigor in the manufacturing sector has remained obscure. The share of agriculture in India’s GDP has waned from 35% in 1980 to 18% in 2013 and the share of services has been escalating from 40% to 57%, but the share of manufacturing has largely remained stationary hovering around 15.5% of GDP over the last 30 years.

- ❖ Low-cost abundant labour gives India an upper hand for labour concentrated manufacturing goods.

**Analysis of Demographics and its advantage to India:**

- Total population = 1.2 billion people
- India “young-country” = 572 million people under the age of 24.
- India labour force as on 2003 = 48,78,82,088

United Nations department of Economic and Social affairs has predicted that India’s dependency shall reduce from 61% in 2004 to 36 % in 2020.

Secondly, to Reduce “Social, Industrial unrests and Anti-social elements”

Mainly unemployed, illiterates, and jobless people join in social, Industrial unrests and Anti-social elements activities. When all the workforce are engaged in productive activities there is certainly reduction in anti- social activities.

So our honorable prime minister launched “Make in India” programme with the objective of creating “**100 million jobs**” by 2022

**Harnessing the Impediments for “MAKE IN INDIA”**

Infrastructure and Logistics, testimonials for developing infrastructure are various industrial corridors, Bharat mela-diamond quadrilateral, bullet trains, Digital India, and Smart cities proliferating in India.

Ease of doing business, India jumping to 132 place from 142 in the recent compilation from World Bank.

Land acquisition, states such as Madhya Pradesh, Tamil Nadu and Andhra Pradesh, are in progress of obtaining land successfully by either revising the “Right to Fair Compensation and Transparency in Land Acquisition”, “Rehabilitation and Resettlement Act” (RFCTLARR), 2013 for which the central government has given its approbation whole heartedly.

Highly volatile Tax structure, such as “Retrospective Tax” must be harnessed and curbed which is a detrimental factor.

Labyrinthine bureaucracy curtailed through “Single window clearances” where virtually most of the states are offering leading from the forefront are Andhra Pradesh, Uttar Pradesh, Rajasthan, Maharashtra, Orissa etc.



### Labour laws and industrial relations

Labour laws according to the constitution of India comes under “Concurrent list” i.e. where both central and state governments are competent to frame laws, but certain zones restricted to central government only. Labour laws are the most disputatious and inconclusive aspect. Reforms have been a mooted topic from the bygone times. This aspect hamper the most in bringing a conducive environment for investors. Harmonious relationship between all the stakeholders of industrial relations and Labour reforms are highly imperative for the success of “Make in India”.

As this aspect poses a major threat for ‘Make in India’, this paper narrows and emphasis on the topic of “Make in India: its impact on Industrial relations and Labour Laws”

### **PROBLEM STATEMENT**

- Labour laws have become disputatious and inconclusive topic from the bygone times.
- Reforms of labour laws are the need of the hour for the success of “Make in India”.

### **OBJECTIVE OF THE STUDY**

- To understand various labour laws.
- To study the changing trends in industrial relations and labour laws.
- To find out the impact of “Make in India” on Industrial relations and labour laws.

### **RESEARCH METHODOLOGY**

The study is based on both primary data and secondary data.

In primary data responses are collected through questionnaires and interviews via phone and mail based on “Make in India”: its impact on industrial relations and labour laws.

Secondary data is collected from various journals, research papers and also quantitative data from labour bureau for reaching conclusions.

#### Primary data:

Closed ended questions: 33 responses were elicited from individuals who were adept and savant in the field of Make in India, Industrial relations and Labour Laws.

Open ended questions: Interview/open ended questions Reponses were elicited via mail from 6 HR/IR Managers i.e.

- 1) Mr. Suresh – Head HR - OTIS Elevators, Jigani.
- 2) Mr. Maxi Fernandies – General Manager – HR & I R - Nexter Automotive Pvt. Ltd.
- 3) Rajendran – Sr. Manager – HR & ER - Exide Batteries, Hosur
- 4) Anna Dorai – General Manager – IR - Laxmi Machine Works, Coimbatore.
- 5) Sidda Reddy – DGM HR Kennametal India Limited - Bangalore
- 6) Manjunath T – Manager HR Kennametal India Limited – Bangalore



Secondary data:

Data of industrial disputes such as strikes, lockouts and man-days lost, contract labours etc. have been gleaned from various sources such as labour bureau, journals, research papers, world bank etc. for analysis, findings, and to reach conclusions.

**DATA ANALYSIS AND FINDINGS**

78% of the respondents feel that “Make in India is not a viable option with the present industrial relations which is prevalent in India, 84 % of the respondents feel that current labour laws discourages investors and employers, and all the respondents felt that there must be radical and substantial changes in our labour laws.

Condensed version of Labour laws under five broad categories namely, Industrial Relations, wages, social security, safety and working conditions, employee training and Miscellaneous are a boon evading labyrinthine and myriad laws which also ensures Transparency and flexibility of labour laws. Almost 60% of the respondents feel that this broad categories will see reality in the coming one to two years.

94.1 % of the respondents feel that present e-governance, digitalization of India and "Shram suvidha portal", are small steps towards “make in India’s” success

Pt. Deendayal Upadhyay Shramev Jayate Karyakram was inaugurated by our honourable prime minister “Narendra modi” on October 16, 2014 and launched a swing of labour reforms.

**“SHRAM SUVIDHA PORTAL”:**

Main functions of this portal are:

1. All units facilitating online registration will be given an Exclusive Labour Identification Number (LIN).  
As on January 2015 there are “741091” registered LIN.
2. Filing of **Self-certified, simplified Single Online Return by industry** for 16 labour laws. Enterprises or employers must own the responsibility of compliance of laws.
3. Transparent “Labour Inspection Scheme” (“LIS”) via computerized system Under the LIS, units will arbitrarily nominated for inspection to jettison individual inspector’s ulterior motives in the selection process. Inspection reports must be uploaded by the concerned officers within 72 hours of the inspection.  
This has helped abolition of “Inspector raj”.
4. Timely redress of grievances will be guaranteed with the help of the Shram suvidha portal.



**“UNIVERSAL ACCOUNT NUMBER (UAN) FOR EMPLOYEES PROVIDENT FUND”:** (EPFO - EMPLOYEES' PROVIDENT FUND ORGANISATION)

- (i) Digitization of whole databank of 4,22,99,883 Employers Provident Fund subscribers and allotment of Universal Account Number to each of the subscribers.
- (ii) Universal Account Number is being linked with Bank account and Aadhar Card and other documents to Know Your Customer (KYC) details for financial annexation.
- (iii) Employers Provident Fund account of employee to be updated and automated monthly.
- (iv) Direct access to their Employers Provident Fund account which will enable subscribers to merge all their preceding accounts.
- (v) Introduction of OTCP (Online Transfer Claims Portal) to ease transfer of accounts once the working place or job has been changed.

**EFFICIENT HEALTH AND INSURANCE:** (ESIC - EMPLOYEES' STATE INSURANCE CORPORATION)

Project 'Panchdeep':

To bring efficiency and effectiveness in operations and process of ESIC, particularly to Employers and Insured Persons, ESIC has introduced digitalized Project 'Panchdeep'.

- Employer portal under this project “Panchdeep” helps employers to do all the registrations dealings, and transactions without visiting any ESIC Office.
- Insured person can check updates automatically by entering website whether his/her contribution paid/payable by employer.

**PEHCHAN CARD:**

During the registration process, Insured Individuals identity such as photograph and fingerprints of the Insured Person and their family members are scanned and two sets of Pehchan Card will be issued to the IP to expedite the process and delivery of services.

**Unorganized Workers' Identity Card** (Initiative in progress)

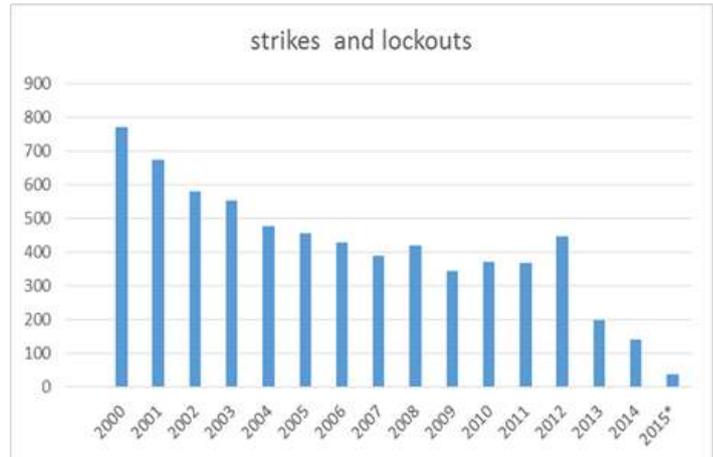
Identification and documentation of unorganized employees by State Governments as per “Unorganized Workers Social Security Act, 2008” which creates database for unorganized sector.

Thereby, after registration providing them with a unique “portable smart card” which will be linked to Aadhar card and other bank details.



Year	strikes and lockouts	workers involved	number of man days lost
2000	771	1418299	28763121
2001	674	687778	23766809
2002	579	1079434	26585919
2003	552	1815945	30255911
2004	477	2072221	23866367
2005	456	29113601	29664999
2006	430	1810348	20324378
2007	389	724574	27167
2008	421	1579298	17433
2009	345	1867204	17622
2010	371	1074473	23131
2011	370	734763	14458
2012	447	1307505	12876
2013	198	1057887	3665
2014	143	1008275	3636
2015*	40	NA	446

**Industrial unrest:**



\*January

to

April

Source: labour ministry

Secondary data reveals that over the years industrial disputes have reduced drastically. When compared to data of 2000 =771 and 2014 = 143 there is almost 82% reduction in industrial disputes.

“strikes, closures, lockouts and unrest” have been ranked as the second largest risk, after “corruption, bribery and corporate frauds” in 2014 according to the India Risk Survey 2014 published by Federation of Indian Chamber of Commerce and Industry (FICCI) and risk analysis firm Pinkerton.

So, when compared to industrial disputes with past data India has become a safer place for investment and viable for “Make in India”

**Contract labour:**

- 77.8% of the respondents feel that “contract labour is here to stay”.



- 91.8 % of the respondents feel that India's rigid and archaic labour laws are the cause for increasing the trend of Contract labour.
- 100 % of the respondents feel that Industry will be highly motivated to convert contract workers to permanent by increasing the upper limit to 300 for taking government's prior permission before retrenching as proposed amendment to ID Act.
  - **In 2010 contract workers were increased by 22%**
  - **In 2011 contract workers were increased by 28%**
  - **In 2012 contract workers were increased by 32%**
  - **In 2013 contract workers were increased by 39%**

Source: ASSOCHAM

Secondary Data also reveals that there is increase in contract labour over the years it can be directly attributed to our rigid labour laws.

Contract workers in India is controlled by the Contract Labour (Regulation and Abolition) Act, 1970 that safeguards minimum wages, health, safety, and some meagre insurance facility for contract workers. But, contract workers are not given the similar job security, payment and union representation that permanent employees are approved by the Industrial Disputes Act (IDA), 1947. One distinguishing feature of the IDA is that no permanent worker can be fired without the prior permission of the appropriate state government.

By hiring more of contract employment, an employer can evade restraining labour regulations and progress productivity.

#### **Unemployment insurance:**

44.4% of the respondents feel "The main reason for Indian unions to resist retrenchment, layoff and closure without prior permission of government is because workers are not benefited from any type of "Unemployment Insurance"

#### **Unemployment insurance:**

India has many bodies to offer social insurance platforms of diverse categories. The "Employees State Insurance Corporation of India" (ESIC) offers medical aid, maternity, and permanent, partial disability aids for workers receiving less than rupees 15,000 per month in factories where 10 or more workers are employed

Contributions:

Employees contribution = 1.75% of wages

Employers contribution = 4.75% of wages.

In 2005, the "Rajiv Gandhi Shramik Kalyan Yojana" was introduced to the ESIC programme which is obsolete to present unemployment allowance scheme when compared to other developing countries.



Under this system, an insured person who loses his employment after working for at least three years is qualified for unemployment allowance equivalent to 50% of wages per month for a maximum period of one year.

Unemployment insurance assistances in India and Russia:

INDIA

Eligibility: Minimum of three years of completion of employment period.

Benefits: 50% of wages for maximum of 12 months

RUSSIA

Eligibility: minimum 26 weeks of employment in last 1 year,

Benefits: 75% subsistence wage for the initial 3 months,

60% for the next four months,

45% for the five months,

30% of the subsistence level for a further maximum of 12 months.

Source: International Social Security Association: Country Profiles.

## CONCLUSION AND RECOMMENDATIONS

This project data reveals shrinking industrial disputes, E-governance of industrial relations, and upsurge in foreign direct investment are testimonials for “Make in India”

- With reduction in industrial disputes of 82 %, when compared to data of 2000 =771 and 2014 = 143 India has one of the safest and conducive environment for investment.
- Use of technology such as E-governance “shram suvidha portal” which helps filing of Self-certified, simplified Single Online Return by industry for 16 labour laws, Transparent “Labour Inspection Scheme” (“LIS”), and Universal account number (UAN) for Employees provident fund:(EPFO-Employees provident fund organisation).
- These up gradation with the help of technology helps in evading confusion, convoluted bureaucracy, and expedites the process of registration and compliance of labour laws.
- All the interviewed HR/IR managers unanimously accept reform in labour laws are highly imperative for
  - Industrial disputes Act.
  - Factories Act.
  - Contract labour Act.

Labour reforms:

The labour laws, even though the organizers, promoters and investors sought to exit loss making industries or lay off workers due to adverse market conditions, the lengthy process to get permission discourages and makes investors to go through an arduous process . Hence these mentioned below will deliver respite to a great extent.



The central government must emphasis on reform of Industrial Disputes Act, 1947 to create conducive environment for investors:

- All the respondents feel there must change in Chapter VB

Chapter VB: Chapter VB of ID act necessitates all establishments/factories employing a “specified number” now 100 workers to attain prior permission of the appropriate government before any layoffs, retrenchment or closure. When the “prior permission clause” was initially announced, the specified

- number was 300 workers. By an amendment in 1984, the specified number was abridged to 100 labours, thereby making even more restrictive.
- An alternative suggestion for Chapter VB of ID act would be to take government’s permission only if more than 10 or 15% are retrenched or lay-off.
- Investors will be highly motivated to hire permanent employees when VB is reformed.

Rajasthan has showed the way for these Industrial Disputes act amendments:

#### **Industrial Disputes Act**

- Firms employing up to 300 workers can retrench or closure without government permission (against current limit of 100)
- In case of retrenchment, a worker should raise an objection within 3 months
- As primary data reveals that present functioning trade unions reduce the pace of “Make in India” success, it is better to create a stringent process for registration and recognition of trade union which will curb politicization, multiplicity of unions and intra-union conflicts.
  - Trade union can be formed only if it gets minimum of 30% of the total workers as members.
- Unemployment insurance must form an important part of strategy for “Make in India”, through introduction of “Unemployment insurance”, change in Chapter VB dissonance created by trade unions and employees can be reduced.
- Contract labour is ticking time bomb, rigid labour laws must be ameliorated to assuage proliferation of contract labours.
- As e-governance unravels its efficacy it is imperative to consider the condensed version of labour laws under five major headings i.e.
  - Wages
  - Safety and working conditions
  - Industrial relations



- Social security and welfare
- Employment training and miscellaneous

With the help of technology these eschews overlapping and confusions of umpteen laws.

- Section 9A: It commands that every employer who wishes to make any change in the conditions of service concerning any matter specified in the Fourth Schedule, shall notify workmen likely to be affected by such change of the nature of the proposed change. And it prohibits the employer from giving effect to the change before the expiry of 21 days from such a notice.
  - Fourth Schedule: contains a list of 11 service conditions for which notice of change is mandatory. Besides the usual wages, allowances, hours of work, leave, etc., the most outstanding entry is item 10: “Rationalisation, standardisation or improvement of plant or technique which is likely to lead to retrenchment of workmen”.
- Trade union can be formed only if it gets minimum of 30% of the total workers as members by which multiplicity of trade unions can be curbed.
- Introduction of more SEZ's and following “Gujarat Model” will induce and encourage investors to invest in India.
  - The Gujarat government has amended the Industrial Disputes Act in 2004 to permit any business/organisation in the SEZ's without any limit on the number of workers, to lay off workers without government's permission. But as compensation, the labours will get three times the compensation given in the central government Act which is wages equal to 45 days of work every year.

Mainly Attitude and the mind set of people have to be changed,

- “Mahatma Gandhiji” always emphasized on “Swaraj” or the “self-rule”. If we further introspect deeply “Swaraj” in spiritual level it means control the “Self”, “Self-responsibility”, and “self-realization”. As Gandhi states, "It is Swaraj when we learn to rule ourselves. If this way of Swaraj-life is led by everyone one there will be no labour law compliance issues.
- Bhagwan Sri Sathya Sai baba also says “Prema, (love) must express itself in the business world by the executives developing the feeling that all engaged in the business-managers, workers and others –are members of one business family. They must develop fraternal feelings towards all. With mutual love and regard, industrial harmony can be achieved”.

When Prema is shared and expressed between each other, concept of “Dignity of labour” creeps in.



Thus when “Swaraj” and “Prema” is ingrained and imbued in the minds of people there will be industrial harmony.

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