

Address of Smt. D. Purandeswari Hon'ble MoS (HRD)
As chief guest at the HR Conclave on
“Building engagement-opportunities & challenges”
On 8-6-2007 at Hotel ITC Kakatiya Sheraton, Hyderabad.

I feel very happy to have been called upon to deliver the address as Chief Guest at this prestigious HR Conclave on “BUILDING ENGAGEMENT-OPPORTUNITIES & CHALLENGES” organized by CII, A.P. The subject of the Conclave which is of great topical importance and of great relevance to our developing economy, has been thoughtfully selected.

The best indicator of a company's health is its Employee engagement which as a key driver of organizational performance grows almost daily. But with recent research which highlights the fact that employee disengagement is a global epidemic; organizations still clearly have much work to do to ensure that their workforce can be properly inspired and motivated.

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 and such accumulation of human capital constitutes the true capital of an organization 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 1969-1970. 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.

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 in 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 legislations like the Trade Unions Act, 1926, the Industrial Employment (Standing Orders) Act, 1946 Payment of Wages act 1936 and the Industrial Disputes Act, 1947. All these legislations had been enacted before India attained independence and, therefore, necessarily, they have 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.

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.

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 employers and workers. Other methods of evolving norms and regulating conflicts would invariably be less effective and would suffer from impermanence 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. It must be a direct interface between the entrepreneurs and a band of motivated workforce.

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.

More or less uniquely, of all the industrial centers of the world, Japan is the lone example of such a peaceful and smooth functional relationship between the captains of industry and the workforce. This has been possible because in Japan the workers in large companies are protected by life long employment. But inside the company, management has unfettered freedom of assign work and adjust of workforce. Because of such a favourable industrial climate Japan could sustain a high growth rate of the economy consistently year after year and as early as 1980, the G.N.P of Japan crossed \$ 1000 billion with a per capita income of \$ 8,162.

Besides Japan, several other countries have take steps to improve the labour-management relationship in the recent years. Thus in U.K. which in the sixties and seventies of the last century was infamous for industrial disputes and lockouts, the situation has vastly improved by the enactment of the Trade Union Act of 1984.

The US has introduced job flexibility since long. They follow free hire and fire, but those who lose jobs get income security in the form of unemployment insurance. Also, if there is arbitrariness, the US has effective laws in place to take care of unfair dismissal. In Denmark also laws allow liberal hiring and firing as in the US, but it invests more than any other country, a much higher proportion of GDP in retraining the jobless. The result is Danes are among the most easily laid-off in Europe, but the workers there feel most secure about their future.

In India the whole gamut of industrial relations law needs to be revisited, so that we may acquire a higher growth rate and be able to compete in the international market without any difficulty. The 21st Century, they say, belongs to China and India. China has already taken adequate steps to address the problems of labour capital relationship which is why she is 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. This and other related issues will no doubt be considered in-depth in the technical sessions of the Conclave and I have no doubt that experts and specialists would be able to develop a consensus as to how to introduce meaningful and effective labour reforms with a human force so as to create an appropriate work environment in the country.

Jai Hind.