

Business Law for Managers
Prof. S. Srinivasan
Vinod Gupta School of Management
Indian Institute of Technology-Kharagpur

Lecture - 36
Concept and Salient Features of Industries

Welcome to lecture 36. This is the module 8 and this is the last module of this particular course. And the previous modules we discussed on various labor welfare legislation. We discussed about payment of wages, we discussed about other aspects and today is the last module, which are we are going to specifically focus on industry relations, which is one of the important topic that anybody work in any industries, which is very relevant topic.

Because we are being seen several disputes which are happening between the employees and the employer. This actually impacts a larger economic system, at national level also the economic system of the individual as well as the organizations. So this is one of the important model, which is going to discuss about what are the provisions which are provided as per the Industrial Dispute Act in terms of managing the harmony in the industrial setups.

And in the first lecture, we are going to discuss about the understanding the concept of industry and some of the salient features of industry relations because that will provide as a foundation to understand in a larger sense, okay. Now having understood what is this industry relations, who are the party which are going to be involved in managing the industrial relations.

Then going forward, we will discuss okay what are the machineries, what are the things have been available to handle any dispute which is arising in the industries. Let us get into the lecture.

(Refer Slide Time: 01:51)



What we are going to discuss today? We are going to discuss about concept and definition of industry. And we will also learn what are the objectives of the industrial relations and we will try to understand what are the various types of industries are available.

Because you know it is very important to understand, we are not going to limit this industry with respect to manufacturing activities as such, we are going to you know related to a broader sense because this Industrial Dispute Act which are essentially going to be come under the code on industrial relations, which is covering all types of industries, whether it is manufacturing, whether it be service industry, allied industries.

All industries are going to be you know come under the purview of industries and industry relations perspective. And we will also understand the importance of industry in a development of a society. This will provide a basis of under which why as a country, we are coming up with the legislation in order to regulate the industrial practices, because this has a lot of implication for the livelihood of the people and also economic stability of the country as such.

That is why it is important that yes, there should be a mechanism and there should be measures which are available to handle any industrial unrest or any dispute which are arising out between either of the party, either it is from an employee or from the management or from the trade unions. Whatever the perspectives this industrial

relations are one of the important concept that has to be understood and those provisions has to be practiced in order to maintain harmony at the workplace, okay.

(Refer Slide Time: 03:24)

Industries

Concept and Definition

In the light of the judgment in Bangalore Water Supply Case, the term 'Industry' has been defined as -

'Industry' means any systematic activity carried on by co-operation between an employer and his 'workmen' (whether such workmen are employed by such employer directly or by or through any agency including a contractor) for the production, supply or distribution of goods or services with a view to satisfy human wants or wishes (not being wants or wishes which are merely spiritual or religious in nature)

✓ Direct worker or On-Call Employee
✓ Contract worker

So now let us try to understand the definition of industry. So this industry is being defined through one of the famous case which was you know Bangalore water supply case. From there they defined the term industry. What does an industry mean? This is the same definition which are being you know taken by the Industrial Dispute Act, also code on wages, they will define industry with refer to this particular definition.

So industry means, any systematic activity carried out on by cooperation between employer and his workmen. We are referring to workmen we are referring to employee in a larger context. So you know carrying out a systematic activity by cooperation between an employer and employee.

Now if you are referring to workman or an employee, here the workman or employee refers to either they are directly employed by the employer meaning that you know we have been discussed in the previous modules direct worker or unrolled employee which are directly employed by them or anyone who are employed in this particular industrial setup, either through a contract agency or in any other means, those are also covered as a workman we are referring to.

So this is a broader sense. So it is trying to include all employed either directly by the factory or a company or through a direct or by a contract agency for the production,

supply, distribution of goods or services. You will understand that yes, it is covering the broader spectrum of all types of commercial activities we are talking about. It is not only about you know producing goods, it is also talking about the services industry with a view to satisfy human wants and wishes.

But it is not related to merely spiritual or a religious in nature, okay. This is the definition of industry, because this industry definition is very important, so that it covers large set of activities which are carried out in a business sphere.

(Refer Slide Time: 05:33)

The slide is titled "Industrial Relations" and "Objectives". It features a photograph of an industrial facility. The main content is a list of "General Objectives of Industrial Relations are:" with six bullet points. Handwritten notes in red ink are present: "Impasse" in a box, "A/B" in a box, and "Wage ↑ Harshly Condition" with checkmarks. A small video inset shows a man speaking.

Industrial Relations

Objectives

General Objectives of Industrial Relations are:

- Promoting measures for securing and preserving amity and good relations between employer and workmen/employees.
- Enquiring into any matter connected with or relevant to an industrial dispute.
- Promoting the settlement of industrial disputes.
- Adjudication of industrial disputes.
- Reference of individual disputes to grievance settlement authorities.
- Voluntary reference of disputes to arbitration.

Handwritten notes: **Impasse**, **A/B**, Wage ↑ Harshly Condition

So having understood the definition of industry now let us try to understand what are the common objectives of industry relations. The prime objectives of industrial relations are promoting measures for securing and preserving amity and good relations. This is one of the primary you know objective of industrial relations, which are trying to secure and preserve harmony and good relations between key parties, which are the employer and workmen.

The workmen can also be otherwise called as employees, between employer and employees. So that is a very prime objective of any industrial relation is to try to maintain amity and good relations between both the party who are into the you know business activity every time, right? Then also enquiring into any matter connected with or relevant to industrial dispute.

So trying to solve any industrial dispute. The industrial dispute maybe between employee and employee, maybe between trade unions, between employer and employer, between trade union and the management. There can be multiple you know dispute can arise. So this idea of industrial relation is trying to enquire into the matter, which are related to industrial disputes.

So then, it also subsequently trying to promote the settlement of industrial dispute. As we are started to realize that yes industrial dispute, in a large sense it is having a longer impact on the larger sociopolitical system, economic system of the country and also in a micro level where it is also impacts the economic sustainability of an individual employees under the family of a dependent.

So this has larger cost. So every time we are interested in settling the industrial disputes. So industrial relations play a critical role in promoting settlement of the industrial disputes so that the harmony comes back and then the activity continues in the business industry or any industrial establishment.

And also adjudication of industrial dispute. So adjudication we are referring here, this adjudication is of a settlement of any disputes through the court of law. That is what the adjudication. So industrial relations also promote, in case you know it is not successful within the organization setup wherein both the party discuss, negotiate or having a third party, either as a conciliator or as an arbitration going for an arbitration.

Third party negotiation is also not successful, then you refer this dispute to the adjudication process. The adjudication, we are referring to the settlement through the court of law. So how do we settle this industry dispute through the court of law. And it also references of individual disputes to grievance settlement authority.

It also talks about you know lot of grievance settlement process, grievance management system within the organization so that the issues or a conflict or any disagreements or the welfare services which are expected by the employees is not being provided, there should be mechanism which are set up at the organization itself.

Is a redressal system through which or a grievance redressal system through which you are as a management and also from an employee that can be settled rather than escalating that issues to become a revolving into a bigger industrial dispute. Then voluntary reference of dispute to arbitration. For example, let us say there is a dispute between A and B. A I am referring to an employee and B referring to an employer.

So both parties are having any dispute, either maybe with respect to wage increment or working condition. They are saying, okay, whatever we are having it is not that suitable for us to work. Then let us say this conditions they are having a dispute. There is no conclusive decision arrived and there is an impasse. No conclusive decision been made.

Both the party do not agree to each other's offer, then they may reach an impasse where there is no solution coming out of it, and it is going to impact the industry and their regular business activity. So they might voluntarily refer or agree to go for an arbitration.

So arbitration is again you know out of the court settlement, wherein they both the party will agree to have a you know independent third party person who will act as an arbitrator to you know negotiate the terms between the both parties and suggest a possible settlement and also have an authority to provide an award so that this settlement can be handled well, okay.

(Refer Slide Time: 10:09)

Industries

Objectives

- Prevention of illegal strikes and lock-outs.
- Compensation for lay-off and retrenchment of workmen.
- Provision for the payment of wages from the date of the award till the suit pending before courts of law is decided.
- Prevention of unfair labour practices.
- These objects centre around securing industrial harmony and social justice.

Handwritten notes:
→ "Wage Increment"
→ "Employee"

Now so other things why this industry relations, it also interested in prevention of illegal strikes and lockouts. So as I was saying the industrial disputes either resulting in what can be strike, let us say, you know as we said, again going back to the same example, wage increment. This is most common, you know industrial dispute, we been hearing across various industries.

You know various, whether it is a manufacturing or service industry, we often find that yes, this is being most heard dispute in the industrial segments. So now let us talk about the wage increment dispute as being you know between the employer and employee, this will eventually be leading to strikes. So now the strikes are also classified into legal and illegal strike.

So the industrial relations' objective is to prevent any illegal strikes. So illegal strikes why because without any due notice if a worker get into an or employ a group of employees getting into a strike which is going to impact the normal routines of the business, which will impact you know other the economic system or the chain as well. So the idea of industrialization is to prevent any illegal strikes.

Now if you look at lockouts. So what is this lockout? We are going to learn in the subsequent lectures in detail, but I will just touch upon the lockout. See as the worker will sort out for a strike, similarly employer can have sought for lockout where it is to protect their, the facilities which are in the industry or protect the interest of the employer, they will go for a lockout.

That means they shut down the factory that is a lockout. So again, it is also not a you know, not going to create any congenial environment. It is better that you prevent these illegal strikes and lockouts.

Of course yes, industrial relations aiming to prevent any of the illegal strikes or lockout or not only about illegal strikes, it also aims to prevent or sort out issues at the you know initial level so that does not dwell into a bigger conflict or a dispute than resulting in a strike or a lockout, which is going to impact every party involved in the particular strike or a lockout.

Then this industrialization also talks about promoting and facilitating in providing compensation in terms of during the layoff, and also retrenchment of the workers. When the employees due to many reasons companies go for layoff, laying of their employees, the industrial relations playing a critical role in facilitating to pay compensation for the employees who have been laid off, and there are provisions listed down by the Industrial Dispute Act.

We will be learning that in the subsequent lectures and also ensuring compensation in terms of retrenchment. What is a retrenchment? It is a termination from the particular service. And lay off is referring to a temporary termination, it may also become permanent based on the industry or a business situation whether they will resume the activity with a full fledge then they might even call back the employees who went on layoff.

So this layoff is a temporary termination and the retrenchment is a you know permanent termination from the service. During this industrial relation aims to facilitate between the employee and management to ensure that there is a compensation provided to employees. Then provision for the payment of wages from the date of the award till the suit is pending before the court of law.

So it is important, let us say there is a dispute. You know somebody is suspended on various grounds. This worker, the management said yes, you cannot enter and work in the facility till the time the dispute is resolved or maybe it is referred in a court of law and this case is pending in the court.

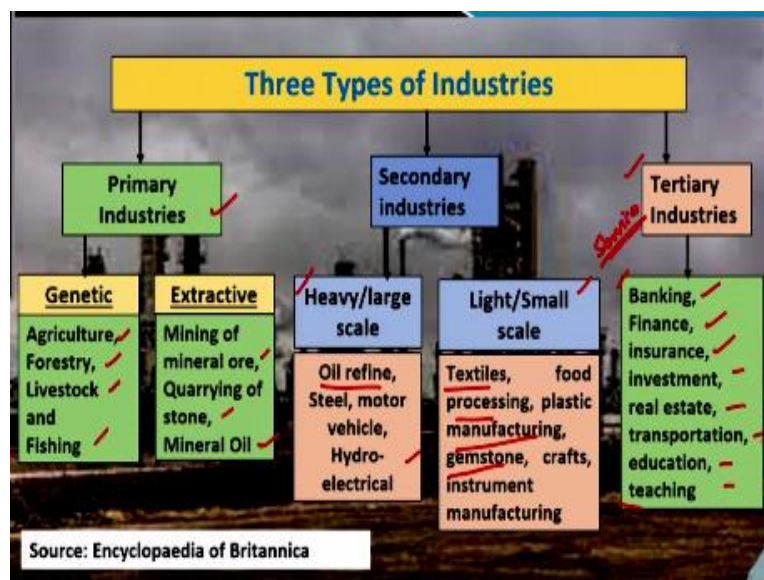
During the pendency of this such dispute in a court, the industrial relation also facilities to provide payment of wages to all the workers during the period when the case is at the court. They will be provided a salary during the time that is in the court. So that is also taken care by the industry relations. And prevention of unfair labor practices.

Of course, yes, industry relations also try to see that know employees are provided with a fair working conditions and labor practices, in terms of wages in terms of working condition, in terms of health and safety in a holistic perspective, to ensure

that yes, the workers do not get into these unfair labor practices, ensure that yes they have been treated with a due respect and also with a proper working conditions and sufficient provisions are provided to the employees.

And these all this set of activities we are talking about for industrial relations, what is it actually aiming towards? It is trying to create industrial harmony and social justice. That is the major crux of these industrial relations. So we have understood what are the objectives under which these industrial relations will operate on.

(Refer Slide Time: 15:04)



And now we will now try to understand types of industries which are existing in larger firm, okay. So there are three types of industries which are classifications. So there are primary industries. You know primary industries, again it has been classified into two type of categories, one is genetic and then you know extractive industry. If you look at agriculture, forestry, livestock, fishing all that is coming under this.

And if you look at extractive industry, where more of you know mining activity takes about. You know mining of mineral ore, quarrying of stone, mineral oil, all these are coming in the extractive industry, which are all primary industries. Then comes the secondary industries. What are those secondary industries? So they are heavy or again it has been classified into two categories.

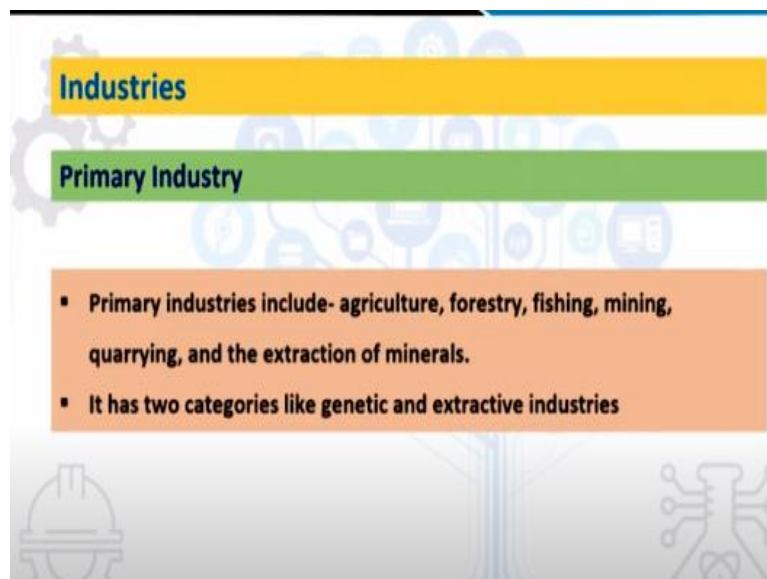
One is heavy or large scale industries which are referring to you know oil refinery, steel, automobile industry, hydro-electrical power and all that are classified into heavy

industries. Then light or a small scale industry, wherein textile, food processing or plastic manufacturing, gemstone, craft, instrument manufacturing, all that has been considered into a light or small scale industries.

Now come see the tertiary industry. So tertiary industry if you look at know where we are only, largely all these tertiary industries are referring to services, okay. So banking, finance, insurance investment, real estate, transportation, education, teaching, all that you look at it in a broader sense, you will be able to understand that yes, these are all into a service industry.

And rather you will look at a primary and secondary industries are largely can be classified into the manufacturing activities. That of course, in each of the primary and second industry, there are some further categorization based on you know type of an activity they do.

(Refer Slide Time: 17:02)



So let us also understand okay, the primary industries are including agricultural as I was already discussing forestry, fishing, mining, quarrying, and extraction of minerals, all that are coming into a primary industry.

(Refer Slide Time: 17:13)

Industries

Secondary Industry

- This industries categorically divided into heavy or large scale and light or small scale.
- Heavy industries include the oil refining, steel and iron manufacturing, motor vehicle/automobile, cement production, hydroelectrical power generation
- Light or small scale industries include textile and clothing manufacturing, food processing, plastic manufacturing, electronic and computer hardware manufacturing, gemstone cutting, craft work.

"Heavy Industries"

And secondary industries are again being classified into heavy and light industries, heavy industries are we are talking about oil refining, steel, iron manufacturing, automobile industries, cement production, hydroelectrically power generation, all that are coming into heavy industries, right? Now we would have even heard about yes, we are being classified, some company will say know, we are into heavy industries.

So that is how they are classified into heavy industries. And light industries are some of the you know activities which are known garment industry, textile, clothing, manufacturing, food processing, plastic manufacturing, electronic, computer hardware manufacturing, all that all comes under light industries.

So now if you look at know in India, we are actually one of the major exporter on both this, you know heavy industries and light industries. And we are one of the you know important exporter for various countries, either in a European countries or you know North America and South American countries, we do lot of exporting.

(Refer Slide Time: 18:14)

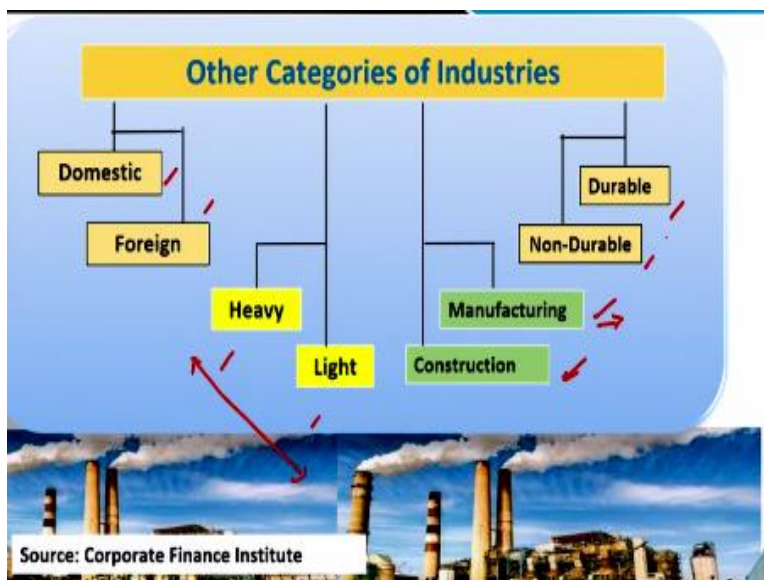
Industries

Tertiary Industry

- This industrial category includes, banking, finance, insurance, investment, real estate services, wholesale, retail trade, resale trade, consultancy, restaurants, entertainment, repair and maintenance services, police, defense and social welfare, etc.

And look at the tertiary industry. Tertiary industry as I was already saying that, it is largely coming as a service industry, where we are talking about banking, finance, insurance, investment, real estate, wholesale, retail, resale trade, consultancy, restaurants, entertainment, repair and maintenance services, police, defense everything comes under the tertiary industries, which are primarily service industries, okay, yeah.

(Refer Slide Time: 18:47)



Now there are also other categories of industries which are domestic and foreign industry. Again in a broader sense, we are trying to classify. Of course, heavy and light industry we have already seen. Yes, it is very similar as we already discussed, yes heavy industry and light industries. And also we are looking at other type, manufacturing and construction.

Manufacturing, if you look at know all heavy or primary and tertiary has related to the manufacturing. Of course, the construction industry is coming up with lot of infrastructure activities happening in the country, where there is large section which are into the construction activity. And then durable and non-durable. There is different type of classification.

This classification comes from the Corporate Finance Institute. They classified the categories of industries based on the nature and also type of activities they carry out. So that is a primary reason that how they classify. It is based on the nature and the type of activities they carry out. They are being classified into various industries, okay.

(Refer Slide Time: 19:43)

Industries

Significance of Industry

The industrial sector occupies a fundamental place in the economy and development of any country.

- Utilization of natural resources: India has plenty of natural resources utilized by large industries.
- Addressing unemployment: Development of new industries always create need of human resources and employment.
- Increases saving capacity of people: Industries contribute in a good portion with the total national income of any country, but also in the level of income and saving capacity of people in general.

Now why are we concerned about it? What is the significance of the industry because we are talking about industrial relations, we are talking about legislation that is going to regulate the, you know industrial relations? Why are we talking about it? What is the concern we are talking about? Because if you look at you know all this you know industries which occupies a fundamental place in economy and development of any country.

And you know you look at you know various aspect because yes, we have lot of natural resources. Utilization of natural resources being the large industries, when we are having business activity essentially to provide employment and cater to the

development of the nation, supports our economy in a larger sense. So it is important that yes, these industries are critical addressing.

As I was saying yes addressing unemployment, which is very important. Only through industrial activities, we will be able to generate employment opportunity for the larger citizen. So now it is important, yes, we have to have an industry activity.

Now you see governments are coming up with lot of efforts in terms of attracting foreign investment and you know facilitating and encouraging people to start industries, come up with you know many industrial activities so that you will be able to cater to the larger needs of the society in terms of providing employment opportunities for them. And increasing the saving capacity, the meaning that as you have more industries, you are able to provide employment.

Through employment, you are going to economically support the people. And then people will have a disposable income at home at the same time, they will also get into savings and an income for the future. So that is why the industrial activities are important.

Though we are all talking about the environmental impact, we are talking about other aspects of you know having a business, what are the negative impact it can have, but it can be always regulated, but we cannot stop doing it. Because it is an important exercise that every country will be promoting so that they are able to have better economy and it also going to support the development of the people in the country.

(Refer Slide Time: 21:50)

Industries

Significance of Industry

- **Promotes other sectors:** The industrial sector also helps with the development of other economic sectors when industries collect different raw materials to transform them.
- **Core sector for development:** Industrialization helps with the development of many strategic sectors like energy, transport, building, chemical, defense, etc., which play crucial role for development.
- **Self dependency:** Production of several key goods helps for implementation of import substitution measures that at the same time, helps to minimize dependency on foreign imports also saving a great amount of foreign exchange.

Then it also promotes other sectors. Industrial sector also helps with the development of other economic sectors, when the industries collect different raw materials to transform them because when we talk about the manufacturing activity, they buy lot of raw materials from different sources, that they also provide business to them. So it is in a larger sense, yes, it is going to promote more activities and is going to help in a larger sense.

And core sector development is industrializations helps with the development of many strategic sectors like energy, transport, building, chemical, defense etc., which play crucial role for the development of a nation. And also we look at self-dependence.

Yes, production of several key goods helps for implementation of import substitution measures at the same time and help to minimize dependency on foreign imports, where we are now recently talking about Make in India. Country is promoting about Make in India. You produce your own goods, self-sustaining country, meaning that yes, you produce whatever you want for your own people.

So unless otherwise, you do not have industries, which are going to cater to meet the objective of, Make in India our self-reliant country. So unless otherwise, we do not run the industries and if the industry is impacted by the industrial dispute or you know the continuously various other conflict is arising in the industry that will never be favorable activity or it does not attract people to start the business.

That is why the ease of doing business also related to how you are going to as a country going to regulate the industrial peace. So that is why you know it is important.

(Refer Slide Time: 23:26)

Industries

Significance of Industry

- Industries help in modernizing agriculture.
- Industries reduce the heavy dependence of people on agriculture by providing them jobs.
- By establishing industries in tribal and backward areas, regional disparities came down.
- Export of manufactured goods expands trade and commerce and brings in much needed foreign exchange.
- India's prosperity lies in increasing and diversifying its manufacturing industries as quickly as possible.

And you also see industries help in modernizing the agriculture. Industries reduce the heavy dependence of people on agriculture and by providing them jobs. Establishing industry in tribal and backward areas of course, it will also improve their accessibility to better resources. And you know India's prosperity lies in increasing and diversifying the manufacturing activity.

So the significance of industry is large. That is why we are concerned about promoting a better harmony in the industries. As we are saying that yes, it has larger impact in order to promoting the economy of the country and also supporting the people. So that is why these industries are critical. When the industry is critical, and ensuring harmony and reducing unrest in the industry is also important.

How do we do it? We have to regulate it through legal framework. The legal framework, we are referring to as a country, you have to come up with the legislations which will regulate the various activities, which are also not only about settling the dispute, it also to prevent any occurrence of industrial disputes.

So the legislation should provide a system in a way that it generates or develops certain machineries in the existing system of a company so that any issues are already discussed. And we will handle in earlier stage and also it can be prevented rather than you know making into a bigger conflict, okay.

(Refer Slide Time: 24:55)



REFERENCES

Beveridge, William H. (1917). *Unemployment: a problem of industry*, London, Longmans Green and Company

Bloomfield, Daniel. (1920). *Labor Maintenance: A Practical Handbook of Employees' Service Work*. New York: Ronald Press Company.

Warrier, S. K. (1976). *Workers' Participation in Industry*, Management and Labour Studies

Rao, R. V. (1974). *Labour Management Relations: New Perspectives and Prospects* (New Delhi: D. K. Publishing House,

Singh, M. K. (1989). *Labour productivity in Indian industry: A case study*. New Delhi: Mittal Publications.

Varma, P. (1987). *Labour Economics and Industrial Relations*, Tata McGraw Hill Publishing Company Limited, New Delhi

<https://corporatefinanceinstitute.com/resources/knowledge/economics/industry/>

So these are the references.

(Refer Slide Time: 24:58)



CONCLUSION

This part of lecture has covered the concept and meaning of industries, objectives, types of industries and importance of industries for the development of society.

In today's lecture we discussed about why industry and what are the objectives of industrial relations, which is giving a basis for our subsequent lectures about. We are going to learn about industrial relations and industrial dispute act legislations, how we are going to manage the peace at the industries so that you know the larger economic sustainability is maintained. So thank you.