

Time to Manage Contract Labour Unrest in India

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Abstract:

Contract Labour provides flexibility to an organization to enable it to manage seasonal and cyclic variations in demand of their products/services. It provides added advantage of cost cutting. Liberalized and globalized economy in India during 1991 has considerably increased need of contract labour due to increased fluctuations in demands. However, the contract system, in the prevailing format in India, is of little interest to contract workers since it is a hindrance to their career progression. On the other hand, some greedy organizations are expanding their contract labour under the garb of functional flexibility where as their sole aim is of cost cutting. This clash of Interest is now being reflected in the form of violent revolts by contract labour leading to serious break down in cordial Industrial environment There is urgent need to control corporate greed for proper functioning of system of Contract labour. Government, through planning commission of India, has joined hands with some well meaning Corporate houses and Industry chambers to work out some voluntary guidelines to ensure fair deal to contract workers. It would be in the interest of organisations to bind themselves to such guidelines since this step would ensure long term sustainability of an essential employment system called 'Contract labour'.

Key words: flexibility, Cost cutting, motivation, garb, insecurity

I INTRODUCTION

Contract Labour is one which works in an organization under some contract on a purely temporary basis. This work-force provide services to an organization but are not on the pay role of the organization. Contract workforce includes leased (outsourced) workers and temporary/contract workers. They provide flexibility to an organization to enable them to manage seasonal and cyclic variations in demand of their products/services.[2] It provides added advantage of Cost savings as this labour is paid for productive periods only as against the permanent workers who are paid both for productive as well as non productive periods.[5] Moreover, Contract workers in an organisation are normally not paid various benefits which are payable by the organization to their permanent workers.[2]

Contract labour in India is prevalent since time immemorial but its size has significantly expanded after India's independence. Large investments made under five year plans considerably increased construction activities in the country which led to large scale employment of contract labour. This labour has remained mainly unorganized and so they had been suffering exploitation by their employers. To safeguard socio-economic interests of contract labour, democratic Government of free India passed ' The contract Labour (Regulation & Abolition) Act 1970.[5] The act has made provisions to regulate the employment of Contract labour and to ensure payment of reasonable wages/amenities to them.

Liberalization, Privatization and Globalization of Indian Economy during 1991 exposed Indian Industry to competition from Global companies. This globalised economy has caused a great fluctuation in demand of various Indian products/ services. This has further increased the need and importance of contract labour.[5]

System of Contract labour in India, in the prevailing format, is of great benefit to entrepreneurs due to multiple reasons. But the system, in its present form, is of little interest to contract labour. It is rather hindrance to their career progression particularly because of some greedy corporates who are increasing their contract labour under the garb of functional flexibility, where as their sole aim is of cost cutting. This clash of Interest is now being reflected in the form of violent revolts by Contract labour leading to serious break down of cordial Industrial relationships in India. This calls for urgent review of present Contract system. There is also need to control corporate greed for proper functioning of system of contract labour.

II BENEFITS OF CONTRACT LABOUR TO THE CORPORATES

1. Contract Labour is engaged primarily to ensure flexibility in staff strength. In present competitive environment, organizations face frequent variations in demand of their products/services. System of contract labour allows them to engage additional workforce when labour needs are high and to get rid of surplus work-force when labour needs are low. There are minimal legal & Economic consequences of these manoeuvrings by the Corporates.[2]
2. The other significant motivation for using contract labour is cost saving. Permanent labour is paid for whole period of their presence on duty which include productive as well as non-productive periods. But Contract labour is engaged and paid for productive periods only. Organisations also save on other costs such as holiday pay, sick leave, health insurance etc since these are generally not paid to contract labour. Above all, there are minimal obligations under existing labour laws concerning contract labour.[3]

3. By using the contract labour, employers create a ready and tested labour pool for appointing future permanent employees. Organisations can determine the suitability of various workers by their on- job evaluation.[4] [3]

III OBJECTION OF LABOUR TO CONTRACT SYSTEM:

System of Contract labour makes a favourable economic sense as detailed above. But the contract system is of little charm to contract labour themselves. They normally go for contract employment as a compulsion and not as a choice. They often feel exploited since they receive lesser pay and are generally deprived of other benefits which are otherwise being paid by organizations to their permanent employees. They are also generally deprived of protection under labour laws which are, otherwise, available to permanent labour.

The Greatest challenge to contract labour is that many organizations are now expanding their contract labour under the garb of flexibility though their sole aim is cost cutting. This leaves little scope to existing contract workers to ever get opportunity of absorption as permanent worker. Besides, they are under the continuous threat of unemployment due to any downward business environment in the organisation. There is thus a consistent sense of frustration and insecurity amongst contract labour.[5]

IV EXPLOITATION BY CORPORATE GREED:

Deployment of contract labour to ensure operational flexibility in present environment of global competition is all justifiable and is admissible under existing labour laws. However, some greedy corporates are deploying contract labour under the garb of operational flexibility where as their sole aim is to save cost. Such artificial increase in contract labour is socially harmful as it is eroding the economic security of the labour force and is adversely affecting existing Industrial relations. In the present periods, when India is facing high rates of unemployment, the contract labour has no option but to allow themselves to be exploited (though grudgingly) by greedy corporates. A large percentage of contract workers work under compulsion only and not by choice. The artificial expansion of contract labour by greedy corporates is contributing to the increasing sense of insecurity amongst workers.[2]

The exploitation by Corporates does not end with increased provision of contract labour. In the absence of any labour law to protect them, the contract workers are paid much less as compared to permanent workers for same work. They are also being denied benefits like adequate safety measures, medical facilities, Canteen facilities etc which are being allowed by corporates to their permanent workers.[2]

By all these omissions and commissions, various organizations do earn some financial gains in the short term but they are adding to industrial un-stability in India in the long run.

V VIOLENT REACTIONS BY CONTRACT WORKERS:

Greedy Corporates are very happy with the prevailing contract system which is giving them multiple benefits. However, Contract workers are generally not happy with the system. They are working because they have no other option in the present environment of high unemployment rates. They are continuing to work but work only grudgingly. This continuing grudge and helplessness is translating into anger which is getting reflected in the form of violent episodes at shop floors now and then. Following are some of the glaring cases of such violent outbursts:

1. In Sept 2008, the Chief Executive Officer of an Italian auto component Industry in India (Graziano Transmission India) was clubbed to death by a large group of angry & disgruntled labour.[5]
In Sept 2009, Vice President (HR) of PRICOL was beaten to death by agitating workers.
2. In Nov 2010, a senior executive of Allied Nippon, an auto parts maker in India was done to death by angry workers.
3. In March 2011, a General Manager of Powmex steel, a unit of Graphite India Ltd was killed when his vehicle was set affire by protesting workers.
4. The most recent and worst form of reflection of such anger has been witnessed in July 2013 in the Maruti Suzuki India Ltd, Manesar plant, where riotous workers killed one G.M. (HR) and seriously wounded another about one hundred officials.[5]

VI TIME TO MANAGE CORPORATE GREED

There is a growing realization to-day among various stake holders that present practice of using contract labour for cost arbitrage alone will not be sustainable. It is no more advisable to close our eyes to the suffering contract workers and it is the time to address their genuine grievances on priority. Mr Rajiv Dubey, President, Human Resources, Mohindra and Mohindra, has described the issue of addressing Contract labour as 'a ticking time bomb that needed to be addressed'.

In the present competitive business environment, Contract labour is an essential tool to face the variations in demands of products/services. It may not be desirable to ban contract system all together. But the organizations must ensure that they use this facility for genuine reasons only. Secondly the organizations must rework the compensation to

contract workers besides ensuring reasonable parity of safety, medical and canteen facilities to them vis-à-vis the permanent labour. In the present shaky political scenario, Government lacks strength for tackling this problem with requisite statutory changes in the labour laws in a near future. As such, Government, through planning Commission of India, has joined hands with some well meaning Corporate houses and Industry Chambers to work out some voluntary guidelines to ensure a fair deal to contract labour. These organizations include TATAS, MOHINDRAS, GODREJ, Confederation of Indian Industry & Federation of Indian chamber of commerce & Industry.[1]

The process of building some frame-work of guidelines has already started and the group is likely to finalise these guidelines some time during 2015.[1] The group is working on voluntary guidelines related to matters of employment and payment to contract workers. These guidelines are likely to cover following objectives:

- Number of contract based workers to be reduced [1]
- To reduce disparities between contract workers and permanent employees
- Parity in Safety, medical and canteen facilities.
- Voluntary acceptance by organisations.[1]

It would in the interest of organizations to bind themselves to these guidelines in the interest of long term sustainability of this essential system of contract labour.

VII CONCLUSION

During recent years, employment of contract labour has become a major reason for increasing labour unrest in India. Contract workers are suffering from anxiety of job security, low wages and various other disparities compared to permanent workers doing the same work in the same organisation. Their feeling of unending, rather increasing, exploitation is turning their anxiety into anger and revolt. There have been some serious episodes of their violent revolts in Indian Industry during last 5-6 years- the most recent being the one in Maruti Suzuki India Ltd during July, 2013.

There is now increasing realization amongst Government and some enlightened business houses that the time has come to provide reasonable parity between full time workers and contract workers. The process of building a suitable framework of parity has already started with initiative from Planning Commission of India and with active participation by some enlightened business houses. These efforts are likely to restore cordial Industrial Relations in India.

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