Labour Market

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The Indian Economy still depends on Agriculture, Horticulture and Dairy and related occupations and 52% of unorganized worker population work in these areas. This sector is contributing to 60% of India’s GDP. In India there are 4.8 million workers employed across all sectors and 94% of them work in unorganized sector. The remaining is in organized sector which comprises to Central Government State Government and Private sector.

In general parlance, licensed sector is an organized sector and includes publicly traded companies, incorporated or formally registered entities, corporations, factories, shopping malls, hotels and large businesses.

**Pre Independence period**

During Pre-Independence period, the majority of workforce was engaged in unorganized sector and mainly in agriculture or activity linked to it. India’s annual rate of industrial growth from 1880 to 1913 was about 4 to 5 per cent. Industrial growth during Pre- Independence period was also witnessed in areas of Steel, Shipping and Shipbuilding, Automobile and Textile. Thus, in the pre-Independence era, the private business houses solely shouldered the responsibility of manufacturing which provided employment opportunities.

**Post-Independence**

In fiscal year 1950, agriculture, forestry and fishing accounted for 58.9 percent of the GDP provided much larger proportion of employment. In Manufacturing, this was dominated by the Jute and Cotton textile industries accounted for only 10.3 percent of GDP at that time. Five-Year Plans of India resembled central planning in the Soviet Union.During the Five Year Plans initiated in the 1950s the economic reforms of India somewhat followed the democratic socialist principle with more emphasis on the growth of the public and rural sector. The domestic policy tended towards protectionism with a strong emphasis on import substitution industrialization. Government of India expected favorable outcomes from their strategy, involving rapid development of heavy industry by both public and private sectors, and based on direct and indirect state intervention. The policy of concentrating simultaneously on capital- and technology-intensive heavy industry and subsidizing manual low-skill cottage industries was the basis of this strategy.

In early 1950 Government of India Nationalized few sectors like Steel, Mining, Communication, Insurance, and Power generation. The major reason was to provide social equity by generating employment in public sector. This was followed by nationalization of 14 Banks in 1969 and few others in 1980, such change made mandatory for banks to provide 40% of their net credit to priority sectors like agriculture, small-scale industry, retail trade, small businesses, etc. to ensure that the banks fulfill their social and developmental goals.

The Green Revolution in India started in 1965 saw development in Agriculture sector and employment generation in seed manufacturing, fertilizer and irrigation. The government estimated that the labor force had grown from 276.6 million in 1977-78 to 385.5 million in 1993 which included cultivators, Agricultural laborers, livestock, forestry, fishing, hunting, plantations, orchards, mining and quarrying manufacturing, construction, trade and commerce, transportation, storage, and communications and other services.

**Pro Labour Legislations**

Independent India accepted a democratic system coupled with socialism, thereby enacting various labour legislations to protect Labour from exploitation and provided social justice and social welfare and it still holds good even today.

* The Industrial Disputes Act, 1947 was introduced that classified workmen, employer and provided rights to Unions to bargain with Employers and other rights to protest against employers using democratic tools. This Act has helped industries to achieve industrial peace and productivity improvement through settlement process.
* Legislation like The Factories Act 1948 was mandated factory owners to have focused attention on health and safety, standard working hours, weekly-offs, overtime & leaves with wages. A comprehensive scheme called The Employee State Insurance Act, 1948 was introduced for taking care of health of labour and his family.
* The Minimum Wages Act 1948 was introduced to secure interest of workers while paying their wages and to protect form any kind of exploitation.
* The Employee’s Provident Fund Act 1952 was enacted to provide a retirement benefit in line with the Government’s focus on providing social security to labour.
* The industrialization saw steady increase in profitability to Industry and sharing of profit was the genesis of formation of The Payment of Bonus Act 1965.
* In 1972 the Payment of Gratuity Act, another social security legislation was introduced that providing a minimum amount when worked for 5 (five) continuous years in the service.
* Maharashtra being known as one of the progressive states has enacted special legislations to regularize Union activities, legalizing material handling activities by unprotected labour class like The Maharashtra Mathadi, Hamal and other Manual Workers Act 1969 and The Maharashtra Private Security Guards (Regulation of employment and welfare) Act 1981.

**Post liberalization in 1991**

The economic reform policy gave away the era of license regime and forced reduced tariffs and interest rates and ended many public monopolies, allowing foreign direct investment (FDI) in many sectors. The Indian industrial sector underwent significant changes as a result of the [economic reforms of 1991](http://en.wikipedia.org/wiki/Economic_liberalisation_in_India), which removed import restrictions, brought in foreign competition, led to privatization of certain public sector industries, liberalized the [FDI](http://en.wikipedia.org/wiki/Foreign_direct_investment) regime, improved infrastructure and led to an expansion in the production of fast moving consumer goods With the opening of economy, Industry output accounts for 28% of the GDP and employs 14% of the total workforce.

By the turn of the 20th century, India had progressed towards a free-market economy, with a substantial reduction in state control of the economy and increased financial liberalization accompanied by increases in generation of employment opportunities focusing on competition. It also contributed in increase life expectancy, literacy rate from 42.34% to 74.04% in 2011.

**Market Transition**

Economic reforms in India have sparked five labour market transitions,

* Farm to Non-Farm
* Rural to urban
* unorganized to organized
* Subsistence self-employment to decent wage employment and
* School to work

These transitions represent journeys to a better life for most Indians.

**Positive changes in the industrialization post economic liberalization:**

* A growth in textile industry which depends on agriculture for cotton being the raw material provides employment to 20 million.
* Retail industry is one of the pillars of Indian economy and accounts for 14–15% of its GDP. The Indian retail market is estimated to be [US$](http://en.wikipedia.org/wiki/United_States_dollar) 450 [billion](http://en.wikipedia.org/wiki/1000000000_(number)) and one of the top five retail markets in the world by economic value 8% of employment.
* [Tourism in India](http://en.wikipedia.org/wiki/Tourism_in_India) is developing and contributes to 6.23% to the national GDP and 8.78% of the total employment.
* India [ranks second](http://en.wikipedia.org/wiki/List_of_countries_by_GDP_sector_composition) worldwide in farm output. Agriculture and allied sectors like [forestry](http://en.wikipedia.org/wiki/Forestry), logging and fishing accounted for 15.7% of the GDP in 2009–10, employed 52.1% of the total workforce, and is still the largest economic sector and a significant piece of the overall socio-economic development of India. [Yields](http://en.wikipedia.org/wiki/Crop_yield) per unit area of all crops have grown since 1950, due to the special emphasis placed on agriculture in the five-year plans and steady improvements in irrigation, technology, application of modern agricultural practices and provision of agricultural credit and subsidies since the [Green Revolution in India](http://en.wikipedia.org/wiki/Green_Revolution_in_India).
* The growth has also posed challenges looking to increase in attrition rate of talent and retention of talent at a higher cost. It is expected that this situation would continue for another two decades till the demand and supply ratio is balanced.

**Automobile Industry in India**

* Automotive industry is one of the key drivers of any growing economy. It caters to the requirement of equipment for basic industries like steel, non-ferrous metals, fertilizers, refineries, petrochemicals, shipping, textiles, plastics, glass, rubber, capital equipment, logistics, paper, cement, sugar, etc.
* The Indian Automotive Industry after de-licensing in July 1991 has grown at a spectacular rate on an average of 17% for last few years. The industry has attained a turnover of USD $35.8 billion, (INR 165,000 crores) and an investment of USD 10.9 billion. The industry has provided direct and indirect employment to 13.1 million people.
* Automobile industry is currently contributing about 5% of the total GDP of India. India's current GDP is about $1.4 trillion and is expected to grow to $3.75 trillion by 2020. The projected size in 2016 of the Indian automotive industry varies between $122 billion and $159 billion including USD 35 billion in exports. This translates into a contribution of 10% to 11% towards India’s GDP by 2016, which is more than double the current contribution and would provide employment to 25 million by 2016.
* **Segment wise growth**

The overall growth in domestic sales during April-July 2012 was 9.34 percent over same period last year with Passenger Vehicle segment, Commercial vehicle Segment ,Three wheeler and two wheeler segment grew by 10.20%,4.74%,0.81% and 9.75% respectively over the corresponding period in 2011.The Indian Automobile Industry manufactures over 11 million vehicles and exports about 1.5 million each year.

The dominant products of the industry are two-wheelers with a market share of over 75% and passenger cars with a market share of about 16%. The main reason for this increase is due to growth of Indian middle class with increasing purchase power coupled with strong macro-organic fundamentals which attracted Auto manufacturers to Indian Market. The market linked exchange rate, well established financial market, stable policy governance work and availability of trained manpower have also shifted new capacities and flow of capital to the auto industry of India.

All these have not only enhanced competition in auto companies and resulted in multiple choices for Indian consumers at competitive costs, but have also ensured a remarkable improvement in the industry's productivity, which is one of the highest in Indian manufacturing sector. Commercial vehicles and three-wheelers share about 9% of the market between them. [Tata Motors](http://en.wikipedia.org/wiki/Tata_Motors) is leading the commercial vehicle segment with a market share of about 64%.[Maruti Suzuki](http://en.wikipedia.org/wiki/Maruti_Suzuki) is leading the passenger vehicle segment with a market share of 46%.

**Commercial vehicle Industry**

**History**

Following the [independence](http://en.wikipedia.org/wiki/Independence_of_India), in 1947, the [Government of India](http://en.wikipedia.org/wiki/Government_of_India) and the [private sector](http://en.wikipedia.org/wiki/Private_sector) launched efforts to create an automotive component manufacturing industry to supply to the automobile industry. After 1970 the automotive industry started to grow, but the growth was mainly driven by tractors, commercial vehicles and scooters. Cars were still a major luxury. [Japanese](http://en.wikipedia.org/wiki/Japan) manufacturers entered the Indian market ultimately leading to the establishment of [Maruti Udyog](http://en.wikipedia.org/wiki/Maruti_Suzuki). A number of foreign firms initiated joint ventures with Indian companies.

**Present Status**

Following [economic liberalization in India](http://en.wikipedia.org/wiki/Economic_liberalization_in_India) in 1991, the Indian automotive industry has demonstrated sustained growth as a result of increased competitiveness and relaxed restrictions. Several Indian automobile manufacturers such as [Tata Motors](http://en.wikipedia.org/wiki/Tata_Motors), [Maruti Suzuki](http://en.wikipedia.org/wiki/Maruti_Suzuki) and [Mahindra and Mahindra](http://en.wikipedia.org/wiki/Mahindra_and_Mahindra), expanded their domestic and international operations. India's robust [economic growth](http://en.wikipedia.org/wiki/Economic_development_in_India) led to the further expansion of its domestic automobile market which has attracted significant India-specific investment by multinational [automobile manufacturers](http://en.wikipedia.org/wiki/Automobile_manufacturers)

The overall commercial vehicle sales in India grew by 18.20% in 2011-12 at 8,09,532 units Vs. 6,84,905 units in 2010-11. The sales of medium & heavy trucks posted a growth of 8.79% in 2011-12 at 2,99,309 vs. 2,75,121 units in 2010-11 & light commercial vehicles grew faster at almost 30% with 4,11,460 units sold in the last fiscal.

[Tata Motors](http://economictimes.indiatimes.com/tata-motors-ltd/stocks/companyid-12934.cms) & Ashok Leyland continues to dominate the domestic truck scene in India with a combined market share of over 85-90% and rest by other players.

The employment opportunities in the Auto Industry are increasing every year; however the availability of skilled and talented manpower is a cause of concern. The key to success is to improve on labour productivity, labour flexibility and capital efficiency. It is also dependent on quality manpower, infrastructure improvement, and availability of raw material.

The attrition rate in auto sector is within the range of 9% to 13 % mainly in Staff category. This characterizes very negligible percentage of attrition in blue collar workers who need to be groomed in various skill sets and attitude. This helps in achieving Industrial peace and productivity in the long run. In almost all Auto Industries except few the Industrial relations are satisfactory.

**Major CV Industries**

**Tata Motors**

Tata Motors Limited is India's largest automobile company, with consolidated revenues of INR 1, 65,654 crores (USD 32.5 billion) in 2011-12. It is the leader in commercial vehicles in each segment, and among the top three in passenger vehicles. It is the world's fourth largest truck and bus manufacturer. The Group has over 55,000 employees. The company's manufacturing base in India is spread across Jamshedpur (Jharkhand), Pune (Maharashtra), Lucknow (Uttar Pradesh), Pantnagar (Uttarakhand), Sanand (Gujarat) and Dhār wad (Karnataka).

Tata Motors have started a training school for students to undergo a three year course for acquiring skill with in the campus. The successful candidates from this group are selected as and when necessary for regular employment as Operator in Tata Motors and it is reserved bench strength available for the company. Recently Tata Motors have signed a memorandum of understanding with Gujarat state Government under public private partnership to start an Institute for skill development.

**Mahindra and Mahindra**

The company was founded in 1945 in [Ludhiana](http://en.wikipedia.org/wiki/Ludhiana) as Mahindra & Mohammed by brothers K.C. Mahindra, [J.C. Mahindra](http://en.wikipedia.org/wiki/J.C._Mahindra) and [Malik Glulam Mohammed](http://en.wikipedia.org/wiki/Malik_Ghulam_Muhammad). The company changed its name to Mahindra & Mahindra in 1948.The company manufactures general-purpose utility vehicles. Today, it is the 10th largest private sector company in India, which is into manufacturing of tractors and light commercial vehicles along with other general utility vehicles. The net revenue in automobile sector is close to INR 37000 crores (7 billion $) and an employment of strength of 17847.

**Ashok Leyland.**

Ashok Leyland is a commercial vehicle manufacturing company based in [Chennai](http://en.wikipedia.org/wiki/Chennai), [India](http://en.wikipedia.org/wiki/India). Founded in 1948, the company is one of India's leading manufacturers of commercial vehicles, such as trucks and buses, as well as emergency and military vehicles. Operating six plants, Ashok Leyland also makes spare parts and engines for industrial and marine applications. It is the second largest commercial vehicle company in India in the medium and heavy commercial vehicle (M&HCV) segment with a market share of 28% The net revenue is around INR 12700 Crores ( $ 2.4 billion) and an employment strength of around 15800.The company has seven manufacturing locations in India.

Ashok Leyland also initiated a process of skill development and started a skill development training Institute by signing an agreement with an Educational Institute under earn and learn scheme for a 4 year program.

**Volvo Eicher**

VE Commercial Vehicles Ltd. is a 50:50 joint venture between the Volvo Group (Volvo) and Eicher Motors Limited (EML). Operational since July 2008, VE Commercial Vehicles Ltd. (VECV) comprises of five business verticals – Eicher Trucks and Buses, Volvo Trucks India, Eicher Engineering Components and VE Powertrain. VECV includes the complete range of Eicher’s commercial vehicles, components and engineering design businesses as well as the sales and distribution of Volvo trucks. Eicher Trucks & Buses have a wide offering in the mass market, 5-40T range, while Volvo Trucks have a presence in the premium, high performance and heavy duty segments in the 25-49T range with significant sales derived from high-end tippers for the mining segment. Around 4000 employees are working with VE in addition to Auxiliary Industries.

There are other companies like, Daimler, Force Motors, Swaraj Mazda, Asia Motor Works, and few others in commercial vehicle segment.

**Challenges**

* Recently an increase in wages cost by 50% to 75% has been considered in the wage settlement at Maruti Suzuki which has severely impacted other industries like Hyundai Ford and Honda motorcycle where wage negotiations are still going on and Unions are asking raise at par with Maruti Suzuki.
* New generation is getting attracted to more glamorous Sector like IT and service.
* There is a gap between skill and knowledge acquired by employable candidates passed from Industrial training Institute and need of Industry. This gap needs to be bridged by imparting training on improving skills.

**Education**

In last 20 years, infrastructure for skill development has been established and created about 2244 Industrial Training Institutes, 7171 Industrial Training Centers in private sector, 3139 Polytechnics comprising 1 million enrollments, 9619 Secondary Schools that provide Vocational Education.

The government of India also set up premier Educational Institutions like The Indian Institutes of Technology (IITs), a group of autonomous public engineering institutes of higher education. The IITs are declared as “institutions of national importance”, and lays down their powers, duties, and framework for governance etc. There are 17 Institutes and 9647 students are enrolled and selection percentage at all India level is 1 in 50.

The Indian Institute of Management Calcutta was established in 1961 followed by Ahmedabad, Bangalore, Lucknow and Indore. IIM was set up by Government of India and it plays leadership role in managerial manpower development and carries research in emerging areas. It is an honor for Students undergoing education in these premier Institutes which have acclaimed recognition worldwide.

Ministries of Health, Tourism, Rural Development (MRD), Micro, Small and Medium Enterprises (MSME), and several others have their own establishments for various skill inculcation efforts through formal and informal means. An approximate enrollment of 15.8 lacs is available in these Training centers. However, this is not enough as every year job seekers entering in market is 10 million. Despite various measures introduced by Indian government to influence the life of labour class, it continues to grapple with few challenges. Industry leaders, Economists and Management Professionals have been seeking few more fundamental labour reforms to provide a distinctive advantage to the industry,

* Stress on improvement of education and training and development of infrastructure particularly in vocational institutes including Industrial training Institutes and time-bound implementation of labour-intensive infrastructure projects under Public-Private Partnership (PPP). In this direction the Government of India with the help of World Bank has already started public private partnership scheme in various Industrial Training Institutes by providing INR 25 million to each Institute for technological upgradation with the help of Industry Partners.
* Up-gradation of Vocational education system is necessary to cope up day to day technological development through Industry – Institute interaction.
* Skill development in unorganized sector to increase productivity and an essential point to narrow the gap between unorganized and organized sector.
* Measures to enhance investments in agriculture with a focus on dry-land and contract farming.
* Shifting unorganized labour into service sector, which provides more openings for formal employment.
* Formulate and execute policies to achieve 8-9% job-oriented growth on a sustained basis to take care of both the organized as well as unorganized sectors.

India also saw an exponential growth in Information Technology post economic reforms of 1991, Together with IT, Business Process Outsourcing Units have provided huge employment opportunities and in next few years it is expected to touch over 30 million, in Telecom sector to 850 million, Health Care sector over 40 million and it is well settled that, only higher economic growth will provide greater and better quality employment opportunities and reduce unemployment. The renewed efforts of Government of India to bring in more reforms in retail market, insurance and banking sectors by welcoming FDI ( Foreign Direct Investment) is estimated to help generate 12 million jobs in coming years which will give a much required booster dose to the Indian economy which noticed a sharp decline in GDP in last 2-3 years. With the introduction of market economy and addition of new players it will not only foster competitiveness and provide quality product and services at a reasonable cost, it will propel a huge economic upside in coming years.