

# ITEC Newsletter

## Contents

*Editorial – Rise of Contract Labour and its implications*  
----- 2

*India's IT compradors*  
*By Haridas*  
----- 3

*Nuclear Energy & AERB*  
*By Raghuram*  
----- 6

*In the name of culture...!?*  
*By Deepthi*  
----- 9

*Industrial Relations and Labor Laws around the World – Part 2*  
*By Secki*  
----- 11

*Garam Hawa – Testing Times*  
*By Kavita*  
----- 12

## Contents

*Question Point*  
----- 13

*Standing Orders and IT industry*  
*By Ramkumar*  
----- 15

*Perspectives about our Economy: A meeting with Professor C.P Chandrashekar - Part 1*  
----- 17

*For Loop*  
*By Shammi*  
----- 22

*ITEC is an open forum of people like you and me. Drop in a mail to us, as you would mail a close friend, on how you liked our newsletter. And help us in coming out with a better one next time by writing for us. Our email id is [contact@itecentre.co.in](mailto:contact@itecentre.co.in).*





***Contract work is characterized by inferior labour status, casual nature of employment, lack of job security, easier termination procedure***

## ***Editorial - Rise of Contract Labour and its implications***

*There has recently been a rise of contract labour in IT jobs and other sectors of industry, not only in India but also globally. Contract labour is increasingly being used in smaller and larger Indian companies as well as the multinationals. In the uncertain economic climate, it has been reported that as much as 30% of the work in some Indian IT companies like SAP (Informationweek, 10 Mar 2012) and 10-20% in many others (Upadhyay and Vasavi) is being subcontracted in order to save costs and also to curtail the statutory rights of the employees. The rise of contract labour is a disturbing trend and creates conditions for exploitation of workers. The recent violence in Manesar car plant (BodhiCommons, 23 Oct 2012) is also partly attributed to the contract workers' discontent at being treated poorly by the managers.*

*In the West too, contract labour is on a rise. In an article (Forbes 30 Aug 2012), it was reported that the number of freelance or flexible or contract jobs is on the rise and upto 30% American workers are expected to hold low wage jobs by 2020. Another article (MSNBC, 6 May 2010) also reported that 50% of new US jobs that emerge after the recession could be temporary jobs.*

*Contract labour refers to the phenomenon where an employee is hired to work at a company, and the hiring and remuneration is done by a contractor rather than directly by the company where the work is done. The contractor can be another company or a human being, and is paid by the company where the work is required. The work typically is specific and for a fixed duration.*

*Contract work is characterized by inferior labour status, casual nature of employment, lack of job security, easier termination procedure, poor economic conditions of the workers, absence of benefits (such as health insurance, annual leaves, food coupons and pension) accorded to regular employees and exploitative conditions of work. The lack of clarity as to who, among the contractor and the company where the actual work is done, is responsible for the salary and other benefits, creates a bad situation for the*

*vulnerable contract employee and makes them prone to exploitation. Besides, the salary given to contract workers is usually much lower than, in some cases half or less, of the salary received by the regular employees of the company. It is no wonder that in these days of cost cutting, the number of contract jobs is increasing. This could be the start of a dangerous trend where companies seek to save costs by outsourcing an increased proportion of their normal work to the contract employees while reducing proportionately the full time employees in the workforce.*

*As per the law, contract labour should not be employed where the work is of perennial nature and goes on day to day, where it is incidental to and necessary for the work of an establishment, where the amount of work is sufficient to employ a considerable number of whole time workmen, and where the work is being done ordinarily through regular workers at that establishment or in a similar establishment. However, many employers seek to cut costs by employing contract labour at jobs where regular labour can and is being used.*

*The contract labour (regulation and abolition) act (pblabour.gov.in) was enacted in 1970 to regulate the employment of contract labour in certain establishments and to provide for its abolition in certain circumstances. This act applies to every establishment where 20 or more workers are employed as contract labour, to every contractor who employs 20 or more workmen as well as to government and local authorities. It is not applicable to intermittent work unless it is for more than 120 days a year, or seasonal work unless it is more than 60 days a year. The act provides for the registration of establishments (where the actual work is performed) as principal employers, makes it mandatory for contractors to obtain a license which is granted subject to conditions such as hours of work, fixing of wages and other essential amenities. According to this act, in case of failure on part of the contractor to pay wages either in full or in part, the principal employer has to pay the same. Also, the contract labourer who performs same or similar kind of work as regular employees of the company shall be entitled to the same wages and service conditions as the regular employees. However, many of the provisions of this act are*

---

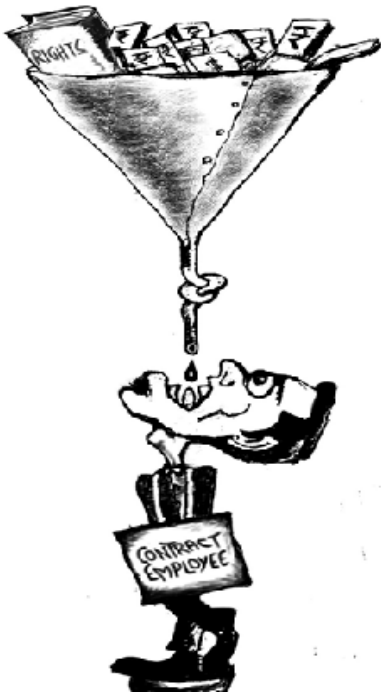
***If the act is strictly implemented, it would be illegal to employ someone to work on contract that gets paid less than a regular employee of the company for the same kind of IT job***

---



not followed in practice in India. All these provisions have implications for the way contract labour is employed in the IT industry too.

If the act is strictly implemented, it would be illegal to employ someone to work on contract who gets paid less than a regular employee of the company for the same kind of IT job (such as coding, bug fixing or support), or even in similar IT jobs in other companies. Also, as per the provision that states that contract labour should not be employed where the work is of perennial nature and necessary for the work of an establishment, it would be illegal for a company to employ contract workers for a number of months on long term projects. The contract labour should be abolished and employees should be made permanent in the above scenarios.



As per reports, the IT industry in India would have generated employment to the order of 1.83 lakh new jobs in 2011 (TOI, 1 Apr 2011), yet the number of people graduating from the engineering colleges and possibly looking for IT jobs is about 5.5 lakh (National employability Report 2011). This creates a class of desperate jobseekers looking for work, who often fall prey to the IT job scams and also would be willing to take up the contract work

. It is hoped that better awareness of the provisions of the contract labour act, and better implementation by the government, would help in curbing the disturbing trend of the increase of such jobs and the exploitation of job seekers who sign on for them.

---

---

## **India's IT Compradors**

**By Haridas**

***Reading Experience of Jyoti Saraswati's Dot.Compradors; Power and Policy in development of Indian Software Industry***

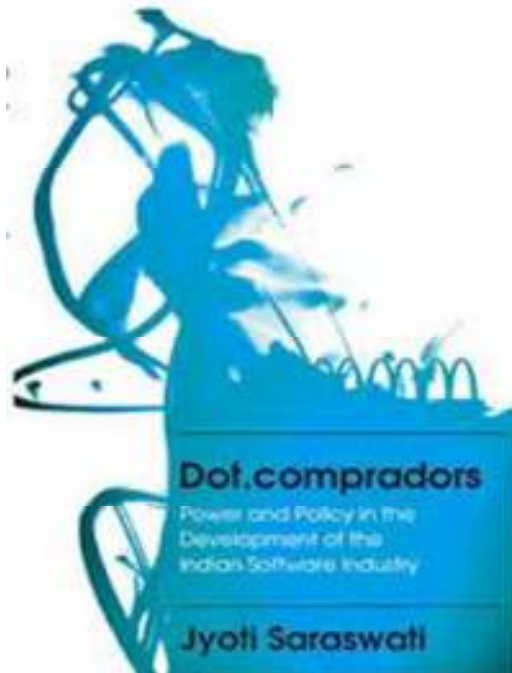
Even though Indian software industry has been often discussed as THE industry for India in the mainstream, there exists a dearth of critical literature on the IT industry. One reason could be that progressive scholars did not consider it important in the path of India's development. *Dot.Compradors* fills this gap as it is one of the first books of its kind which gives a rigorous critique from a structural analytical frame work to the tall claims of neo liberals about the IT industry. It also traces the trajectory of the development of the industry, throws light on the current crisis, and most importantly, puts forward an alternative policy agenda.

The book starts by exposing seven myths about the Indian software industry. The book defines the magnificent seven of the sector - four global giants (IBM, Accenture, EDS & Cap Gemini) and three Indian majors (TCS, Infosys & Wipro) which grew organically by acquisitions to provide IT consultancy, IT services and IT outsourcing. All these companies have a history of a minimum of thirty years. The decision by IBM to unbundle software and hardware in 1960s opened the markets for independent software industry and it got a major boost through the PC revolution in 1970s. When in 1980s the remote delivery model offered the possibility of service provision from anywhere in the world, Indian software firms were in the forefront and had a monopoly on such provision throughout 1990s. The structure of Indian IT industry is underpinned by economic relations between local software capital and the domestic



***The book traces the origin of Indian IT industry in 1970s, with the establishment of Department of Electronics which formulated an active and interventionist IT policy.***

computer hardware manufacturers, between their connection with foreign capital and competitive structure of the hardware industry.



The book traces the origin of Indian IT industry in 1970s, with the establishment of Department of Electronics which formulated an active and interventionist IT policy. Electronics Corporation of India Limited was launched to manufacture computers. The objective of this was to ensure that India's computer capabilities could not be challenged by any embargoes. It was reported that the TNCs did not bring in any technology change and was responsible for a net outflow of foreign exchange. DoE through another policy attempted to control the TNCs (including IBM) operating in India by diluting their ownership. And in 1972 software export scheme was formulated to generate foreign exchange.

While analyzing the impacts of the policies, the author finds that the expectations were partially met. ECIL started manufacturing indigenous computers but failed in mass production. Software export scheme was successful in opening an export oriented software industry - TCS was the first company to join in this scheme and within 2 years after joining the scheme TCS started software exports to USA.

Many firms joined the scheme after seeing the success of TCS. But the restriction of the scheme in operating in Indian market put many of the companies in the scheme at the lower end of the value-chain. The priority given to hardware manufacture over software export resulted in lack of any logistical or financial support to the software export firms.

The book explains how the deceptive mini-computer policy, implemented by Janata government after the Emergency by not having any enforced licensing system and by promoting import intensive computer industry in disguise boosted the software industry. The said objective of the policy was to increase the availability of mini computers through the controlled competition of private firms. Government did not make any significant steps to produce the components for the hardware which resulted in importing the parts and just assembling them. The government cleverly removed all the top orders of DoE as the government expected highest resistance towards implementing the policy.

The period between 1986 and 2000 witnessed the major growth of the software industry with the state setting up satellite networks and other measures to increase software export. Without these steps, software industry would not have enjoyed the growth rate. On the other side the hardware industry took a major hit. The formation of NASSCOM in 1987 was the first step in the estrangement of software and hardware industry in India.

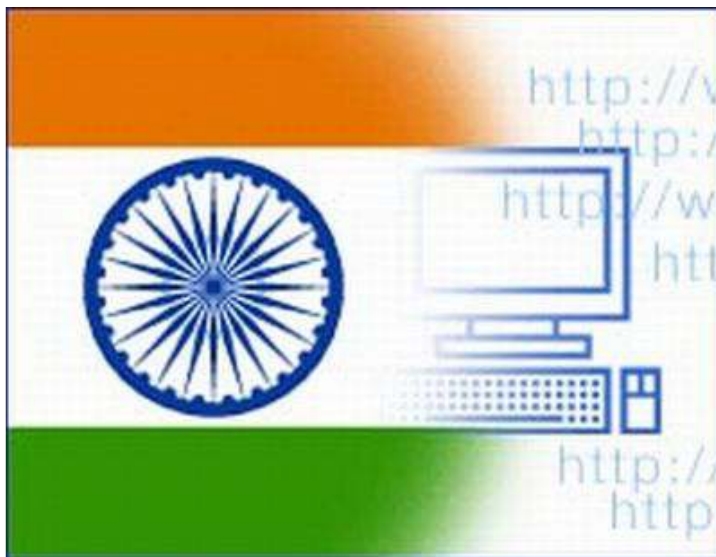
The book also demonstrates how the giants expanded their operation in India which was made possible by globalization, and how they captured the control of NASSCOM between 2000 and 2010. The capture, NASSCOM's focus has shifted from the strategy of 'India Inc' to 'Destination India'. The shift was to facilitate a business friendly environment for attracting foreign investments in IT in India. NASSCOM also took over from DoE as the chief purveyor of research and information on the industry. The giants with shameless poaching practices increased their head count and the Indian majors struggled. When the giants increased in size in all possible ways including poaching, the Indian majors

**The book also demonstrates how the giants expanded their operation in India which was made possible by globalization, and how they captured the control of NASSCOM between 2000 and 2010.**



responded by moving out of India and starting operations in other countries. While the Indian majors may succeed commercially, this will have an adverse impact on India's development as employment generation in India will go down. Apart from a nationalist perspective the author lists down three major reasons why this shift is detrimental to long term development. First, such a shift will block the Indian software industry's technical and commercial advancement as higher end software services still requires on-site delivery. Second, TNC captive dominated industry will not have any concern on India's development. Hence for them closing down the centres in India will not be a major concern. Third, TNC repatriation of profits will have a negative impact on foreign exchange. Also it will lead to brain drain due to intra-firm transfer of employees.

The author demonstrates that TNC controlled NASSCOM does not face much resistance from 80 per cent of the non TNC members. It shows that NASSCOM succeeded in making the SMEs feel that their interests have been taken care of by them. The Indian majors also do not make any resistance possible because of the fear that, if they oppose the giants in India, their own operations in USA and Europe will be hampered. In this context, the author points to the need of an alternative research agenda in unraveling (1) Poaching and feeder system (2) Government Procurement (3) New export market (4) The domestic market.



In the last part, the author takes on the World Bank's claim that the IT industry is the new model of development for other developing countries. The author argues that the model cannot be simply reproduced as there were specific reasons for the growth of Indian software industry. The software industry had some specific advantages. Through the software export scheme and the mini-computer policy, Indian firms enjoyed a virtual monopoly on remote delivery. The Indian majors were expanding their operations in late 80s and 90s while the outsourcing phenomenon was emerging and at that time, the majors were competing not with the TNC giants, but with small firms abroad. On the question of role of state in the development of software industry, the author clearly demonstrates that it is through the active and effective support of the Indian state that the industry has grown to become what it is today. The power of NASSCOM, apart from hindering the long term development of the Indian software industry, used the H1-B visa issues to force the Indian state to liberalise services in other industries also. This affects subsistence of millions in India negatively. IT industry provides employment to 2.2 million directly and 8.2 million indirectly which together constitutes just over 2 percent of the Indian labour force. Hence because of their exercise of power on behalf of TNCs as strategic advisor to the state, the top brass of NASSCOM are characterized as dot.compradors.

The book does not deal with three related and vital aspects – first, the question of IT employees, their attitude towards TNCs and Indian majors and also on being poached; second, the small medium Indian companies who had to struggle against the Indian majors and had to work as a feeder system for them; the degree of discrimination in the state's support to the majors and small players. Lastly, how can one be assured that if the TNC giants are not there, the Indian majors will not expand operations in other countries and will contribute to employment generation in India?



*This ongoing protest against nuclear power plant in kudankulam is “against the ignorance of the ruling class and scientists, not nuclear science”.*

## **Nuclear Energy & AERB**

**By Raghuram**

### **Brief Introduction of Struggle**

The protest against Kudankulam Nuclear Power Plant(KKNPP) has passed more than 425 days. Four state police forces; the Tamilnadu state police, central armed force, the army and the air force; with more than 6000 modern armed personnel are trying to suppress peaceful protests and bring Kudankulam, Itintakarai and surrounding areas under their control. State and Central government started to suppress the peaceful protest against KKNPP with iron fist and started commissioning of the installed reactors. Madras high court gave its nod for fuel loading of Unit 1 in KKNPP on Aug 31, 2012. It dismissed the petitions citing “Atomic Energy Regulatory Board(AERB)’s safety measures have been implemented and statement by former president Dr.Abdul Kalam’s that “Kudankulam Nuclear Reactors are safe” which he made after his visit to KKNPP which lasted hardly four hours. Supreme Court also refused to stay the fuel loading but agreed to examine the risk associated with the project on September 12, 2012. On September 27, 2012 Bench of Justices K.S.Radhakrishnan and Deepak Misra told “Money is not an issue. If we are not satisfied with the safety then we can stop plant from being commissioned”. Those who support nuclear energy kept on claiming that “Kudankulam Reactors are built with sophisticated or latest technology and necessary safety measurements have been taken. In addition, they also claim that nuclear technology is the best way of power generation to meet India’s power requirements”. Parliamentarians, scientists, missile scientists, nuclear reactor merchants, and some Saffron outfits are painting a rosy picture about nuclear energy to people of India without enough information to support their views.

### **The Propaganda**

On May 22, 2011 Nuclear Power Corporation India Ltd (NPCIL) released a comic book for propagating the misconceptions about nuclear energy. One of the statements was “radiation is not an enemy, but a friend of

man”. The example given to support this statement is that, radiation is used in sonography, so how can it be harmful to babies? The NPCIL Corporate Planning and Corporate Communications department, which released this booklet, seems to be unaware of the fact that the radiation used in sonography is sound waves. We have “Scientists” who don’t know the difference between sound wave and nuclear radiation. Though there are mentions of earthquakes, tsunami and other natural disasters in the booklet, there is no mention of Fukushima disaster, though this booklet is written after the Fukushima disaster.



The question which people of Kudankulam are asking to those who support nuclear energy; “Is it a constructive scientific technology to produce power?” Supporters of nuclear energy are considering only the enormous amount of energy generated with nuclear fission. They are not really bothered about what is happening in a uranium mine and its surrounding areas, what will happen after fission with nuclear waste. The ruling class of India and scientists who claim that they stand to support the development of this country has failed to understand the fundamental issues of nuclear power production process that is known to the kids who are playing in streets of Kudankulam. We need to understand this ongoing protest against nuclear power plant in Kudankulam is “against the ignorance of the ruling class and scientists, not nuclear science”. Political leaders of various parties, nuclear scientists, Madras High Court and the Supreme Court are not at all ready to stop the fuel loading in unit 1 of KKNPP. The reason behind this stand is “Approval from Atomic Energy Control Board (AERB) for fuel loading”. In such a situation, it’s very important to know more about AERB.





### ***Brief History of AERB***

*AERB was set up in 1983 by the Department of Atomic Energy(DAE) to lay down safety standards, frame rules and regulations in regard to public and worker safety under the provisions of the Atomic Energy Act of 1962 . It reports to Atomic Energy Commission(AEC). The most import tasks of AERB according to Atomic Energy Act 1962 are overseeing safety of nuclear reactors, determining acceptable amount of radiation and determining the security measures to be taken while decommissioning the reactors.*

*The Chairman of the AEC is also the head of the DAE. The Chairman of the NPCIL and the director of Bhabha Atomic Research Centre (BARC) are also members of AEC. However, the chairman of the AERB is not a member of the AEC! Thus, the regulatory authority is a subordinate body to the NPCIL and BARC, the very organizations it is supposed to regulate! This makes the regulatory process a complete shame. Among nuclear and threshold nations of the world, India is the only country where such a situation prevails. Not only is AERB subordinate to the body it is supposed to regulate, it is completely dependent on the DAE. The AERB depends on DAE to a major extent for funds, manpower, technical expertise and material resources. The AERB and DAE do not share any information regarding safety.*

*This lack of independence of the regulatory authority in India contravenes the international Convention on Nuclear Safety (CNS), of which India is a signatory. According to this convention,.*

- 1. The regulatory body should be provided with adequate authority, Competence and financial and human resources to fulfill its assigned responsibilities.*
- 2. There should be an effective separation between functions of the regulatory body and operator of nuclear plant.*
- 4. The regulatory body must communicate its regulatory decisions and their bases to the public.*

*The functioning of the AERB violates the CNS on all the above*

*aspects. Only in India regulatory board is not an independent body and is completely dependent on DAE, AEC and NPCIL for almost everything. Just to put a perspective; even in IT industry, Quality Control Team is separated from the development team. But AERB is an exception in this case. The AERB, keeps extending the life of the Tarapur 1 and 2 reactors, though they should have been shut down long ago(Life time of any Nuclear reactor is maximum 40 years). These reactors are of an even earlier make than the Dai-ichi(Mark-1) Fukushima reactors which exploded in March 2011. Only AERB can explain on what basis it has extended the life of the Tarapur 1 and 2 reactors. There are no standards released by AERB on security measures to be taken during shutdown of nuclear plants. In many developed countries regulatory bodies are functioning independently, with adequate authority. But in India it's a toothless body. Madras high court, Supreme court of India have refused to stop fuel loading in Kudankulam nuclear plant based upon this body's report.*

*Probably the only time the AERB has attempted to function as an independent safety regulator was in the period 1993-96, when Dr.Gopalakrishnan was the Chairman of the AERB. During his tenure, the AERB undertook to prepare a comprehensive document on DAE's safety status. However, all his efforts to improve the safety situation of India's nuclear installations were stonewalled by the DAE (In Gopalakrishnan's own words - in an article published in Frontline in 1999). The AERB staffs were referring to more than 700 of the DAE's own documents. The AERB prepared a report titled Safety Issues in DAE Installations. It covered about 130 safety issues, of which 95 are of top priority. This document was discussed and approved by the AERB at its 46th meeting on November 7, 1995 and then submitted to the AEC. To date, however, it is not known whether any concrete action has been taken on this report, even though the present Chairman of the AERB asserts to the press that "every issue is being seriously looked into". Dr.Gopalakrishnan retired from office on June 18, 1996. He said "I discovered that it was a total farce. I was of the opinion that the government and the public should know this because ultimately they finance the nuclear establishment.*



***The DAE wants the government and the people to believe that all is well with our nuclear installations. I have documentary evidence to prove that this is not so”***

***-Dr. GopalaKrishnan, Ex Chairman of AERB***

*My straightforward attitude was not liked by the top bosses of the establishment. The DAE wants the government and the people to believe that all is well with our nuclear installations. I have documentary evidence to prove that this is not so ” to news reporters.*

*Until today AERB audited all the Indian nuclear reactors for three times and it has submitted the report to the DAE. All the reports are classified as “Top Secret” and shelved by DAE. None of the reports are available to public. First safety audit was done after the Three Mile Island disaster in the USA in 1979. Second safety audit was done immediately after the Chernobyl disaster in 1986. Third safety audit was done when Dr.Gopalakrishnan was chairman of the AERB between 1993 and 1996. Following the Fukushima disaster the Prime Minister Dr. Manmohan Singh ordered a safety review of all nuclear reactors in India on March 14, 2011. AERB formed a committee and safety of reactors was reviewed. It submitted a report on August 31, 2011 and declared that “All the nuclear installations are very safe in India”. Integrated testing of the Emergency Core Cooling System(ECCS) of (Kakrapar Atomic Power Station-1(KAPS-1) was not done as a part of the review. ECCS is the only back-up system in case of a “loss-of-coolant-accident (LOCA). It will prevent from the core meltdown in the time of any accidents. Hence it’s a valid question that “How did the AERB satisfy itself that all the safety systems of the reactor were working satisfactorily without a detailed testing being done?” According to Kaiga township residents around 250 workers at Kaiga nuclear plant in Karnataka were exposed to radiation on November 24, 2009. AERB has reviewed this incident and it said “only 2 works were affected” in its report, which is submitted on November 29, 2010.*

### ***CAG Report on AERB***

*Comptroller and Auditor General of India audited AERB and released a 100 page report in August 2012. CAG studied legal status, responsible for overseeing safety of nuclear reactors, determining acceptable amount of radiation and determining the security measures to be taken during the reactor is permanently shut down and various role of AERB. This audit reveals*

- 1. AERB did not have the authority for framing or revising the rules relating to nuclear and radiation safety.*
- 2. AERB failed to prepare a nuclear and radiation safety policy for the country in spite of a specific mandate in its Constitution Order of 1983. The absence of such a policy at a macro level can hamper micro level planning of radiation safety in the country.*
- 3. AERB had not developed 27 safety documents despite recommendations of the Meckoni Committee in 1987 and the Raja Ramanna Committee in 1997 to expedite development of safety documents. There were significant delays in development of the safety documents test checked in audit.*
- 4. The Supreme Court had directed (2001) the setting up of a Directorate of Radiation Safety (DRS) in each State for regulating the use of medical diagnostic X rays. However, as on date (July 2012), out of 28 States and seven Union territories, DRS had been set up only in Kerala and Mizoram.*
- 5. AERB had no direct role in conducting independent assessments and monitoring to ensure radiological protection of workers despite being the nuclear regulator of India.*
- 6. AERB did not have a detailed inventory of all radiation sources to ensure effective compliance of regulations for safe disposal of disused sources.*
- 7. Although AERB maintained liaisons with international nuclear organisations, it was slow in adopting international benchmarks and good practices in the areas of nuclear and radiation operation.*
- 8. AERB had not yet availed of the opportunity of the peer review and appraisal services of IAEA to get its regulatory framework and its effectiveness reviewed by them.*

### ***Global and Indian trend in Nuclear power generation***

*Most of the developed countries like France, Germany and Japan which are dependent on Nuclear energy for power generation have stopped planning and constructing new nuclear plants. Japan's 30% of power generation were depended on nuclear energy and it closed 52 of its 54 nuclear reactors and it announced Japan will be*



---

**France, have started decommissioning all of the nuclear plants. France's 75% of total power generation is dependent on nuclear energy.**

---



nuclear independent country in next 30 years. Major nuclear energy depended country, France, have started decommissioning all of the nuclear plants. France's 75% of total power generation is dependent on nuclear energy. Germany promised to its people that it will close all the plants before 2022. On the other hand India, only 2.7% of power generation out of 170000MW depends on nuclear energy, and is trying to expand without enough regulatory steps. DAE and its subsidiary bodies are continuing to claim that all the reactors are safe. You have to also remember that there is no technology available to dispose nuclear waste safely in any country including developed countries.

In this situation the ruling class and nuclear scientists of India have created an illusion that nuclear technology is safe and best method for power generation. How do you break this illusion? Will our parliamentarians and nuclear scientists will realize and reveal the truth to the public? It's our duty to break this illusion or myth of AERB, AEC and DAE. Parliamentarians, nuclear scientists, High court and Supreme Court are citing a hardly independent body, AERB's report to commission the KKNPP to produce dubious energy. AERB's statement on nuclear reactors is similar to Political leader's statement on "Eradication of poverty in India in 5 years". The truth is "nuclear reactors are not at all safe to human beings, environment, and marine life for hundreds of thousands of years even if it works normally without any incident or accident".

#### **References:**

1. "Nuclear Energy Technology from Hell" written by Neeraj Jain
2. CAG Report on AERB
3. Various articles from dianuke.org
- 4.<http://www.thehindu.com/news/national/no-stay-on-fuel-loading-but-sc-will-examine-risk-factor/article3892860.ece>.
- 5.<http://www.thehindu.com/news/national/stay-commissioning-of-kudankulam-till-safety-steps-are-applied-bhushan-urges-court/article3918476.ece>
- 6.<http://www.thehindu.com/news/states/tamil-nadu/will-stop-kudankulam-if-its-found-unsafe-supreme-court/article3942238.ece>

- 7.[http://thecolloquium.net/colloquium/index.php?option=com\\_content&view=article&id=183:nuclear-jaitapur&catid=76:in-focus&Itemid=308](http://thecolloquium.net/colloquium/index.php?option=com_content&view=article&id=183:nuclear-jaitapur&catid=76:in-focus&Itemid=308)
- 8.<http://www.guardian.co.uk/world/2012/sep/14/japan-end-nuclear-power>
- 9.<http://www.ndtv.com/article/india/pm-orders-review-of-safety-at-indian-nuclear-plants-91588>

---

---

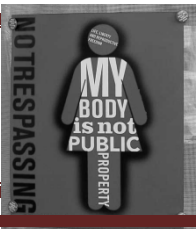
### ***In the name of culture...!?***

***By Deepthi***

*It was quarter end and my company magnanimously celebrates the success of every quarter with a "Liquor Splash" (Name of the event changed) party for all its employees. This is probably the most awaited event for all of us since the souls that have only been celebrating free and unlimited Internet at office, for the first time will be seeing free and unlimited liquor.*

*One of my friends Sindhu, a simple and homely girl came up with one of her weird thoughts of what if someone resists the participation of girls in the party. Though this is the first time am attending the party, I was sure (out of the limited general knowledge that I gathered and with inputs from my other colleagues) that the beer is actually free for all the genders. What took me on a surprise is, why she was even worried that someone would have any problem with the girls celebrating. Out of the few fortunate things of being in IT industry, this is one aspect where we are shielded from the fundamentalist groups.*

*Keeping the rich and the powerful out of this contest, I am talking of the lesser privileged women (that is the women like you and me) who are by any chance more vulnerable to the incidents like the one that happened in Mangalore where a group of more than 50 men from Hindu Jagarana Vedike, barged into the Morning Mist homestay in Mangalore attacking the partying boys and girls on the pretext of saving Hindu culture. What was worse is, the girls being slapped, stripped and molested by these*



***The utter absurdity of the report by State Women's Commission is evident from the fact that the chairperson did not bother to talk to any of the victims and instead advices youth to save themselves from 'the forces'***

goondas while the young men and women were pleading for innocence and just celebrating a birthday party with their friends.

### **What has been happening in Karnataka recently -**

Barbaric incidents like these have now become a routine in certain parts of Karnataka with the Hindutva hooligans pulling up and punishing young men and women of different religion talking to each other or traveling together. These fundamentalist groups seem to be aggravating stray incidents involving combination of Hindu and Muslim individuals and creating a false environment of intolerance. It's a political strategy which has nothing to do with Hinduism.

Dozens of attacks have been happening on minorities and women since 2008. The state witnessed an eruption of violence in coastal and north Karnataka, with attacks on hundreds of churches with police collaboration. From 2008 onwards, Hindutva vigilante groups began aggressively targeting young couples, especially young boys and girls of Muslim and Hindu communities who were seen together. According to the reports compiled by Komu Souharda Vedike, an anti-communal organisation, more than 150 cases of moral policing have been reported in the past two years alone. These so called "guardians of culture" have unleashed fierce repression and turned Mangalore into a Hindu Taliban bulwark, where women are attacked if they go to a bar, where Hindu girls & Muslim boys must never be seen mingling with each other socially, where youngsters are not supposed to be talking to each other in public. \*1

A planned indoctrination of communal hatred is being carried out in Karnataka. According to some of the reports from Tehelka, changes are being made to the curriculum of social science text books to suit old prejudices, and the government has supposedly allocated 14 crores from the budget for these textbooks to be published for the next academic year. Since 2008, there have been more than 15 educational institutions that have imposed a ban on Burqa in the Mangalore district alone.

### **Role of Karnataka State Women's Commission**

Thanks to the State women's commission, that investigated the Homestay attack in Mangalore and submitted its report to the home ministry. The utter absurdity of the report is evident from the fact that the chairperson did not bother to talk to any of the victims and instead advices youth to save themselves from 'the forces that lead them astray'\*2.

The entire nine page report supposedly doesn't have a single mention about Hindu Jagaran Vedike which masterminded the whole homestay attack episode in Mangalore. The report, as per the media, rather recommends an investigation into the activities of the owner of the homestay and the organisers of the party, in spite of the police themselves clarifying that there was no usage of drugs or alcohol. It is irresponsible on the part of the women's commission to repeatedly call it a 'rave' party. The state women's commission's report clearly exposes its stand which blatantly shields the Hindutva terror groups involved in the attack.

### **Responses from various sections of society**



There was a sea of demonstrations across the state of Karnataka opposing this inhuman act in the name of moral policing. Many student, youth, women organizations staged multiple protests in various parts of Karnataka against these fundamentalist groups and to demand action against the actual culprits. What is noteworthy is certain sections of women like those working in the IT industry have also registered their protest against this Talibanisation of Karnataka.

\*1 Source: Tehelka magazine

\*2 Source - The Hindu

*The United Kingdom has one of the oldest histories in work and workplace relations occupying a central area of public discussion.*

**THE LABOR MOVEMENT:**  
*The folks who brought you the weekend.*

## **Industrial Relations and Labour Laws Around the world**

### **- Part 2**

**By Secki**

*Continuing our look at labour laws and industrial relations around the world, we take a broad look at the scenario of workers in the United Kingdom and Germany in this edition.*

#### **3. UNITED KINGDOM**

*Total Population – 62.26 million (2011)*

*Above 15 years – 51.05 million (82 % of total population )*

*Active Labour force – 31.73 million ( 61.15 % of above 15 population )*

*Informal Sector Economy - around 13 %*

*Unemployment Rate (2011) – 8.1 %*

*The United Kingdom has one of the oldest histories in work and workplace relations occupying a central area of public discussion. A key to understanding the industrial relations is the existence of the Labour Party. The workers of the UK found out in the late 19th century that it was important for them to have political representation in order to have laws that were favourable to workers. This - in combination with the granting of universal adult franchise to all workers, resulted in the drive to form the Labour Party. The party itself followed broadly socialist-left policies that favoured the working classes.*

*Thus, UK is one of the homes of industrial democracy and Trade-Union activity.*

*Trade unions form the backbone of all negotiation since they are also recognised as organisations on par with corporations. Due to the negotiation of unions at every site-level and company-level, the conditions of work and pay-related matters can vary. There are strict legal provisions to prevent unfair dismissals and discrimination of employees.*

*The largest confederation of trade-unions in the UK is the Trade Union Congress (TUC). The UK has traditionally had*

*very large union memberships and when there was a decline in union memberships post-1980s, the multiple unions that existed consolidated to form several federations like UNITE, Amicus and CWU. These unions, curiously enough - also represent a range of workers within the IT and Telecom industries amongst others.*

**THE LABOR MOVEMENT:**  
*The folks who brought you the weekend.*

*The Minimum Wage in the UK is revised annually and is currently set at GBP 6.19 per hour. This roughly translates into Rs 93,823 (per month) for 22 working days of 8 hours (at current exchange rates). There are elaborate provisions for unemployment insurance providing a income to those who are unemployed. This insurance can be a combination of contributions that were made while working or can come from Govt allowances. The UK also has one of the oldest and most comprehensive system of Health and Safety in place for workers.*

#### **4. GERMANY**

*Total Population – 81.3 million (2011)*

*Above 15 years – 70.48 million ( 86.7 % of total population )*

*Active Labour force – 41.72 million ( 59.2% of above 15 years)*

*Informal Sector Economy - around 15%*

*Unemployment Rate (2011) – 7.7%*





***Garam Hawa, a metaphor for testing times, times of betrayal, times of hatred, times of bloodshed and broken homes and hearts.***

Germany has the largest economy in Europe and one of the most peaceful industrial relations in the world. The system of industrial relations was shaped during the post-World War-2 era and was directed towards depoliticising industrial relations by giving workers a greater say in the entire production process and lessening the conflict in the work-place.

A most unique characteristic is the presence of 'Works-Councils' which are composed of members elected by the employees and represent workers in meetings and discussions of that company. Thus, the company has to prove to its Works Council that it does not have any option but to lay-off employees before it does so. In fact, if the Council does not agree with the company, in the case of large-scale layoffs, then it has the right to prevent it by appealing to the regional labour office.

However, it must be noted that the Works Council cannot be involved in collective bargaining (issues like salary, work-timing, health-safety, skill development) or call for strike or any industrial action. Thus, it is essentially a consultative and negotiating body with the management. Companies can even have upto 49% reservation for worker representatives in their Board of Directors.

The right to call for strike and collective bargaining are in the hands of the trade-unions. Trade-Unions can only call for strike for issues that can be governed by collective bargaining. Political and General Strikes are not allowed. The unions are typically at the individual office level - from which representatives are elected to the company level and finally industry and national level. Thus, there are large national level confederations like the DGB (Deutscher Gewerkschaftsbund) which is the umbrella for most other industry level federations. Most negotiations are held at the industry sectoral level. These industry negotiations usually take place at the individual State-level.

The daily working time is fixed at a maximum of 8 hours (excluding breaks). An extension of working time upto 10 hours is possible if within six months an average of 8 hours per day is not exceeded. It must be noted though, that there are no fixed minimum wages.

Though this is now being questioned due to the increase in low-paying jobs - the lack of it leads to greater union activity and workplace negotiations. Germany is one of the costliest countries to lay-off people (due to severance pay, labour clearances etc) and it is not unusual for companies and unions to negotiate a settlement to decrease wages across the company in order to prevent people from being laid off during times of economic distress.

***This is second and last article in our series on Industrial Relations Labour Law***

## ***Garam Hawa – Testing Times***

***By Kavita***

The movie opens to around 15 people. Silence draws in the room. All eyes turn on Balraj Sahani, in the opening scene to watch his last and arguably the best performance.

*Garam Hawa, a metaphor for testing times, times of betrayal, times of hatred, times of bloodshed and broken homes and hearts.*

This is arguably one of the finest movies made on partition. Based on an unpublished story of noted writer Ismat Chughtai and adapted for screenplay by Kaifi Aazmi, *Garam Hawa* showcases the plight of a muslim family settled in Agra after partition.

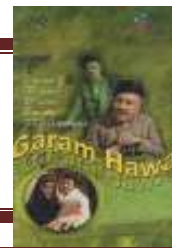
For first time director MS Sathyu it remains today one of his finest films. It was a bold attempt to break out of the cliches of mainstream Hindi cinema of those days. Sathyu attempted to portray a slice of our history that had affected everyone but had been swept under the carpet in an attempt to hide the pain and trauma it caused. The film brings home to the viewer not only the emotional trauma of losing our roots but also the complete social and economic devastation that follows.

*Garm Hawa* is about choices and consequences. Salim Mirza, a shoe manufacturer in Agra, has elected to stay back in India after Partition, but his decision gradually tears apart his family. A prospective son-in-law migrates

---

***Garam Hawa is often described as one of Balraj Sahni's finest, if not the best, performances.***

---



---

*to Pakistan, while business suffers because lenders don't want to advance money to Muslim traders who may up and leave without repaying their debts. His daughter, Amina, decides to marry a suitor, but is left heart broken a second time when he too migrates. The Mirzas lose the mansion in which they have lived for generations. Salim Mirza is plagued by self-doubt. Should he have left in 1947 itself? Where is home-and what does it mean to be a Muslim in India?*



*Garam Hawa is often described as one of Balraj Sahni's finest, if not the best, performances. And that is essentially true. His is a towering performance and he plays the role of a man who is trying desperately hard to solve desperate circumstances with dignity and hope with aplomb. His is a character who wishes so much that life would go just like how it used to be in the past. Another outstanding performance is by Gita Siddharth. She is an intense actress who brought out her character beautifully. Incidentally, most of the actors were new at the time and were discovered at Indian People's Theatre Association. This was the first movie for most of the cast and crew. It was Sathyu's superb handling of the actors that ensured that each character, however minor, held their own, giving the film a lyrical realism never seen before.*

---

*Dadi Amma, the old matriach of the family who delivers an unforgettable performance as Salim's mother was discovered in the Mohalla where the story was filmed.*

*Talking about music, the movie doesn't boast of many songs, but the qawalli by Ustad Bahadur Khan lends its dramatic effect and leaves the audience spellbound.*

*In the final shot of the movie, finally Salim Mirza makes the journey to the train. On the way, Salim and his son Sikander (Faroukh Shaikh) encounter a massive protest rally which seeks to unite the dispossessed of the nation. First Sikander, and then Salim, join the flag-waving mob. The train is forgotten, and the final scene brings a sense of hope as we see Salim accept his situation in a new way and begin to take charge of his life. The ending of the film is uplifting as it shows Muslims standing up for themselves and demanding their rights to better treatment from their non-Muslim Indian brothers.*

*The film ends on the notes of unity and awareness, as the audience in the room doubles up towards the end, left mesmerized by the intense movie, trying to gather their thoughts, and speak up their minds.*

---

---

### **Question Point**

Q:

Hi,

*My friend works for a IT based company. He works for his clients at different places. He got a new job and he submitted his resignation. The HR is forcing him to sign an indemnity bond that he will not work for the clients of his company for 3 years or should pay 10 lakhs as indemnity, unless and otherwise he will not be relieved. The HR says this only after his resignation. Is it right for an employer to enforce such bond after resignation? HR says that, without signing the bond, my friend cannot be relieved and his resignation cannot be accepted. He is serving his full notice period with his employer.*



**Question Point will be a regular column in our newsletter. Please feel free to send your issues/ queries to [contact@itecentre.co.in](mailto:contact@itecentre.co.in) or drop them by [www.itecentre.co.in/contact](http://www.itecentre.co.in/contact)**

Also to add, there is no mention of the bond in the joining terms and conditions.

How can this be handled? Kindly let me know your opinion on this.

Thanks.

A:

'Bonds' are agreements between employer and employees. By Indian Contract Act 1872, promises or agreements made by the parties to a contract are legally binding to them. For a contract one party has to make an offer and another has to accept it. The parties must give their consent freely ie; without coercion, fraud etc. Absence of free consent will make a contract legally unenforceable. Being said that your friend has all the rights not to sign the bond.

## INDIAN CONTRACT ACT



If a bond is a valid contract it holds good in eye of law. But agreement should not violate any fundamental rights provided by the constitution or any other existing law. Agreements which have been expressly declared void or illegal by law are not enforceable at law. For the simple reason of existence of an agreement, employees are not tied eternally to a company. A contract can be void, illegal or even unenforceable. It can be decided only by fully comprehending the conditions of agreement; ie content of offer letter and agreements.

For the same reasons 'supari' contracts are illegal and does not stand the test of law. But agreement should not violate any fundamental rights provided by the constitution or any other existing law.

A contract of indemnity or 'indemnity bond' is to save other party from any loss caused by the conduct of the promiser. By Section 27 of the act "Every agreement by which anyone is restrained from exercising a lawful profession, trade or business of any kind, is to that extent void." This clearly shows the employee will not be bound to the restrictive covenant as mentioned in the query even if such agreement was signed while joining. An employee is free to work anywhere, even if it is the client or competitor of the current employer, post termination or resignation.

Post-termination non-compete clauses in employment contracts have been held void and unenforceable by Indian courts under Section 27. This was made clear by Supreme Court of India in *Percept D' Mark (India) Pvt. Ltd v. Zaheer Khan* case. Supreme Court observed that under Section 27 of the Act a restrictive covenant extending beyond the term of the contract is void and not enforceable. This was asserted recently by the New Delhi High Court in *Desiccant Rotors International Pvt Ltd v. Bappaditya Sarkar & Anr.* The court ruled that in the clash between the attempt of employers to protect themselves from competition and the right of employees to seek employment wherever they choose, the right of livelihood of employees must prevail.

Knowledge makes one person confident. Your friend can serve the notice period and relieve from the company confidently.

Ref:

<http://www.citehr.com/31082-how-valid-these-employee-contracts-bonds.html>

<http://www.vakilno1.com/bareacts/indiancontractact/indiancontractact.html>

[http://www.pepperlaw.com/publications\\_update.aspx?articlekey=1714](http://www.pepperlaw.com/publications_update.aspx?articlekey=1714)





## **'Standing Orders' and IT Industry**

**By Ramkumar**

*IT industry has remained a glamorous opportunity for Indian youth throughout the last decade or more. Compared to any other sector IT had a desirable working atmosphere which we had seen only in developed nations till a few years back. Its workplace conditions were world class. Post 2008 recession we are seeing a normalisation in the software industry. Entry level package has remained almost constant during this period.<sup>1</sup>And it is doubtful that number of jobs generated in IT could satisfy the huge number of engineering plus other graduates who aspire to be part of the industry. This is the perspective with which we have to analyse the increasing number of employment fraud cases in IT where freshers pay a hefty sum for grabbing a job. These changes in industry nature force us to examine certain unhealthy practices in the industry which were seldom noticed, or in a more appropriate phrase, seldom cared for.*

### **Package to compensate rights/dignity?**

*The fear of blacklisting and non-issue of Service certificate is often expressed by IT employees, so that they have to be good to the company. The inhuman way of termination, even though most of them are forced resignations are also rampant. It is conflictual that an industry boasting of never-before-imagined working conditions and far superior procedures did not have many times the courtesy of giving a notice to the employee before termination. In the name of cost cutting when some benefits were taken away did it ever have an actual dialog with its employees. How many companies provide procedures for resolution, settlement or prosecution of acts, of sexual harassment? Many of these situations would be impossible if the industry had not been enjoying the blanket exemption from Industrial Employment (Standing Orders) Act, 1946.*

*Does the huge wage compared to Indian standards make it justifiable to have the employees at the mercy of HR and management? These questions are not new or IT sector*

*specific.*

*As stated by Labour Investigation Committee, 1946 "An industrial worker has the right to know the terms and conditions under which he is employed and the rules of discipline which he is expected to follow."<sup>2</sup> Standing Orders is a set of rules which defines the relationship between the employer and the employees. Since the Standing Order is drafted in consultation with the employees and is certified by the Labour Authorities of the government these rules are binding on both the parties. Standing Orders include dismissal procedures and means of redress for workmen against unfair treatment or wrongful exactions by the employer or his agents or servants. You also need to precisely specify what all amounts to misconduct and how the organization is going to react in these situations. You need to include about the probation period, notice period to be given at the time of resignation, any benefits, if given to the employees need to be specified, how do you expect your employees to behave in the office, etc.*



### **Benefits of Standing Orders**

*Standing Orders bring transparency and mutually accepted procedures in work place. Absence of certified Standing Orders makes room for unscrupulous procedures - a company can have their own random firing procedures, employees do not have a say in the working conditions or even company can violate their own standard set of procedures at any time, the company can modify their conditions of work any time eg. transport, food-related, facilities etc.*



**Standing Orders is a set of rules which defines the relationship between the employer and the employees.**

The fact that Standing Orders have to conform to Model Standing Order ensures certain basic privileges for the employees. By Model Standing Order every employee who leaves employment or retires shall be given service certificate and salary or income certificate on request. Withdrawal of currently provided facilities has to be discussed with employees. Increase of notice period cannot be done unilaterally. Companies are to define various shifts, allowance for various shifts other than normal shifts etc. Details of overtime work for an employee has to be properly recorded. And overtime work of an employee has to be paid twice the normal.

The decision of Government to extent the exemption of Software industry from complying with the Industrial Employment (Standing Orders) Act is an unexpected shock to IT/ITeS employees' community. After a too long period of exemption of 10 years and further extension of two more years which expired in August, 2011 industry's request to extend it for another year doesn't seem to be in a right spirit. Not providing any valid reason to support its claim may lead to loss of its good faith among the employees. As noted by Labour Department as well as Karnataka State Women's Commission, large scale complaints from the employees like premature hire-and-fire system, harassment, long working hours with low salary, termination of women employees without proper enquiry, numerous cases of sexual harassment is a reality in the industry.

### **Shallow arguments**

The reasoning behind the move to ask for extension are like high level of attrition, flexibility in terms working hours, style of working etc. which in no way seems to be serious claims. High level of attrition shows opportunity for higher pay elsewhere, which underlines the fact that software employees are not paid proportional to the profit made by the industry. Flexible working hours are possible even when complying with this law. And how the fear of "inspector raj, bribery, and a tool for harassment" could be a reason enough for non-enactment of a piece of law itself? No one hears of complaints on inspector raj when the industry receives huge incentives

and tax holidays through the same inspector raj. It may be a fact that large MNCs provide better working conditions and benefits to the employees than what is entailed by the law, then why do they fear to implement the act. And the conditions in smaller or middle level companies leave much to be desired.

The act asks the firms to formulate rules and procedures to be followed, simple reasoning cannot comprehend the opposition to the act when the technologically advanced IT industry is the most equipped to implement the same. Claim for repeal of an act for the fear that it will lead to unionisation in the industry is in itself pure disregard for the basic freedom provided by our Constitution. And unionisation is in no way related to Standing Orders. When all the big names in the industry places its employees as one of the major reason for their success the move to make sure not the slightest of their voice is heard is pure contradiction. When their counterparts in US or Europe are ready to adhere to similar acts and have more employee participation in decision making what is it that makes Indian IT industry so special to get exempted from the act?

### **Sexual Harassment at workplace**

Another important aspect is that procedures for the resolution, settlement or prosecution of acts of sexual harassment are to be added to the Standing Orders. Through its 1997 Vishaka verdict, the Supreme Court has directed all firms to set up a committee to deal with all cases of sexual harassment at the workplace. Court had framed guidelines to handle cases of sexual harassment at the workplace. Appropriate work conditions should be provided in respect of work, leisure, health and hygiene to further ensure that there is no hostile environment towards women at work places and no employee woman should have reasonable grounds to believe that she is disadvantaged in connection with her employment. Absence of Standing Order means pure absence of such statutory mechanisms.

After the expiry of exemption, the law states that companies should draft the Standing Order and get it approved within



**ITEC took up these serious issues to create awareness among IT/ITeS Employees and submitted a Memorandum to Labour Minister and Labour Commissioner.**

six months. Extending the exemption till next April will in effect provide two more years of exemption after the expiration in last August. Ever since the exemption was over in Aug 2011 ITEC has been campaigning asking the state government not to go for further exemption. ITEC took up these serious issues to create awareness among IT/ITeS Employees and submitted a Memorandum to Labour Minister and Labour Commissioner. ITEC's request has been corroborated by Labour department as well as Womens commission who were also not for the extension of exemption.

### **References**

1.Number of tech graduates swells; salaries at IT firms stay stagnant

2.[http://articles.economictimes.indiatimes.com/2011-11-24/news/30437637\\_1\\_engineering-colleges-engineering-and-technology-graduates](http://articles.economictimes.indiatimes.com/2011-11-24/news/30437637_1_engineering-colleges-engineering-and-technology-graduates)

### **Perspectives about our Economy: A meeting with Professor C.P Chandrashekhar - Part 1**

Feddin, Gokul, Sowjanya and Haynes met Prof. C.P Chandrashekhar, renowned economist and columnist for the Frontline. During an interactive session over a cup of coffee, Prof. CPC shared his views on the Indian IT sector and the looming clouds over the Indian and global economies. ITEC is publishing excerpts of this interview in two parts.

*Q: There is an argument that the IT industry has already reached a critical mass and there is no looking back. It will continue to earn high revenues with little effect due to global level changes and competition from cheap labour in other developing nations.*

*Prof. CPC: Well I would say that the basis for that kind of confidence is not clear because there are two things which we know about this industry. Firstly, if you look at it in terms of*

*fixed cost, the capital that you need to actually put in place in order to undertake a activity relative to manufacturing or certain other areas of information technology like telecommunication, much of the IT industry of the kind which has grown over the period of time in India, for export market, consists of units which actually don't need large capital investment. So it can move quiet quickly and quiet easily to another location. And why India got chosen as a location for IT outsourcing is of course the availability of cheap English speaking skilled labor. And if it so happens over a period of time, other countries are able to deliver that kind of English speaking skilled labor, there is no reason the IT industry will continue to remain in one country.*

*Look at manufacturing industry. South Korea, Taiwan were the miracle countries, and then the other South East Asian countries like Malaysia, Thailand. Now people are talking about China and India. Tomorrow they say it may be Cambodia and Vietnam. If that is happening in manufacturing, I don't see why not in IT industry. The possibilities are very high.*

*Q: In the past, we had seen the financial industry moving from a supporting role to a leading role over the banking industry and capital investments. Similarly do you see in future this information driven capital leading the present finance capital, banking and industry capital?*

*Prof. CPC: There is a fundamental difference between Finance and IT sectors. Finance is capable of layered growth. For example, what happened in the US mortgage market which triggered the financial crisis? You have mortgaged debt which is to create asset for somebody who wants to buy a house, it will create a credit asset. You create a credit asset when somebody wants to buy an automobile. You create a credit asset because somebody wants to maintain high receivables against his/her credit card. In old days, banks used to create credit asset and hold them to maturity till all the commitments due on that asset gets paid off. Whereas what we began to see is that banks were saying*





***We have Warren Buffet coming out and telling us that listen, my secretary is taxed more than me. Please tax me, he says***

*why should I continue to hold the credit asset if I can find myself a buyer. They said: I am going to take a little bit of housing mortgages from San Francisco, some part of California, I am going to take some automobiles loans from New York, I am going to take some credit card receivables from Chicago, etc. and then put them together and create a bundle and make one piece of paper that represents this bundle and sell it to somebody. That somebody would like this paper because the presumption is that since these assets are from different geographies, they are from different markets, automobiles, housing etc. and they are possibly from different income groups, some held by rich, some by middle class, some by the poor, etc. The likelihood that all of these assets or markets would simultaneously crackup is very low. Therefore you think that risk is very low. Then you take these pieces of paper and put them together and you make another level. So now you see, you can have this layering which allows for this sector to be able to breed upon itself and grow. So the kind of growth of finance which you saw is because of the fact that it breeds on itself.*

*Whereas if you take a sector like IT, its growth depends upon the market itself growing, and this depends upon whether people are going to consume IT products, make IT investments etc. and that would depend upon some other set of markets. You know if markets are good, people have money, they go and buy iPods and iPads. You need something to ensure that market is growing over a period of time to generate the demands which feed into the sectors like the IT sector. Growth depends on the growth of the market, both replacement market as well as market for additional demand. So given that, I don't think we can have that kind of, for a period at least, the kind of unbridled and unfeigned growth which finance saw.*

*Q: Over the last quarter you would have seen the GDP numbers really going down. So now the corporate houses and the media are saying that the lack of economic reforms is the reason. What is your take on that ?*

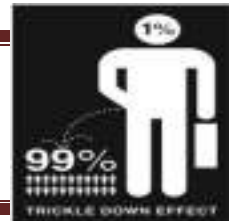
*Prof. CPC: That kind of argument is wrong. But it has a source. What you had over the last decade or so - was that debt-financed private consumption and investment*

*became an important stimulus for growth. You know people could get loans for buying automobiles so the auto industry grew and you had housing loans so the housing sector grew and so on. What you had in the old days is the debt financed public expenditure so when there was a downward trend, the Govt would go and undertake expenditures to make an upward trend in the economy. As opposed to that, now you have debt financed private consumption. Now what you are saying is that for it to be sustained, you need households to borrow. That :*

- 1) You can increase the scale of debt relative to your income and*
- 2) You can remain confident that you will be able to meet your commitments over time*

*And on the other side there will be people who are confident that the system will be able to generate such individuals - that they are confident to lend. So there must be the confidence of the lender and the borrower for such a growth to be sustained. And if anything triggers a loss of confidence then this stimulus just freezes up - which is what happened during the crisis when people realised that all of them were overburdened with debt - that all the balance-sheets were overburdened with debt. So I would say that it is the inability to sustain that and the pressure on the Govt to cut back on its own expenditures, in some sense explains this. How can you say that this is because of reform - obviously there is something wrong in that.*

*However, there might be some way that the statement may have some semblance of truth - not that it is true. And this lies in the fact that it privileged private activity. It used the State to provide all kinds of benefits to generate growth. So you gave them tax concessions, you gave them cheap infrastructure, you gave them 2G spectrum at some old prices and the net result was that there was a huge increase in corporate profitability which resulted in huge savings and corporate investment. So when people say that you need reforms to push this - what they are actually meaning, maybe they realise it - maybe they don't realise it, is that the State should provide some more concessions to actually*



***In manufacturing sector real wages have been completely constant when profits have been booming. And if it is not trickling down to the most powerful segment of the working class then how is it going to trickle down to sectors where people can't get organised***

*inflate the profits of the private sector so that there is a revival in industry. Otherwise, so if you see there must be something called 'an end to reform'. There must be some package which you called reform. But we are in a world where in the last 30 years - reform never ends. Every time there is a downturn all that they say is that there needs to be reforms.*

*Q - Another argument that crops up is that money that is generated at the top of the pyramid flows down - trickles down - So does this actually happen ?*

*CPC - No, no. Earlier at least, people thought that there is this possibility but now the evidence is so overwhelming. Inequality has increased. And if you look at the data - where we have the data - like the organised manufacturing data - we know that real wages have been completely constant when value added and profits have been booming. And if it is not trickling down to the most powerful segment of the working class then how is it going to trickle down to sectors where people can't get organised - like the unorganised sectors and so on. If the most unionised and vocal sections are actually seeing a stagnancy in their incomes then the other sections must be getting adversely affected.*

*Q: This is based on recent newspaper reports - there is a discussion on how inflation needs to be worked by RBI. Or that the Govt is not doing anything due to policy paralysis. Is this something that can be solved by monetary economics like changing the interest rates or that we need some macro-economic steps here?*

*CPC - First of all, either monetary policy or fiscal policy - say contracting Govt expenditure or raising the interest rate - they are mechanisms which would work in a context like when you say the reason why inflation is occurring is because there is excess demand in the system. So what you do is reduce credit expansion by raising interest rate so that people would find credit too expensive. You would then have a decline in investment or*

*even consumption which is financed by debt. Or if there is a cut down on expenditure there would be a fall in demand because the Govt is a buyer in the market and this leads to reduced demand. So the two ideas involved is that whether it is excess demand that is the cause for prices going up and will such an instrument transmit its effects i.e would the demand and consumption actually come down.*

*But suppose inflation is not because of excess demand but because of cost push - that there is a Govt that is reducing subsidies - there is a Govt that is aligning oil prices with international oil prices - that the fertiliser prices should be higher - there is a Govt which is saying that the number of people getting subsidised food should be reduced by putting them in the APL section of the population etc. If you do that and push up all kinds of costs, then inflation is basically occurring because of that. In that case, obviously the degree to which these kinds of instruments which operate on the principle that the inflation is due to excess demand wouldn't have the effect that you would expect. And I do believe in recent times, the nature of reform has been that it pushes you into a higher cost economy - pulling down subsidies - allowing private sector freedom over price and so on. And given that - I think that despite the RBI increasing the interest rate in 13 steps hugely - inflation came down slightly but is back up again.*

*Second of course, there is one other factor - i.e the role of speculation. Now you can say that speculation is to an extent financed by credit then raising interest rates might dissuade people from engaging in speculation. But that is dependent on the expectations of how much of a return that they can get from speculating. If the expectations of returns are rising, then even if you push up the interest rates then the people will keep speculating. And if they keep speculating by lets say hoarding grain - then it will continue to push up prices.*

*Q: But since speculation being an inherent nature of international finance, how can we shield or run away from this? We are already part of this global finance spectrum.*



---

***In the name of ostensibly encouraging growth, what you are actually doing is taking tax payers money or the wealth of the sovereign and using it as a grant in order to be able to subsidize private capital which obviously has other adverse wealth and income***

---

*Prof. CPC: No No; the point is, after all we are a sovereign state. What is the great benefit this country is getting out of all those people coming out and investing in secondary stock markets? Not even in a little bit of primary investment; most of it is in the secondary market. You are trading a stock which was issued long time back and then the money has been taken and is not invested at all.*

*We have to say that it's not only international capital; there is domestic capital now which has decided to move into speculative activity. Which is why you look at the currency futures market, you look at the derivatives market for commodities. Even the Reserve Bank has said that the reason why Rupee is depreciating is because of speculative attack on the rupee which has increased with the operation of the currency futures market.*

*Q: Currently we have seen this competition between states in terms of attracting investments and conducting Global Investment Meets. You have been slightly critical of that approach saying that it's not really generating jobs as it's supposed to or as it is expected to. So in that case what do you suggest as alternative steps.*

*Prof. CPC: I wouldn't say that it gives you zero jobs. But firstly, most of these kinds of activities which you are trying to attract are sort of capital intensive activities; you give them interest rate subsidies, you give them cheap land, you give them infrastructure of various kinds you can say these things matter because they are capital intensive, like an automobile plant. Now the real problem with this sort of competitive bidding to try and attract private capital is that in essence what you are doing is you are beginning to subsidize hugely private activity. The state is taking its resources, which means tax payer's money or taking the wealth of the nation things like land and minerals, offering them at cheaper prices in order to be able to attract private capital. Supposing you say there is this car Nano, whatever it may be, now is going to be produced in State X as oppose to State Y because State X offered a much better deal. And then you start*

*analyzing, listen what was the better deal the State gave; you are virtually saying if a commodity is being priced X, actually its worth 2X. But you are able to sell it at price X because of the fact that another X component is actually coming out of states money because of the concessions and the subsidies its giving you. That's absurd, taking tax payers money to finance profit making or profiteering, whatever it may be. So that's the real danger that you are actually; in the name of ostensibly encouraging growth, what you are actually doing is taking tax payers money or the wealth of the sovereign and using it as a grant in order to be able to subsidize private capital which obviously has other adverse wealth and income distribution.*

*Q: Austerity measures on the public have become a global trend. In your recent article in Frontline, you were critical on austerity in public expenditure. In an inflationary economy is it not a viable solution?*

*Prof. CPC: There are two points that needs to be delved here. Firstly, the whole debate on austerity is occurring at a point of time when in most of these countries what we are seeing is deflation not inflation. Prices are not very high and on the other hand huge increase in unutilized capacity and sharp increases in unemployment. Look at youth unemployment in some countries in Europe - about 20% - 30 % - which is incredibly high. So in a context like that state should spend. It should spend in order to generate demand and get capacity utilized, generate employment which would then increase output so that tax revenues of the state would go up so that part of the debt it incurred can actually be financed. That is point number 1.*

*What would be sensible in an environment in which there is a decline in growth is to try to step up expenditure. When you go down actually you should be expanding expenditure. If you contract expenditure you go down further and when you go down further your output falls and your tax revenue falls so that the state is less intensive it actually has to borrow because it's getting less and less tax revenue.*



---

***The age of globalisation is one in which its growth is dependent on its ability to generate and sustain bubbles.***

---



---

*Point number 2 is that the whole austerity argument which stems from the idea that because of what we did during the period of time when you are trying to get the system out of the crisis public debt -GDP ratio goes up, state got heavily indebted now there is no room for you to keep your ball rolling further. So you need to cut back expenditure. There is another thing about raising tax revenues. Evidence is very clear that there is a huge increase in inequality in most economies. Worst is in countries like United States. If you have an increase of inequality of that magnitude, obviously there are a set of rich people sitting on huge surpluses and the state should use its right to tax, to take a part of those surpluses and finance these expenditure and try to stimulate the economy. But instead what do we have? We have Warren Buffet coming out and telling us that listen, my secretary is taxed more than me. Please tax me, he says. The moment you accept that there does exist some incomes that can be taxed, it is possible even if you cannot borrow, you can actually tax one small segment and undertake expenditures.*

*Q: Our next question is on the Eurozone crisis and it has three parts to it. The first part of the question is; can we attribute the present Eurozone crisis to an inevitable stage of a credit driven economy. If it is so what were the historic drivers and who were the architects of this economic model all across Europe.*

*Prof. CPC: Basically what the crisis taught us is that, in recent times growth under capitalism has essentially occurred by generating bubbles. You tell people that please come and borrow. You infuse huge amounts of liquidity into the system so that banks can lend. Interest rates are kept low so that people think its very cheap to borrow. So I might as well go and spend and tomorrow I'll get the income to repay etc. So you do all of this. So actually the monetary authorities the so called independent central banks play a crucial role. Because, lets not forget, when this whole bubble was being, sort of, you know, blown out. In United States for example, people started saying under*

*Greenspan, it's true the prices of goods are not rising too fast, but the prices of assets, you go and look at the stock market, go and look at the real estate market, prices of assets are rising now, and is rising extremely high. So the monetary authority should actually do something to reign asset prices. Because inflation should only not be an issue of inflation of prices of goods and services, it should also be inflation of prices of assets and should be something which should bother a central bank. And Greenspan said, I don't see any bubble here there is a little bit of froth here and there so I'm not going to bother and he kept putting more and more cheap money into the system. Now this is what allows you to generate that credit which generates the demand which generated till such point of time which became clear that this was unsustainable. Once this started coming in open, domino effect and everything start to collapse.*

*The age of globalisation is one in which its growth is dependent on its ability to generate and sustain bubbles. And this is why we have a problem now. Because the real question is, if the capitalism wants to get out of this crisis, what you are really asking is what can be the next bubble.*

*Q. Who were the Greenspans of Europe?*

*Prof. CPC: There was a huge amount of lending. For example in Spain, there were lending for real estate activities. People from elsewhere in Europe came to Spain to buy resorts and fancy villas. And they were building these by buying land and there was a huge influx in private debt, so when the crisis came, private debt was taken over by the government to save the system, which is why you have large public debts.*



### **About ITEC**

*IT and ITeS Employees Centre (ITEC) is a voluntary non-profitable togetherness FOR, BY and OF the IT/ITeS employees and professionals. It is a collaboration of people working in the IT/ITeS industry with a self-assigned objective to work towards the welfare of the employees and for the overall progress of the IT sector in India. ITEC is a platform for the IT fraternity to collectively address various issues and challenges faced by their own peers as well as the industry in general.*

*ITEC, which brings together an abundance of talent, experience and vision, will strive hard to position itself as an opinion maker and a catalyst for progressive changes in the IT industry and will spearhead campaigns for bringing in appropriate policies and best practices in the industry. ITEC will continuously engage in research studies to understand and analyse the underlying dynamics of various developments in the industry and to suggest ways and means for ensuring the well-being of the very community that brings glories to it. ITEC would be an ally for everyone in the community to collectively address their grievances at work and to muster necessary support and guidance in their effort to find resolution for the same.*