

DRAFT SPEECH OF SMT. D. PURANDESWARI HON'BLE MOS
(HRD) AS CHIEF GUEST IN THE SEMINAR ON "LABOUR LAW
REFORMS FOR GOOD CORPORATE GOVERNANCE"
ORGANISED BY THE HYDERABAD CHAPTER OF THE INSTITUTE
OF COMPANY SECRETARIES OF INDIA (ICSI) AT HYDERABAD
ON 17-6-2006.

Mr. Chairman, Hon'ble Minister of Labour and Employment, Government of Andhra Pradesh, Mr. Vinod and other distinguished gentlemen. I deem it a great honour to have been called up as a Chief Guest to this seminar "Labour Law Reforms for good corporate Governance". The subject is of utmost topical importance and I think the organizations could not have selected a more appropriate subject for today's seminar.

In the emerging scenario of globalization and liberalization, the concept of labour seems to have undergone a radical transformation. In to-day's development parlance labour is conceptualized not as a mere work force but as human resources which play a vital role in economic development and growth. Human Capital as an economic concept considers people as capital assets yielding a stream of economic returns and the investment in human capital is therefore sought to be justified in economic terms and on economic considerations.

From the point of investment analysis, human capital refers to all expenditures incurred on human resources for the development of qualities of human beings such as knowledge, skills, resourcefulness, will to respond to opportunities, work motivation discipline, physical

ability, health, nutrition and capacity for hard work. Such investments result in the accumulation of human capital.

Such accumulation of human capital constitutes the true capital of a country opening up new vistas for invention, innovation, evolving of more productive methods and technological transformation of society. The benefits thereof can be made available to society through technical training programmes and extension services. Thus, the transmission of accumulated knowledge enriches the human resources in a country comprising both physical capital and human capital. Human capital comprehends brain capital, the elite and high level manpower representing the leaders or innovators in different walks of life. Although economic growth is the result of human effort, what matters is the quality of human effort based on improved methods of organization and improved techniques of production. Mere physical effort may not enhance the growth rate of an economy. The greatest growth occurs in societies where men have an eye to the economic chance and are willing to stir themselves to seize it. Hence the quality of human resources and their effort matters much for achieving higher rate of economic growth in a country.

The miraculous recovery of the post-war devastated economies of Japan and Germany and their emergence as leading economies in the post war world stand as an outstanding testimony of the crucial role which human capital can play in economic development. The average growth rate of Gross Domestic Product of Federal Republic of Germany between 1949 and 1959 was 7.4 per cent which was

higher than U.K and U.S.A. Even its recent trend of cumulative growth rate of 11.0 per cent during 1969-1973 in current prices is quite substantive. Japan reached its pre war level in economic activities by 1955 and then went on attaining rapid economic expansion with a high average growth rate of National Income of 10.2 per cent during the period 1955-1969 and 13 per cent during 1967-1970. Consequently, Japan which needed vast U.S. loans to rebuild her war devastated economy in 1946 repaid the last of her U.S. post war debts 22 years ahead of schedule.

The high growth economy of Japan known as the 'Japanese Miracle' is a clear testimony to the importance of human resources or the human capital in economic development. It is an outstanding event of world history that Japan today possesses the most modern industrial structure. Japan consists of four main islands and 3,000 minor islands with a vast coastal area and a population of 122 million growth at the rate 1.2 per cent per year. 25 per cent of its population and 75 per cent of its national industrial product are accounted by Tokyo, Osaka and Nagoya metropolitan areas. While its area is 3,77,643 square kilometers, 72 per cent of it is mountainous. Even then she transformed her war ravaged economy into an industrial giant that is able to dominate the world markets in many directions, despite its great dependence on imports for most of the raw materials and energy resources.

Japan today has the most modern and technologically sophisticated manufacturing facilities whose products are increasingly sought by

other countries because of high quality and workmanship available at very competitive prices. Because of the constant foreign demand, Japan could sustain a high growth rate of the economy consistently, year after year, thereby increasing its G.N.P and per capita income. In 1980, the G.N.P. of Japan crossed \$1000 billion with a per capita income of \$8,162.

The most important reason for the Japanese miracle is the unique relationship between management and labour. The class distinctions between them have narrowed substantially, through the post war democratic reforms and both enjoy the benefits of a system that virtually guarantees life long employment and there is an intense feeling of loyalty to the company at every level. Trade Unions play a constructive role in developing the industry and try to achieve their demands through methods and techniques that do not undermine the industrial fabric. They try to minimize conflict and facilitate harmony in industrial relations. In Great Britain, in the U.S.A and to a reasonably lesser extent in Europe, the relationship between the State, the corporate bodies and the trade union is not based on a smooth functional relationship. But Japan more or less uniquely, of all the industrial centers of the world has not been subjected to any major conflicting relationship. A substantial part of the success of the Japanese economy is the result of such more effective working relationship between government, corporates and the trade union”.

In view of the prevailing industrial peace, The Japanese worker constitutes a model of an efficient worker representing the highly

productive work force. As efficient workers they utilize their knowledge, skills and abilities for realizing their potentialities in economic activity and contribute their maximum to production. It means little or no gap between their capacity to work and willingness to work. An efficient worker is an asset to his management, to himself, to his family to his community, to his region and country. All in all a Japanese worker is the very epitome a contented, dedicated and disciplined worker.

As a motivated worker he is duty minded, punctual in attendance, well disciplined in discharging his work load, and he displays adjustment and understanding to promote team work, adheres to rules and regulations governing his job, cooperates with the management, conforms to code of conduct, possesses willingness to work and abhors work evasion. As he performs his duties, he may fight for his rights in a disciplined manner. Worker without motivation tends to be lazy, easy going, in disciplined, irresponsible and develops cavalier attitude towards duty. A Japanese worker just hates these negative attributes.

Productivity is a ratio of output to the input of a factor of production. Generally labour productivity which is an index of increasing efficiency in the utilization of resources arrests inflationary tendency in economy. It reduces labour cost per unit of output, decreases overhead costs, lowers the prices, increases wages in proportion to productivity and enhances the reserve funds for expansion, upgradation and modernization. The net effect of increased

productivity is to facilitate better quality of life, to enhance the competitive strength of a country to boost up export promotion to improve quality of output to increase incomes, savings and investments, and thereby surge economic development and growth. This is a virtuous circle of increasing productivity and economic prosperity. Increasing productivity is a function of increasing net stock of capital per worker. Inadequate capital formation is a cause of sagging productivity. It is estimated that the capital investment per worker in U.S.A. was \$3700 in comparison with \$4700 in Federal Republic of Germany and \$5000 in Japan in 1978.

The opening up of our economy to global competition and the rapid changes taking place in the emerging scenario gave a knee jerk to our labour sector which was dire need for reforms. Although we opened up our economy in the nineties of the last century, our labour sector has more or less been left untouched. At the central level, industrial relations in India are regulated by three legislations namely, the Trade Unions Act, 1926, the Industrial Employment (Standing Orders) Act, 1946 and the Industrial Disputes Act, 1947. All the three legislations were enacted before India attained independence and, therefore, necessarily need to be replaced by a simplified, rationalized, comprehensive and goal oriented industrial relations code.

Even though the system of conciliation, arbitration and adjudication, bequeathed by the British, is now considered sacred and above question, the early years of Independence in fact witnessed a

powerful urge to move away from it. The Trade Unions (Amendment) Act, 1947, which unfortunately could not become the law, essentially incorporated all the salient features of a fair legislation balancing the rights of the workers with the reasonable level of profit making by the corporate industrial houses and commercial establishments.

My recent visits to the upcoming industrial countries like Japan and Germany have convinced me that the need of the hour is to evolve the frame work in which workers and the management perceive the need to co operate and realize that bilateral agreement is the most effective method of evolving norms acceptable both to the employees and workers. Other methods of evolving norms and regulating conflicts would invariably be less effective and would suffer from permanence and would not be universally acceptable. It should also be realized that no abiding norms which both the parties in the production process will accept without demur can be handed down by outside agencies or through third party intervention.

The settlement of disputes, reached by mutual discussion, debate and negotiation, leaves no rancor behind and helps to create an atmosphere of harmony and co operation. In that process, trade unions become stronger and employers become more friendly and responsive to trade unions. In the event of failure of collective bargaining, the law should require the parties to go for voluntary arbitration. Voluntary arbitration as a standby process for settlement of industrial disputes will gain wider acceptance with the growth of collective bargaining.

It is submitted that the whole gamut of industrial relations law needs to be recast on the lines suggested above, so that we may acquire a higher growth rate and be able to compete in the international market without any hassle or difficulty. The 21st Century, they say, belongs to China and India. China is already growing by leaps and bounds. To what extent, India can do it will depend on how much we are able to respond to the demands of the emerging situation.

The Institute of Company Secretaries in India (ICSI), I suppose, has a leading role to play in the revised scheme of things. If it could persuade the Government to introduce the system of labour audit and if it could perform its allotted task in relation thereto objectively and conscientiously there is no reason, why the ICSI should not be able to create a greater sense of awareness among the labour, Corporates and the government circles for an improvement in the industrial climate in our country which would in turn boost up our performance in competitive global market. I wish the ICSI all success in their endeavour.

With these words, I once again thank you for having invited me here and give me an opportunity to share my views with you.

Thanking you,

@@@@@