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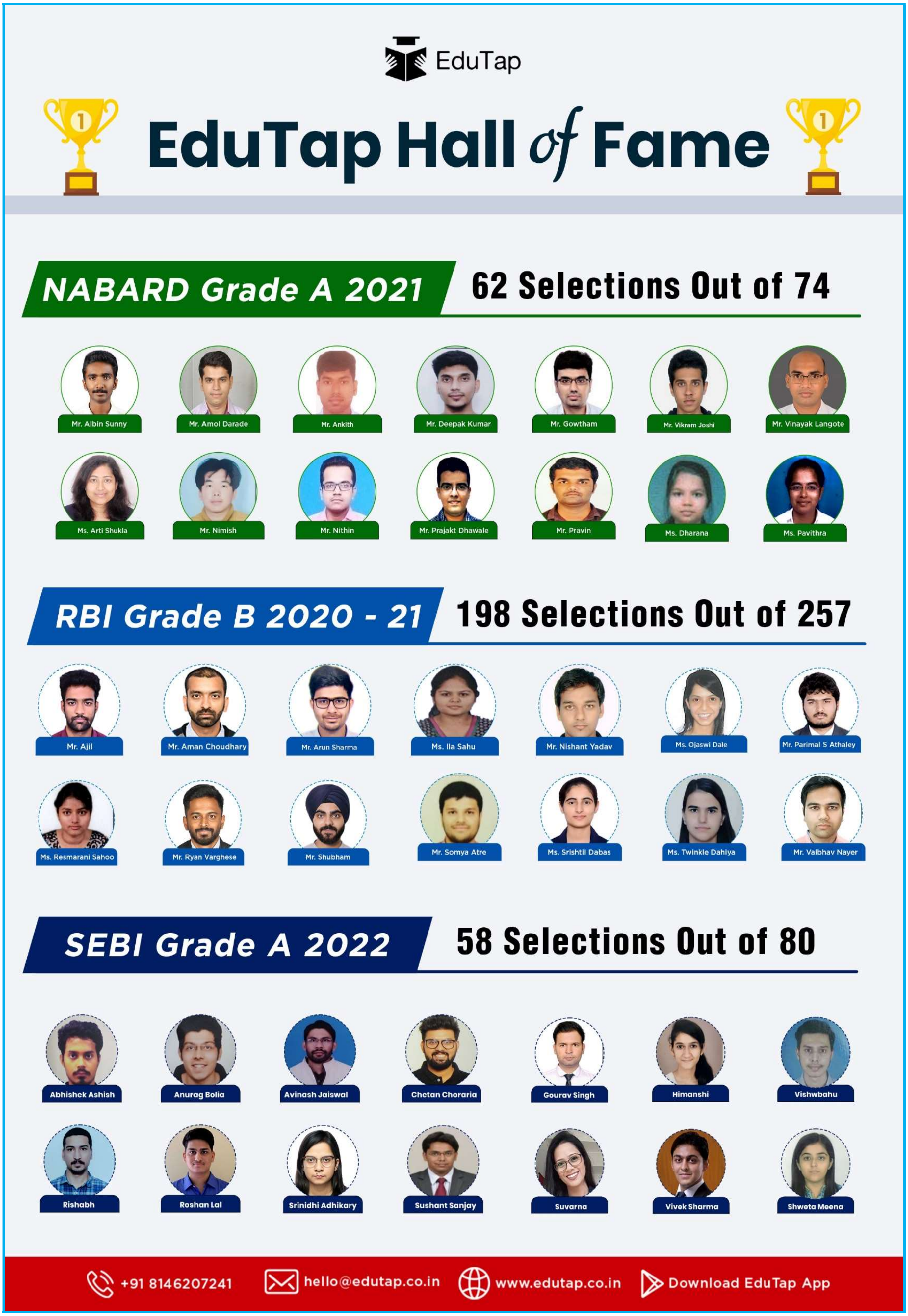
SUMMARY SHEET

Industrial and Labour Policy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1 Industrial Policy Introduction

- The industrial policy means the **procedures, principles, policies, rules and regulations which control the industrial undertaking of the country** and pattern of industrialization.
- It explains the **approach of Government** in context to the development of industrial sector.
- In India the **key objective of the economic policy is to achieve self-reliance** in all sectors of the economy and to develop socialistic pattern of society.
- The industrial policy in the **pre-reform period i.e., before 1991** put greater emphasis on the **state intervention** in the field of industrial development.
- These policies no doubt have resulted into the creation of diversified industrial structure but caused a number of inefficiencies, distortions and rigidities in the system.
- Thus, **during late 70s and 80s, Government initiated liberalization** measures in the industrial policy framework.
- The **drastic liberalization measures were however, carried out in 1991.**

2 Evolution of India's Industrial Policy

2.1 Industrial Policies of India prior to Independence

2.1.1 India's Economic Activity before Independence

- India was **never an industrially developed country** prior to independence.
- It was an agrarian country where in handicrafts attained supremacy unmatched anywhere else in the world.
- India with abundance of natural wealth had attained excellence in handicrafts.

- **There are very few lines of economic activity which became traditional in nature and could be included under the products produced under the factory system of 19th and 20th century.**
- For instance, silk manufacturing, utensil manufacturing, wood works, some products under pharmaceuticals etc. could be categorized as industrial activity.

2.1.2 Situation of India during the Colonial Period

- During the colonial period, industrial policies and economic policies were shaped by the British Government in **favour of British interests**.
- **The tariff policy pursued by British rulers in India was based on the principal of one-way free trade** while the Indian interest for industrialization in India remained deliberately neglected.
- Interestingly, **imports were tariff free whereas the exports were not duty free**.
- This **one-sided free trade in raw material and semi and manufactured items** was the established norm which **very partially was industry oriented**, but the industrialization could not take place in India. It took place in England.

2.1.3 Industrial Policies Formulated

- Though the **British Government established Department of Commerce and Industry in 1905** but the activities pursued through this department favored industrial activity in England.
- Thereafter, the **prevailing Government established board of Scientific and Industrial Research in 1940** but not much could come out of it.
- **In 1945, the government had announced an industrial policy** but this policy could never see the light.
- The industrial policy drafted in 1945 was referred as the Industrial Policy of 1946 also but since the said policy was drafted in haste so it could not satisfy the new leaders of independent country.

2.2 Industrial Policies of India after Independence up to 1990

2.2.1 Industrial Policy Resolution, 1948

- The first important industrial policy statement was made in the Industrial policy Resolution (IPR), 1948.
- The main thrust of IPR, 1948 **was to lay down the foundation of mixed economy whereby the private and public sector was accepted as important components** in the development of industrial economy of India.
- IPR, 1948 **gave public sector vast area to operate**.
- Government **took the role of catalytic agent of industrial development**.
- The resolution assigned **complementary role to small-scale and cottage industries**.
- The foreign capital which was seen with suspect in the pre-independent era was recognized as an important tool to speedup up industrial development.

2.2.2 Industries (Development and Regulation) Act (IDRA), 1951

- IDRA, 1951 is the **key legislation in the industrial regulatory framework**.
- IDRA, 1951 **gave powers to the government** to regulate industry in a number of ways.
- The main instruments were the regulation of capacity (and hence output) and power to control prices.
- It **specified a schedule of industries that were subject to licensing**.
- Even the **expansion of these industries required prior permission** of the government which means the output capacity was highly regulated.
- The Government was also empowered to control the distribution and prices of output produced by industries listed in the schedule.
- The IDR Act **gave very wide powers to the Government.**
- This resulted in more or less complete control by the bureaucracy on the industrial development of the country.

- **The main provisions of the IDRA, 1951 were**
  - **All existing undertakings** at the commencement of the Act, except those owned by the Central Government **were compulsorily required to register with the designated authority.**
  - **No one except** the central Government would be permitted to set up any new industrial undertaking "except under and in accordance with a licence issued in that behalf by the Central Government."
  - Such a license or permission prescribed a variety of conditions, such as, **location, minimum standards in respect of size and techniques** to be used, which the Central Government may approve.
  - Such licenses and clearances were also required in cases of **'substantial expansion'** of an existing industrial undertaking.

2.2.3 Industrial Policy Resolution, 1956

IPR, 1956 is the next important policy statement. The important provisions are as follows:

- **New classification of Industries:** IPR, 1956 divided the industries into the following three categories:
  - ✓ **Schedule A industries:** This schedule had **17 industrial areas** in which the **Centre** was given **complete monopoly**. The industries set up under this provision were known as the **Central Public Sector Undertakings** (CPSUs) later getting popularity as **'PSUs'**. Though the **number of industries were only 17**, the **number of PSUs** set up by the Government of India went to **254 by 1991**. These included those industrial units too which were taken over by the government between 1960 to 1980 under the nationalisation drives. These industries belonged to Schedules B and C (other than Schedule A).

  - ✓ **Schedule B industries:** There were **12 industrial areas** put under this schedule in which the **state governments** were supposed to take up the **initiatives** with a more expansive follow up by the **private sector**. This schedule also carried the provisions of **compulsory licencing**. It should be noted here that **neither the states nor the private sector had monopolies** in these industries unlike **Schedule A**, which provided **monopoly to the Centre**.
  - ✓ **Schedule C industries:** All **industrial areas left out of Schedules A and B** were put under this in which the private enterprises had the provisions to set up industries. Many of them had the **provisions of licencing** and have necessarily to fit into the framework of the social and economic policy of the state and were **subject to control and regulation** in terms of the **Industries Development and Regulation (IDR) Act** and other relevant legislations. Thus, the IPR, 1956 emphasized the **mutual existence of public and private sector industries.**
- **Encouragement to Small-scale and Cottage Industries:** In order to strengthen the small-scale sector supportive measures were suggested in terms of cheap credit, subsidies, reservation etc.
- **Emphasized on Reduction of Regional Disparities:** Fiscal concessions were granted to open industries in backward regions. Public sector enterprises were given greater role to develop these areas.

The basic rationale of IPR, 1956 was that the **state had to be given primary role for industrial development as capital was scarce and entrepreneurship was not strong**. The public sector was enlarged dramatically so as to allow it to hold commanding heights of the economy.

2.2.4 Monopolies Commission

- In **April 1964**, the Government of India **appointed a Monopolies Inquiry Commission** "to **inquire into the existence and effect of concentration of economic power** in private hands."
- The Commission **looked at concentration of economic power** in the area of industry.
- On the basis of recommendation of the commission, **Monopolistic and Restrictive Trade Practices Act (MRTP Act), 1969** was enacted. The act sought to **control the establishment and expansion of all industrial units** that have asset size over a particular limit. The **firms with assets of ₹25 crore or more** were put under obligation of taking permission from the Government of India before any **expansion, greenfield venture and takeover** of other firms (as per the MRTP Act). Such firms came to be known

as the **'MRTP Companies'**. The **upper limit** (known as the **'MRTP limit'**) for such companies was revised upward to **₹50 crore in 1980 and ₹100 crore in 1985**.

2.2.5 Industrial Policy Statement, 1973

- A **new classificatory term i.e., core industries** was created. The industries which were of **fundamental importance** for the development of industries were put in this category such as **iron and steel, cement, coal, crude oil, oil refining and electricity**. In the future, these industries came to be known as **basic industries, infrastructure industries** in the country.
- Out of the six core industries defined by the policy, the **private sector may apply for licenses for the industries which were not a part of schedule A** of the Industrial Policy, 1956. The private firms eligible to apply for such licenses were supposed to have their **total assets at ₹20 crore or more.**
- **Some industries** were put under the **reserved list** in which **only the small or medium industries** could be set up.

2.2.6 Industrial Policy Statement, 1977

The Industrial Policy Statement of 1977 was **chalked out by a different political set up** from the past with a **different political fervor**—the dominant voice in the government was having an **anti-Indira stance** with an **inclination** towards the **Gandhian-socialistic views** towards the economy. We see such elements in this policy statement. The **main elements** of the new policy were:

- **Foreign investment:** In the unnecessary areas, foreign investments were **prohibited** (opposite to the IPS of 1973 which promoted foreign investment via technology transfer in the areas of lack of capital or technology). In practice, there was a **complete 'no' to foreign investment**.
- **Development of Small-Scale Sector:**
  - The main thrust of the new industrial policy was an **effective promotion of cottage and small industries.**
  - Government initiated wide-spread **promotional and supportive measures** to encourage small sector.
  - The **small sector was classified into 3 categories viz. Cottage and household industries which provide self-employment; tiny sector and small-scale industries.**
  - The purpose of the classification was to **specifically design policy measures for each category.**
  - The policy statement considerably **expanded the list of reserved items** for exclusive manufacture in the small-scale sector.
  - The District Industries Centres (DICs) were set to promote the expansion of small and cottage industries at a mass scale.

- **Restrictive Approach towards Large Business Houses**
  - The **large-scale sector was allowed in basic, capital goods and high-tech industries**.
  - The policy emphasized that the **funds from financial institutions** should be made available largely for the **development of small sector**.
  - The **large sector** should **generate internal finance** for financing new projects or expansion of existing business.

- **Expanding Role of Public sector**
  - The industrial policy stated that the public sector would be used **not only in the strategic areas but also as a stabilizing force for maintaining essential supplier for the consumer.**
  - Further, the policy statement **reiterated restrictive policy towards foreign capital** whereby the majority interest in ownership and effective control should rest in Indian hands.

2.2.7 Industrial Policy, 1980

The **year 1980 saw the return of the same political party** at the Centre. The **new government revised the Industrial Policy of 1977** with few exceptions in the Industrial Policy Resolution, 1980. **Foreign investment** via the **technology transfer route was allowed again** (similar to the provisions of the IPS, 1973). The industrial policy 1980 emphasized that the **public sector is the pillar of economic infrastructure** for reasons of its **greater reliability**, for the **large investments** required and the **longer gestation periods** of the projects crucial for economic development. The **IPR, 1956 forms the basis** of this statement. **The important features of the policy were:**

- **Effective Management of Public Sector:** The policy emphasized the **revival of efficiency** of public sector undertaking.
- **Liberalization of Industrial licensing:**
  - The policy statement provided **liberalized measures** in the **licensing** in terms of **automatic approval to increase capacity** of existing units under MRTP and FERA.
  - The **asset limit under MRTP was increased. The 'MRTP Limit' was revised upward to ₹50 crore to promote setting of bigger companies.**
  - The relaxation from licensing was provided for large number of industries.
  - The **broad-banding concept** was introduced so that **flexibility** is granted to the **industries** to **decide the product mix** without applying for a new license.

- **Redefining Small-Scale Industries**
  - The investment limit to define SSI was **increased to boost the development of this sector.**
  - In case of tiny sector, the **investment limit was raised to Rs.1 lakh**; for **small scale unit the investment limit was raised from Rs.10 lakh to Rs.20 lakh** and for ancillaries from Rs.15 lakh to Rs.25 lakh.

Industrial policy, 1980 **focused attention on the need for promoting competition in the domestic market, technological up gradation and modernization**. The policy laid the foundation for an increasingly competitive export-based industries and for encouraging foreign investment in high-technology areas.

2.2.8 Industrial Policy Resolution, 1985 & 1986

The industrial policy resolutions announced by the governments in 1985 and 1986 were very much similar in nature and the latter tried to promote the initiative of the former. The main highlights of the policies are:

- **Foreign investment** was further **simplified** with more industrial areas being open for their entries. The **dominant method** of foreign investment remained as in the past, i.e., **technology transfer**, but now the **equity holding** of the MNCs in the Indian subsidiaries could be **upto 49 per cent** with the Indian partner holding the rest of the 51 per cent shares.
- The **'MRTP Limit'** was revised upward to **₹100 crore—promoting the idea of bigger companies.**
- The provision of **industrial licensing was simplified.** Compulsory licensing now remained for 64 industries only.
- High level **attention** on the **sunrise industries** such as telecommunication, computerization and electronics.
- **Modernization** and the **profitability** aspects of **public sector undertakings** were emphasized.
- Industries based on imported raw materials got a boost.
- Under the overall regime of FERA, **some relaxations concerning the use of foreign exchange was permitted** so that essential **technology could be assimilated** into Indian industries and **international standard could be achieved.**
- The **agriculture sector** was attended with a **new scientific approach** with many technology missions being launched by the government.

These industrial provisions were attempted at **liberalizing the economy without any slogan of 'economic reforms.** The government of the time had the mood and willingness of going for the kind of economic reforms which India pursued post-1991 but it lacked the required political support.

The industrial policies conjoined with the overall micro-economic policy followed by the government had one major loophole that it was **more dependent on foreign capital with a big part being costlier ones.** Once the economy could not meet industrial performance, it became **tough for India to service the external borrowings**—the **external events (the Gulf war, 1990–91)** vitiated the situation, too. Finally, by the **end of 1980s** India was in the grip of a **severe balance of payment crisis** with **higher rate of inflation** (over 13 per cent) and **higher fiscal deficit** (over 8 per cent). The **deep crisis** put the economy in a **financial crunch**, which made India opt for a new way of economic management in the coming times.

2.3 New Industrial Policy of 1991

- With the **gradual liberalization** of the 1956 Industrial policy in the **mid-eighties** the **tempo of industrial development started picking up.**
- But the industry was still feeling the **burden of many controls and regulations.**
- For a faster growth of industry, it was necessary that even these impediments should be removed.
- The new government by Shri Narasimha Rao, which took office in June 1991, announced a package of liberalization measures under its Industrial Policy on July 24, 1991.

Economic Background of New Industrial Policy, 1991
India was faced with severe balance of payment crisis by June 1991. Basically, in early 1990s, there were inter-connected set of events, which were growing unfavorable for the Indian economy:

- Due to the Gulf War (1990–91), the higher oil prices were rapidly depleting India's foreign reserves.
- Sharp decline in the private remittances from the overseas Indian workers in the wake of the Gulf War, specially from the Gulf region.
- Inflation peaking at nearly 14 per cent.
- The gross fiscal deficit of the Central Government reaching 8.4 per cent of the GDP.
- By the month of June 1991, India's foreign exchange had declined to just two weeks of import coverage.

2.3.1 Objectives of the New Industrial Policy

The financial support India received from the IMF to fight out the Balance of Payment (BoP) crisis of 1990–91 was having a tag of conditions to be fulfilled by India. These IMF conditionalities required the Indian economy to go for a structural re-adjustment. As the nature and scope of the economy were moulded by the various industrial policies India did follow till date, any desired change in the economic structure had to be induced with the help of another industrial policy. The new industrial policy, announced by the government on 23 July, 1991 had initiated a bigger process of economic reforms in the country, seriously motivated towards the structural readjustment naturally obliged to 'fulfill' IMF conditionalities. The New Industrial Policy, 1991 seeks to **liberate the industry from the shackles of licensing system** and **drastically reduce the role of public sector** and **encourage foreign participation** in India's industrial development. **The broad objectives of New Industrial Policy are as follows:**

<u>De-reservation of the industries</u>
The industries which were reserved for the Central Government by the IPR, 1956, were cut down to only eight. In coming years many other industries were also opened for private sector investment.

<u>De-licensing of the industries</u>
The number of industries put under the compulsory provision of licensing (belonging to Schedules B and C as per the IPR, 1956) were cut down to only 18. Reforms regarding the area were further followed and presently there are only four industries which carry the burden of compulsory licensing:

- Aero space and defence related electronics

- Gun powder, industrial explosives and detonating fuse
- Dangerous chemicals
- Tobacco, cigarette and related products

Abolition of the MRTP Limit

The MRTP limit was ₹100 crore so that the mergers, acquisitions and takeovers of the industries could become possible. In 2002, a competition Act was passed which has replaced the MRTP Act. In place of the MRTP commission, the Competition Commission has started functioning (though there are still some hitches regarding the compositional form of the latter and its real functions and jurisdictions).

Promotion to Foreign Investment

Functioning as a typical closed economy, the Indian economy had never shown any good faith towards foreign capital. The new industrial policy was a pathbreaking step in this regard. Not only the draconian FERA was committed to be diluted, but the government went to encourage foreign investment (FI) in both its forms—direct and indirect.

The direct form of FI was called as the foreign direct investment (FDI) under which the MNCs were allowed to set up their firms in India in the different sectors varying from 26 per cent to 100 per cent ownership with them—Enron and Coke being the flag-bearers. The FDI started in 1991 itself.

The indirect form of foreign investment (i.e., in the assets owned by the Indian firms in equity capital) was called the portfolio investment scheme (PIS) in the country, which formally commenced in 1994. Under the PIS the foreign institutional investors (FIIs) having good track record are allowed to invest in the Indian security/stock market. The FIIs need to register themselves as a stock broker with SEBI. It means India has not allowed individual foreign investment in the security market still, only institutional investment has been allowed till now.

FERA Replaced by FEMA

The government committed in 1991 itself to replace the draconian FERA with a highly liberal FEMA, which same into effected in the year 2000–01 with a sun-set clause of two years.

Location of Industries

Related provisions were simplified by the policy which was highly cumbersome and had time-consuming process. Now, the industries were classified into 'polluting' and 'non-polluting' categories and a highly simple provision deciding their location was announced:

- Non-polluting industries might be set up anywhere.
- Polluting industries to be set up at least 25 kms away from the million cities.

Compulsion of Phased Production Abolished

With the compulsion of phased production abolished, now the private firms could go for producing as many goods and models simultaneously. Now the capacity and capital of industries could be utilized to their optimum level.

3 Disinvestment

Disinvestment is the **process of 'selling ownership'** in a company. Technically, the term may be used in case of any company (i.e., privately-owned company), but in practice, it is **used only in case of a government-owned company.** Disinvestment commenced in the country with **three inter-related co-ordinates** as a **tool of public sector reforms**; as a **part of the economic reform process** (i.e., as part of the de-reservation of industries); and as a **tool of resource mobilization** for budgetary needs.

The **approach** towards public sector reforms in India has been much more **cautious** than that of the other developing countries. **India did not follow the radical solution** to it—under which outright privatization of commercially viable PSUs is done and the unviable ones are completely closed.

There was an emphasis on **increasing functional autonomy** of public sector organizations to **improve their efficiency** in the 1980s in India as part of the public sector reforms. Once the process of economic reforms started in the early 1990s, disinvestment became a part of the public sector reforms.

The government started the process of disinvestment in 1991 itself. In **1997** the government government did set up a **Disinvestment Commission** to advice upon the various aspects of the disinvestment process. The **financial year 1999–2000** saw a serious attempt by the government to **make disinvestment a political process** to expedite the process of disinvestment in the country—first a **Disinvestment Department** and later a full-fledged **Ministry of Disinvestment was set up (dismantled in 2004).**

3.1 Types of Disinvestments

3.1.1 Token Disinvestment

Disinvestment started in India with a **high political caution**—in a symbolic way known as the 'token' disinvestment (presently being called as '**minority stake sale**'). The general policy was to sell the shares of the PSUs **maximum up to the 49 per cent** (i.e., maintaining government ownership of the companies). But in practice, shares were sold to the tune of 5**–10 per cent** only. This phase of disinvestment though brought some **extra funds to the government** (which were used to fill up the fiscal deficit considering the proceeds as the 'capital receipts') it **could not initiate any new element to the PSUs, which could enhance their efficiency.** It remained the major criticism of this type of disinvestment, and **experts** around the world started suggesting the government to go for it in the way that the **ownership could be transferred** from the government to the private sector. The **other hot issue** raised by the experts was related to the **question of using the proceeds of disinvestment**.

3.1.2 Strategic Disinvestment

In order to make disinvestment a process by which **efficiency of the PSUs could be enhanced** and the **government could de-burden itself** of the activities in which the private sector has developed better efficiency (so that the government could concentrate on the areas which have no attraction for the private sector such as social sector support for the poor masses), the government initiated the process of **strategic disinvestment.** The **government classifying the PSUs into 'strategic' and 'non-strategic'** announced in **March 1999** that it will generally **reduce its stake (shareholding) in the 'non-strategic' public sector enterprises (PSEs) to 26 per cent or below** if necessary and in the **'strategic' PSEs** (i.e., arms and ammunition; atomic energy and related activities; and railways) it will retain its **majority holding**. There was a **major shift** in the disinvestment policy from **selling small lots of shares** in the profit-making PSUs (i.e., token disinvestment) to the **strategic sale with change in management control both in profit and loss-making enterprises.** The essence of the strategic disinvestment was the **minimum shares to be divested will be 51 per cent** and the **wholesale sale of shares** will be done to a **'strategic partner'** having international class experience and expertise in the sector.

4 Micro, Small and Medium Enterprises in India

Small industries have always had an **important place** in the overall **planning framework in India**. In the **industrial policy resolutions**, the small sector was given special role for **creating employment with low capital investment**. The small industries contributed to **overall growth** and have provided **employment to the relatively unskilled, uneducated** and **vulnerable sections** of the society. The small-scale industries were earlier known as village and small enterprises, but in 2006, a new legislation **Micro, Small and Medium Enterprises Development Act** was enacted which defined Micro, Small and Medium enterprises. The medium enterprises were introduced for the first time in 2006.

After 14 years since the MSME Development Act came into existence in 2006, a revision in MSME definition was announced in the Atmnirbhar Bharat package on 13th May, 2020. As per this announcement –

Category	New Capital	New Turnover
Micro	1 Crore	5 Crore
Small	10 Crores	50 Crores
Medium	50 Crores	250 Crores

4.1 Contribution of MSMEs

The Indian MSME sector is the **backbone** of the national economic structure and has constantly acted as the **bulwark** for the Indian economy, providing it **resilience** to ward off global economic shocks and adversities.

Estimated number of MSMEs in country: As per the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation during the period 2015-16, **there were 633.88 lakh** unincorporated non-agriculture MSMEs in the country engaged in different economic activities.

Employment: As per the National Sample Survey (NSS) 73rd round conducted during the period 2015-16, MSME sector **has been creating 11.10 crore jobs** in the rural and the urban areas across the country.

5 Special Economic Zones (SEZ)

Government of India first **introduced the concept of SEZ in the export import policy 2000** with a view to provide an internationally competitive and hassle-free environment for exports.

SEZ refers to a specially demarcated territory usually known as 'deemed foreign territory' with tax holidays, exemption from duties for export and import, world level economic and social infrastructure for production and augmentation of export activities within the territory along with facilities like abundant and relatively cheap labour, strategic location and market access etc.

5.1 The Special Economic Zone Act 2005

The Act provides the umbrella legal framework, **covering all important legal and regulatory** aspects for **setting up of SEZ's as well units operating in SEZ.**

5.2 Objectives of SEZ

- To **attract Foreign Direct Investment (FDI),**
- Earn **foreign exchange** and contribute to exchange rate stability,
- Boost the **export** sector especially non-traditional exports,
- To create **employment** opportunities,
- Introduce new **technology**,
- Develop **backward regions** etc. by stimulating sectors as electronics, information technology, R & D, tourism, infrastructure and human resource development that are regarded as strategically important to the economy.

5.3 Who can set up a SEZ?

Private, Public, Private/Public, State Government, State Government Agencies

5.4 Salient Features

- A SEZ is a **designated duty-free enclave** to be treated as foreign territory for the purpose of trade operations and duties and tariffs.
- A SEZ **does not require a license for imports**.

- The units must **become net foreign exchange earners within 3 years**.
- SEZ are **allowed manufacturing, trading and service activities**.
- Full freedom for **subcontracting**.
- The **domestic sales** from the SEZ are subject to **full custom duties and import policy** is in force, when they sell their produce to domestic markets.
- There was **no routine examination by the custom authorities**.
- The corporation in SEZs will not have to **pay any income tax on their profits for the first five years and only 50% of the tax for 2 more years thereafter.**
- If half of the profit is reinvested in the corporation, the concession of 50% tax is extendable for next 3 years.
- For **SEZ developers, the raw material from cement to steel to electrical parts are subject to zero tax and duty.**
- For the SEZ, the Government acquires **vast land tracts and gives to the developers**. The basic condition involves that **25% of the area of the SEZ must be used only for export related activities**. Rest **75% area can be used for economic and social infrastructure.** However, all SEZ benefits are applicable over the entire SEZ area.
- There were **provisions for sector specific SEZs and Multiproduct SEZs**.

Concept Check
Q. Which among the following is/are the major objectives of setting up of Special Economic Zones?
(a) To attract Foreign Direct Investment
(b) To create employment opportunities
(c) To boost export of goods and services
(d) To earn foreign exchange
(e) All of the above
Answer: E

Concept Check
Q. Asia's first export processing zone (EPZ) was set up in 1965 at which of the following location?
(a) Haldia
(b) Vishakhapatnam
(c) Kandla
(d) Chennai
(e) None of the above
Answer: C

6 National Investment and Manufacturing Zones (NIMZ)

- National Investment and Manufacturing Zones (NIMZs) will be developed as **integrated industrial townships** with **state-of-the art infrastructure and land use** on the basis of zoning; **clean and energy efficient technology; necessary social infrastructure; skill development facilities**, etc., to provide a productive environment to persons transitioning from the primary sector to the secondary and tertiary sectors.
- These NIMZs would be **managed by SPVs (Special Purpose Vehicles)** which would ensure master planning of the Zone; **pre-clearances for setting up the industrial units** to be located within the zone and undertake such other functions as specified in the various sections of this policy.
- To enable the NIMZ to function as a self-governing and autonomous body, it will be **declared by the State Government as an Industrial Township under Article 243 Q(c) of the Constitution.**
- In sum, the NIMZs would be **large areas of developed land**, with the **requisite eco-system for promoting world class manufacturing activity.**

6.1 Size

An NIMZ would **have an area of at least 5000 hectares in size**.

6.2 Who will own NIMZ?

- It is **left to the State Government** to adopt a **model that it considers most workable**.
- The State Government may **keep the ownership of NIMZ itself** or transfer the ownership to a state government undertaking.
- The state Government **may have joint ownership with a private partner** and adopt any other appropriate model.

7 Industrial Corridors

7.1 What is an Industrial Corridor?

- An industrial corridor is a **package of infrastructure spending** allocated to a specific **geographical area**, with the intent to stimulate industrial development.
- It **aims to create an area with a cluster of manufacturing or other industry**.
- Such corridors are often created in areas that have pre-existing infrastructure, such as ports, highways and railroads.
- These **modalities are arranged such that an "arterial" modality**, such as a highway or railroad, **receives "feeder" roads or railways**.
- Concerns when creating corridors including correctly assessing demand and viability, transport options for goods and workers, land values, and economic incentives for companies.

7.2 Industrial/Economic Corridors

11 Industrial Corridors Projects are being taken up for development with 32 Projects to be developed in 04 phases up to 2024-25 which are Delhi Mumbai Industrial Corridor (DMIC), Chennai Bengaluru Industrial Corridor (CBIC), Amritsar Kolkata Industrial Corridor (AKIC), East Coast Industrial Corridor (ECIC) with Vizag Chennai Industrial Corridor (VCIC) as Phase 1, Bengaluru Mumbai Industrial Corridor (BMIC), Extension of CBIC to Kochi via Coimbatore, Hyderabad Nagpur Industrial Corridor (HNIC), Hyderabad Warangal Industrial Corridor (HWIC), Hyderabad Bengaluru Industrial Corridor (HBIC), Odisha Economic Corridor (OEC), Delhi Nagpur Industrial Corridor (DNIC).

8 Dedicated Freight Corridors (DFC)

- The Indian Railway has a big potential to develop goods transportation.
- In recent years, **industrialisation and growing international trade along existing Eastern and Western Routes has led to the demand for additional capacity for rail freight transportation.**
- To develop the freight traffic infrastructure, the **Government has designed an expansion drive in the form of Dedicated Freight Corridors (DFC).**
- In the first phase, two corridors-the Western DFC (1504 route km) and Eastern DFC (Estimated 1856 route km)- with a total length of about 3360 route km were launched.
- Construction responsibility of DFCs is with Dedicated Freight Corridor Corporation of India Limited.
- The **Dedicated Freight Corridor Corporation of India (DFCCIL) is a Special Purpose Vehicle** set up **under the administrative control of Ministry of Railways** to undertake planning & development, mobilization of financial resources and construction, maintenance and operation of the Dedicated Freight Corridors.

9 Indices/Surveys to Measure Industrial Performance in India

9.1 Index of Industrial Production

Index of Industrial Production data or IIP as it is commonly called is an index that **tracks manufacturing activity** in different sectors of an economy. The IIP number measures the industrial production for the period under review, **usually a month**, as against the reference period. IIP is a key economic indicator of the manufacturing sector of the economy. It is a **composite indicator** that **measures the short-term changes** in the volume of production of a basket of industrial products during a given period with respect to that in a **chosen base period**.

There is a **lag of six weeks in the publication of the IIP index data** after the reference month ends. IIP index is currently calculated using **2011-2012 as the base year.**

IIP data is **compiled and published by National Statistical Office (NSO) every month**. NSO operates under the **Ministry of Statistics and Programme Implementation** (MoSPI).

9.1.1 IIP Index Components

Electricity, crude oil, coal, cement, steel, refinery products, natural gas, and fertilizers are the eight core industries that comprise about 40 percent of the weight of items included in the Index of Industrial Production. **Mining, manufacturing, and electricity** are the **three broad sectors in which IIP constituents fall.**

9.2 Index of Eight Core Industries

The **monthly Index** of Eight Core Industries (ICI) is a **production volume index**. The objective of the ICI is to provide an **advance indication on production performance of industries of 'core' nature** before the release of Index of Industrial Production (IIP) by National Statistical Office. These industries are likely to impact on general economic activities as well as industrial activities.

ICI measures collective and individual performance of production in **selected eight core industries viz. Coal, Crude Oil, Natural Gas, Petroleum Refinery Products, Fertilizers, Steel, Cement and Electricity.** Components covered in these eight industries for the purpose of compilation of index are as follows:

- **Coal** – Coal Production excluding Coking coal.
- **Crude Oil** – Total Crude Oil Production.
- **Natural Gas** – Total Natural Gas Production.
- **Refinery Products** – Total Refinery Production (in terms of Crude Throughput).
- **Fertilizer** – Urea, Ammonium Sulphate (A/S), Calcium Ammonium Nitrate (CAN), Ammonium chloride (A/C), Diammonium Phosphate (DAP), Complex Grade Fertilizer and Single superphosphate (SSP).
- **Steel** – Production of Alloy and Non-Alloy Steel only.
- **Cement** – Production of Large Plants and Mini Plants.
- **Electricity** – Actual Electricity Generation of Thermal, Nuclear, Hydro, imports from Bhutan.

The Index is compiled and released by **Office of the Economic Adviser (OEA), Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce & Industry**, Government of India.

After the base revision to 2011, the Eight Core Industries comprise 40.27 per cent of the weight of items included in the Index of Industrial Production (IIP). The industry-wise weights indicated in the ICI are individual industry weight derived from IIP and blown up on pro rata basis to a combined weight of ICI equal to 100 - (Coal 10.33 %, Crude Oil production 8.98 %, Natural Gas 6.88%, Petroleum

Refinery 28.04 %, Fertilizers 2.63 %, Steel 17.92 %, Cement production 5.37 % and Electricity generation 19.85%.)

The Index of Eight Core Industries is a provisional index which is released every month. The index is calculated by using the Laspeyre's formula of weighted arithmetic mean of quantity relatives.

9.3 Annual Survey of Industries

Annual Survey of Industries (ASI) is the **principal source of industrial statistics** in India providing information on important characteristics of **registered manufacturing sector**. ASI is considered as the most comprehensive and reliable source of **organized manufacturing sector** data providing disaggregated industry specific details of production, investment, employment and costs. It **does not cover unorganized or unregistered or informal sector enterprises.**

ASI is the **main survey conducted by National Statistical Office (NSO) Industrial Statistics (IS) wing**. It ensures timely dissemination of statistical information to asses and evaluate the dynamics in composition, growth and structure of organized manufacturing sector.

From ASI 2010-11 onwards, the survey is being conducted annually under the statutory provisions of the Collection of Statistics (COS) Act, 2008 and the rules framed there-under in 2011except in the State of Jammu & Kashmir where it is being conducted under the J&K Collection of Statistics Act, 2010 and rules framed thereunder in 2012. The Collection of Statistics Act, 2008 has been amended in 2017 as **Collection of Statistics (Amendment) Act, 2017** which extends the coverage to All India. Presently, ASI 2017-18 is being conducted under this amendment.

10 Labour Policy

10.1 Background

"**Labour**" is a subject in the "**Concurrent List**" under the **Constitution of India** where both the Central and State Governments are competent to enact legislations subject, however, to reservation of certain matters for the Central Government.

The Constitutional status of labour jurisdiction has been explained in the following table:

10.2 Constitutional Status of Labour Jurisdiction

Union List (Central Government)	**Concurrent List (Central as well as State Government)**
Entry No. 55 Regulation of labour and safety in mines and oil fields	**Entry No. 22** Trade unions, industrial and labour disputes
Entry No. 61 Industrial disputes concerning Union employees	**Entry No. 23** Social security and insurance, employment and unemployment
Entry No. 65 Union agencies and institutions for "... vocational ... training ..."	**Entry No. 24** Welfare of labour including conditions of work, provident funds, employers' invalidity and old-age pension and maternity benefits

10.3 Legislative Measures

As per the recommendations of the 2nd National Commission on Labour, Government of India has taken steps for codification of existing Central labour laws into 4 Codes by simplifying, amalgamating and rationalizing the relevant provisions of the Central Labour laws. 29 labour laws are being subsumed in the simplified, easy to understand transparent 4 labour codes.

Name of the Code	Number & name of amalgamated laws
Labour Code on Wages	**4 laws:** 1. The Payment of Wages Act, 1936 2. The Minimum Wages Act, 1948 3. The Payment of Bonus Act, 1965 4. The Equal Remuneration Act, 1976
Labour Code on Industrial Relations	**3 laws:** 1. The Trade Unions Act, 1926 2. The Industrial Employment (Standing orders) Act, 1946 3. The Industrial Disputes Act, 1947
Labour Code on Social Security & Welfare	**9 laws:** 1. The Employees' Compensation Act, 1923 2. The Employees' State Insurance Act, 1948 3. The Employees Provident Fund and Miscellaneous Provisions Act, 1952 4. The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 5. The Maternity Benefit Act, 1961 6. The Payment of Gratuity Act, 1972 7. The Cine Workers Welfare Fund Act, 1981 8. The Building and Other Construction Workers Welfare Cess Act, 1996 9. The Unorganised Workers' Social Security Act, 2008
Labour Code on Occupational Safety, Health & Working Conditions	**13 laws:** 1. The Factories Act, 1948 2. The Plantations Labour Act, 1951 3. The Mines Act, 1952 4. The Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955 5. The Working Journalists (Fixation of Rates of Wages) Act, 1958 6. The Motor Transport Workers Act, 1961 7. The Beedi and Cigar Workers (Conditions of Employment) Act, 1966 8. The Contract Labour (Regulation and Abolition) Act, 1970 9. The Sales Promotion Employees (Conditions of Service) Act, 1976 10. The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 11. The Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981 12. The Dock Workers (Safety, Health and Welfare) Act, 1986

	13. The Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996

10.4 Institutions

Ministry of Labor is there at Centre with 4 attached offices, 10 subordinate offices, 4 autonomous organizations and adjudication bodies and Arbitration body.

Let us have a look at some important ones are:

10.4.1 Office of Chief Labor Commissioner

It is an **attached office**. It's also known as '**Central Industrial Relation Machinery'**. It Is responsible for handling Industrial Disputes, Implementation of laws for which ministry is responsible, Settlements and awards, verification of membership of Trade Unions etc

10.4.2 Labor Bureau

Collection, compilation and dissemination of **labor statistics**, **construction and maintenance of working class consumer price index numbers (WC-CPI)** for selected centers and **all India basis** for **industrial workers**, **construction of CPI numbers for agricultural and rural workers**, maintenance of up to date data relating to working conditions of industrial workers, undertaking research into specific problems concerning labor with a view to supplying date and information needed for the formulation of labor policy, publishing reports, pamphlets and brochures on various aspects of labor are its functions.

10.4.3 Employee State Insurance Corporation – Autonomous Statutory Organization

The organization **administers various benefits under the ESI Act**, for instance, sickness benefit, maternity benefit, dependents' expenses, funeral benefit, which are cash benefit s, and medical benefit. The medical benefit has been made available to the family members of the insured employees.

10.4.4 Employee Provident Fund Organization – Autonomous Statutory Organization

Administers various schemes under Employees Provident Fund and Miscellaneous Provisions Act. There are schemes like – Employee provident fund scheme, Employee Deposit linked Insurance Scheme, Pension scheme etc.

10.4.5 International Labor Organization

- Founded in **1919** as a result of **Treaty of Versailles**, it became **first specialized agency** under **United Nations in 1945**.
- Its vision is to secure humane working conditions for workers and to attain social justice for them universally.
- In short it carries '**Decent Work Agenda'**.
- It has produced about **189 legally binding conventions** on member countries and more than 200 non-binding recommendations.
- It is also **global center for research and study on work and labor**.
- It also gave **4 core standards on labor** which are **part of general human rights as per UN declarations. These are:**
    - Freedom of Association**, Right to Organize and Right to Collective Bargaining**
    - **Abolition** of forced labor
    - Minimum age of employment and abolition of child labor
    - Prohibition on workplace discrimination and Equal pay for men and women for work of equal value