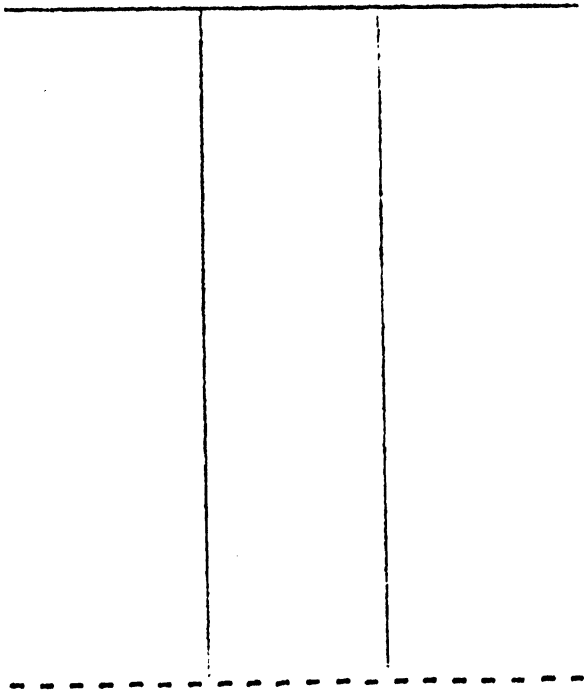
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Labor Problems in the Industrialization of INDIA

by
Charles A. Myers

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To My Wife

FOREWORD

In the long view, history is likely to recount that in the generation after the Second World War the underdeveloped countries of the world began a massive effort toward industrialization. They are seeking to end their poverty, disease, ignorance and backwardness; they are determined rapidly to narrow the inequalities that have been growing in the last century between the few rich Western nations and the poor countries which comprise the mass of humanity. No one who has seen at first hand the intense aspirations, the resolute determination, and the apparent willingness to bear almost any cost (while not overlooking the immensity of the obstacles) can doubt that the goal of an industrial society will be widely achieved before the end of the twentieth century.

The economic, social, and political institutions of these countries are in a plastic state, under the necessities of the industrializing process, as they change from established agricultural forms to institutions consonant with the inner logic of an industrial society. The present generation—and possibly the next—is the strategic period in which the once-and-for-all transformation takes place from an agricultural to an industrial society. As an early industrial society is bent so shall its mature forms grow. No truth is more essential to perceive in the Western world than that the present generation is the crucial period for molding the future forms of the societies that will emerge to the industrial order. This view gives a sense of urgency and destiny to the present hour.

No country recently embarked on industrialization is in a more strategic position nor of more inherent interest than India: its population is approaching 400 million; its size and location destine an even greater role of leadership among the divided nations of the world; its progress toward industrialization is inevitably compared within India and abroad with the records of China and the U.S.S.R. in Asia, both of whom use harsher methods; the Western traditions of political liberty and an associated legal system inherited from almost two hundred years of British rule are being tested against the stern necessities of a rapid rate of industrialization.

Professor Myers tells us that "government has been under pressure in India to provide a measure of social and economic gains early in the industrialization process, and therefore to adopt many of the standards of the more advanced industrial countries. Continued mass political support in a democracy demands these concessions of the governing party, but the conflict between this objective and that of rapid economic development through capital formation at the expense of present consumption is evident." Professor Gunnar Myrdal has highlighted the same central problem: "Under-developed countries thus need real democracy even at this early stage to break down the

existing impediments to economic development; but undoubtedly democracy, at the same time, makes it more difficult for governments to hold down the level of consumption in the degree necessary for rapid development. The tendency towards dynamic dictatorships of a fascist or communist type, visible in most parts of the under-developed world, should be viewed in the perspective of this basic political dilemma" (*Economic Theory and Under-Developed Regions,* London, 1957, p. 83).

In addition to its concern with urgent and strategic problems, this volume is particularly noteworthy because it probably provides the first comprehensive treatment of the problems of labor and management in the explicit context of economic development. Many volumes on economic development contain brief reference to the need for training a skilled industrial work force and perhaps point to the shortage of entrepreneurship as a retarding influence on economic growth. There also have been a few good studies of the problems of the recruitment of a work force and other monographs have concerned emerging labor movements. But there has been no analysis of the full range of labor-management-government problems that arise in the course of the industrialization process. In addition to the Indian experience, this volume illustrates an analytical framework which may fruitfully be used to illuminate the development process generally. Those concerned with economic development need to place greater emphasis upon the role of labor-management-government relations in the strategy of an emerging industrial society.

Modern industry requires the recruitment, training, and eventually the commitment of a work force, defined to include workers, professional and managerial groups. The transformation from earlier modes of living, places and patterns of work, standards of discipline and loyalties involves widespread dislocations. This process, at least at the work place, is immediately under the direction of private or public managers, and their attitudes and policies are shown to affect the resulting relations between managers and workers at the plant level and in the community. For a period, the emerging industrial work force may be only partially committed to industrial society, maintaining and renewing ties with the village and the larger family. The dissatisfactions and the aspirations of the rising industrial work force tend to become organized and structured. Under conditions of government-directed development, the state necessarily comes to play a major role in structuring the relationships between managers and workers. As Professor Myers points out with respect to India, "The overriding importance of economic development objectives, the concern for left-wing and Communist capture of labor protest, and the shortcomings of managerial attitudes and policies toward utilization of labor have all combined to bring government into the control of labor-management relations to a degree unthinkable in most Western countries today."

Professor Myers shows us that the perspective of Western and highly industrialized countries is likely to prove a poor vantage point from which to appraise an emerging industrial society. Even a keen appreciation of the history of economically advanced nations may be of little relevance to countries starting to industrialize from a much lower level of economic activity, where the imperatives for speed are much greater, where the Communist Party may seek to capture the workers' organizations for its purposes, and where the models of successful industrialization have been increased from the first case of England to include a whole spectrum of economic and political forms.

The reader is certain to be impressed with the care with which Professor Myers has organized a wide range of data, the judicious way in which he has weighed conflicting interests, and the judgments and conclusions he has expressed on issues of policy confronting Indian labor organizations, managements, and the government.

On behalf of the Wertheim Committee and Professor Myers, acknowledgment is made to Mrs. Ruth Whitman for her skillful and sensitive editing of the manuscript and for handling the numerous details involved in seeing the manuscript through the press.

John T. Dunlop

Geneva, Switzerland,
December 24, 1957.

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Author's Preface

The problems facing labor, management, and government in the industrial development of the Indian economy are the central concern of this book. Possibly the most significant changes in India during the next decade will be in the rural sector, where the vast majority of the Indian people still live. However, the Second Five-Year Plan which is now under way is based on the premise that industrialization is the keystone of any successful effort to raise living standards and achieve national stature in the twentieth century. Therefore, I make no apology for concentrating in this volume on industrial labor, defined broadly enough to include all types of manpower resources—including supervisory and managerial.

This is one of the "country" studies of the Inter-University Study on Labor Problems in Economic Development, financed in part by a grant from the Ford Foundation. In this larger project the Industrial Relations Section at Massachusetts Institute of Technology has been associated with similar groups at the University of California, the University of Chicago, Harvard University, and Princeton University. The broad framework developed for this project has been used in the present study (See Clark Kerr, Frederick H. Harbison, John T. Dunlop and Charles A. Myers, "The Labour Problem in Economic Development," *International Labour Review*, No. 3, 71:3–15, March, 1955). The Massachusetts Institute of Technology has had the responsibility for the research on India labor problems, and this has been related to a broader study of Indian economic development undertaken by the Center for International Studies at M.I.T.

Initial exploratory work began on the present study in September 1952, when Subbiah Kannappan joined me as Research Associate. Several memoranda were subsequently prepared, based on materials and data available in the United States and on interviews with a number of Indian labor, management and government officials who visited this country during 1952–54. Two M.S. theses were completed by Indian graduate students in Industrial Management at M.I.T. under our direction: P. R. Ramakrishnan, Sloan Fellow and manager of a number of Indian companies, who wrote on "Labor Legislation in India," and J. I. Mehta, now with the National Carbon Company in Calcutta, whose thesis was entitled, "Industrial Relations in Ahmedabad Textile Industry." Professor George B. Baldwin, then in the Industrial Relations Section at M.I.T. and also with the Center for International Studies, went to India during the last half of 1953 to study the growth of industry in Bangalore; and John C. Eddison, graduate student in Industrial Economics, was also in India on a Ford Foundation fellowship to study the development of the paper industry. Both have contributed ideas to the present volume.

In September 1954, I went to India for an intensive field study to test some of our initial tentative conclusions put forth in the earlier exploratory memoranda. Dr. Kannappan came to India at the same time, remaining for more than a year to study at first hand the Indian trade union movement through extensive interviews in the major industrial centers. My own interviews were centered largely on the management side, although I did talk with trade union leaders and government officials also. Altogether, during the five months I was in India, I had interviews (lasting from one to several hours) with 125 officials in forty-nine firms—private and public enterprises (thirteen were European or American firms); fifteen employer association officials; twenty-four national and local union officers; twenty-five government officials in New Delhi and in State governments; fifteen college and university professors concerned with labor problems; seven members of I.L.O. and United States government technical assistance missions; and six others. In addition, I had sixteen group discussions with mill technicians, labor officers, union leaders and management groups; and gave nearly forty speeches, largely to management and university audiences, following which there was an opportunity for discussion and exchange of ideas. Among the industrial and governmental centers I visited were Bombay, Ahmedabad, New Delhi, Calcutta, Sindri, Jamshedpur, Burnpur, Madras, Bangalore, and Coimbatore.

I am most grateful and appreciative to all of these people in management, labor, and government who gave unselfishly of their time to answer my questions and to give me an insight into India's industrial relations problems. This is a debt which can never be adequately acknowledged or repaid.

The first draft of this study was completed in December, 1956, long after I had returned from India; and it would not have been finished then without the help of Subbiah Kannappan, who continued as my Research Associate until he returned to India to join the staff of the Xavier Labour Relations Institute in Jamshedpur in August, 1956. Fred Munson, formerly with Standard-Vacuum Oil Company in India, and Philip Kotler were also very helpful. Kotler completed a doctoral dissertation in Industrial Economics at M.I.T. on "Industrial Wage Policy in India" after two years of research culminating in a six-months' field trip to India during 1955–56.

I am greatly indebted to some twenty persons, in India and in the United States, who were kind enough to read the first draft of the manuscript and give me the benefit of their comments and criticisms. While I am wholly responsible for errors of fact and interpretation, these have been minimized by the comments from the following, in particular: Vishnu Sahay, Secretary, Ministry of Labor, Government of India; V. K. R. Menon, Director, Indian Branch of the International Labor Organization; P. C. Rao, Secretary, All-India Organization of Industrial Employers; Kamla Chowdhry, Chief, Human Relations Division, Ahmedabad Textile Industry's Research Institute;

S. D. Punekar, Tata Institute of Social Sciences, Bombay; Daniel Thorner, Bombay; David Burgess, Labor Attaché, American Embassy, New Delhi; R. G. Wagenet, formerly Industrial Relations Advisor, United States Technical Cooperation Mission, New Delhi; Van Dusen Kennedy, Institute of Industrial Relations, University of California (Berkeley); Paul Fisher, International Cooperation Administration, Washington; Jorma Kaukaunen, Office of International Labor Affairs; United States Department of Labor; Ralph James, formerly Research Associate, New York State School of Industrial and Labor Relations, Cornell University and now on the staff of the Industrial Relations Section, M.I.T.; Hy Fish, formerly Chief of the I.L.O. Productivity Mission in India; and Wilfred Malenbaum, Helen Lamb, and George Rosen—all of the Center for International Studies at M.I.T. Subbiah and Nancy Kannappan were particularly helpful with their comments and in furnishing further data after they had returned to India in September, 1956. This study is not intended to cover developments in detail after January 1, 1957, although some reference is made to recent events.

During my visit in India and subsequently, Dr. Douglas Ensminger, representative of the Ford Foundation in India, gave welcome assistance and encouragement to this study. I am deeply grateful to the Ford Foundation for making the study possible, as part of the Inter-University Study; Dr. Thomas H. Carroll, Vice-President of the Foundation, was especially helpful. My colleagues in the Project—Clark Kerr, Frederick H. Harbison and John T. Dunlop—have made this effort one of the most stimulating that I have undertaken. John Dunlop has given me the benefit of his detailed comments on the manuscript and encouragement in its publication.

Beatrice Rogers, Rhoda Abrams and Inez Chase Zimmerman have seen the manuscript through several drafts; but, most of all, my wife has borne the brunt of this effort, both in the manuscript stage and earlier, when she remained behind in Geneva with the children while I was in India on the field interviews.

CHARLES A. MYERS

Cambridge, Massachusetts
June, 1957

Labor Problems in the Industrialization of India

CHAPTER I

The Dimensions of the Problem

India is in the midst of an ambitious and critically important effort to raise the living standards of her people by an integrated economic development program. The First Five-Year Plan (1951–56) has already achieved many of its goals; the Second (1956–61) is an expression of the hope that India can achieve enough industrial development in the next five years to reduce the actual and potential urban unemployment which threatens her political stability. As the *Economist* has so aptly put it:

> The Indian economy today is the subject of what is, without doubt, the world's most fateful experiment. Its problems may be expressed in economic terms—in so many millions of investment, in such-and-such percentage of the national income—but the outcome is nothing less than the demonstration that underdeveloped economies can, or cannot, achieve progress by Western and liberal means.[1]

Economic development in India might better be described as proceeding under a "mixed" economy, for the role of the state in planning and in public investment is necessarily larger than in many Western countries in earlier periods. But there is still a place for private enterprise under the plan, and for labor organizations and individual freedom in the labor market. The "socialistic pattern of society" approved by the Indian National Congress at its 1955 conference is, in Prime Minister Nehru's words, not a "doctrinaire" or dogmatic" pattern, but one in which all sectors of the economy and society are expected to pull together to achieve more rapid economic development. As Mr. Nehru has later put it, "For the first time in the history of mankind an experiment in combining rapid social and economic progress with democracy and freedom of the individual" is now being carried out in India.[2]

It is the purpose of this chapter to outline briefly the dimensions of the two five-year plans which are the heart of the Indian effort, and to emphasize the crucial role of industrial labor, especially in the Second Five-Year Plan. As we shall see, the industrial labor force in India is small, probably not more than 7 million in a total working population of about 142 million. But it is highly articulate, through labor organizations and political parties; and urban unemployment, low wages, and industrial discipline are the focus of its unrest. Further industrialization is the challenge; additional labor problems may be

the response. The interaction of industrialization and labor will concern us throughout this book.

The First Five-Year Plan

When Indian independence was achieved in 1947 and a new nation was born, the tasks facing the Congress Party which had the responsibility of organizing the government were enormous. Political integration of the former independent princely states with the Indian union was a major one, accomplished without bloodshed. But the partition of India and the formation of Pakistan brought Hindu-Muslim riots, costing a million lives and uprooting twelve million people, to add to the economic problems facing the new nation. Food production was failing to keep pace with the rising population, prices were rising, and industrial disputes plagued the country. In this gloomy context the First Five-Year Plan was launched in 1951, with the major objective of raising the national income of India from Rs. (rupees; one is worth approximately 21 cents) 90 billion a year to Rs. 100 billion a year by 1956.[3]

About half of the total anticipated investment of Rs. 36 billion over the five years was to be in the public sector. The major programs included (1) agriculture and community development,[4] (2) land reform, (3) irrigation and power projects, (4) industrial production, (5) transport and communication, and (6) social services. Public investment for industrial production was to be Rs. 1 billion, with Rs. 3.8 billion expected to be in the private industrial sector.[5] Government investment was rightly in those sectors which provide the basis for a more highly developed agricultural and industrial economy in the future.

The results achieved were substantial. In over-all terms, the actual increase (18.6 per cent) in India's national income will exceed the goal of an 11 to 12 per cent increase over the Plan period, as Table 1 indicates.[6] Per capita income is itself expected to rise 11 per cent.[7]

Industrial production increased 22 per cent between 1951 and 1955–56,[8] but

Table 1. India's national income (per cent of 1948–1949) and per capita income (rupees)

Year	Total	Per capita
1948–49	100.0	246.9
1949–50	102.0	248.6
1950–51	102.3	246.3
1951–52	105.2	250.1
1952–53	109.4	256.6
1953–54	116.1	269.0
1954–55	117.6	269.0
1955–56 (est.)	120.2	

Source: *Estimates of National Income, 1948-49 to 1954-55*, Government of India, Central Statistical Organization (New Delhi: April 1956), 1. The national income indices are "real" income, since they have been adjusted to 1948-49 constant prices.

the most striking gain was in food grains, with production up 20 per cent over the Plan period contrasted with the Plan goal of 14 per cent.[9] Favorable monsoons were beneficial, and the impact of community development programs, irrigation projects, better seeds and fertilizers, and improved methods of cultivation also encouraged the results. Food imports were cut, food controls ended, and there was a slight fall in food prices until early 1956 when they began to rise again.[10]

The community development scheme deserves special mention because it is not simply a means of raising food production; it aims at a transformation of rural life in India's villages in which approximately 83 per cent of her 357 million people live.[11] Education, health and sanitation, cottage industries, housing, road building and social welfare are part of the program, which, with the related national extension program, covered about 123,000 villages with a total population of nearly 80 million at the end of 1956.[12] Land reforms have involved the abolition of *zamindaris* (landowners who collected taxes) and revision of tenancy regulations in order to encourage the independent cultivator.

Multipurpose river valley projects are in various stages of construction, some nearing completion and ready to provide power, irrigation, flood control, and canals. Rehabilitation of the railways and domestic production of locomotives and rolling stock are under way, as is the construction of new national roads and repair of existing ones, according to schedule. Social services under the Plan include health schemes to control disease, expansion of elementary education, subsidized industrial housing, and resettlement of refugees from Pakistan. There also have been measures involving labor legislation and industrial relations, but these will be discussed in greater detail in later chapters.

Relatively speaking, the major emphasis was not put on industrial production, but the capacity and production targets set for most of the newer industries (such as electric cables, motors and transformers, bicycles, sewing machines, drugs, and so on) and for many of the older industries (heavy chemicals, electric fans, cement, paper, matches, cotton textiles, and footwear) had already been reached by the end of the third or fourth year of the Plan. Despite the feeling of the business community that the Government's attitude to private business has not been very encouraging, the index of industrial production has been rising at an increasing rate since the beginning of the First Five Year Plan in 1951, partially because unutilized production has been brought into production:

1951	100
1952	104
1953	106
1954	113
1955	122
1956	133
1957 (first three months)	140

However, this rapid expansion in industrial production has left its wake of economic problems. Most importantly at this writing, prosperity in private industry has apparently resulted in greatly increased imports of capital equipment, serving as a major factor precipitating the foreign exchange crisis of of 1957.[13]

This expansion, however, has not been sufficient to reduce the level of urban unemployment, which increased substantially during the period of the First Five-Year Plan.[14] The Planning Commission estimates that in 1956 unemployment in urban areas was 2.5 million and in rural areas 2.8 million.[15] To this must be added the annual net increase in the labor force of about 2 million per year, as a result of the growth in population. Thus some 15 million jobs must be found before 1961 to meet this problem fully. Yet even 15 million new jobs would not be a complete answer; for, in addition to unemployment, there is in India today a severe problem of underemployment. No statistics are yet available to measure the incidence or severity of rural unemployment, but it is estimated that 2.8 million urban workers work for 25 per cent or less of the time in which they are available for employment.[16] In an urban work force of 25 million, then, 2.5 million are unemployed, and an additional 2.8 million are severely underemployed. The four largest Indian cities of Calcutta, Bombay, Madras, and New Delhi have an estimated 38 per cent of their work force unemployed or severely underemployed. Full employment in 1961 is clearly not attainable, even if 15 million jobs can be found.

The achievement of the First Five-Year Plan, as impressive as it is, falls far short of dealing with this central problem. The Second Five-Year Plan proposes to step up industrial production, construction, and small-scale industries in order to provide employment opportunities for at least 8 million people outside of agriculture by 1961.[17]

The Second Five-Year Plan

Most of the new jobs envisioned in the Plan will have to be found apart from agriculture, in which there is already considerable underemployment. This means an expansion in manufacturing, mining, construction, trade and commerce, and services, both in the urban and the rural areas. While there has been considerable controversy in India over the wisdom of industrial development as opposed to small-scale cottage or handicraft industries which employ some 12 million people, largely in rural areas, the shapers of the plan have decided to expand heavy industry as a way of generating a dynamic industrial expansion. They still place some emphasis, however, on expanding the small-scale industries for the production of consumer goods and to provide more employment.[18]

The initial proposals for the Second Five-Year Plan include, among other things, a doubling of installed power capacity from 1956 to 1961, an increase

in coal production from 38 million to 60 million tons, an increase in steel capacity from 1.3 to 4.3 million tons, a more than threefold increase in aluminum production, nearly a trebling of heavy chemicals production, an expansion of textile mill production, the building of machinery-fabricating shops, the development of a heavy electrical industry, a doubling of cement production and a fourfold increase in fertilizer output in the period 1956–61.[19]

Over 2 million of the 8 million new jobs projected under the Second Five-Year Plan will come from construction of all types, and 750,000 are expected to develop in modern industry and mining. Small-scale and village industries will provide about a half million new jobs, as will also government services. Tertiary industries such as trade and commerce are expected to expand by 2.7 million jobs.[20]

To achieve its employment goals, the Second Five-Year Plan envisages an annual increase of domestic product of about 5 per cent, as compared to the 3 per cent average realized during the First Five-Year Plan and 1.4 per cent in the twenty-year period preceding the First Plan. Unutilized resources, particularly in manpower and idle plant capacity,[21] make this rate of increase possible if sufficient financial resources can be found. The Second Plan estimates a total outlay of Rs. 72 billion, of which 48 billion, or two-thirds, will be in the public sector,[22] but total anticipated receipts from taxes, loans, small savings, profits of government enterprises, borrowing or deficit financing, and foreign aid fall short by about Rs. 4 billion. The alternatives are additional deficit financing (with the possible danger of inflation) and heavier taxation. In either case, the average rate of saving must be substantially higher than it has been in the past.[23]

The Indian economy at this stage of its economic development is therefore limited in its ability to distribute the gains in output in the form of higher immediate real incomes, except for those who benefit through increased employment. As the tentative framework for the Second Five-Year Plan observes:

> In an underdeveloped economy, where there are idle resources, increased investment need not imply reduction in current consumption. It would, however, imply austerity, that is, preparedness to hold down consumption, especially of luxuries, in the face of rising incomes.[24]

Yet the draft states earlier that:

> In formulating the Second Plan, emphasis must be placed on . . . bridging the gap between the haves and the have-nots and on the protection and enhancement of the well-being of the weak and unorganized sections of society. Men do not give of their best in the absence of a secure and fair share in the fruits of their labour; and achievement of social justice is a necessary condition for releasing the productive energies of the people.[25]

To sum up, the new Plan hopes to achieve the following objectives:

(a) A sizeable increase in national income so as to raise the level of living in the country;

(b) Rapid industrialization, with particular emphasis on the development of basic and heavy industries;
(c) A large expansion of employment opportunities;
(d) Reduction of inequalities in income and wealth and a more even distribution of economic power.[26]

Unemployment and the Population Problem

The employment goals cited for the Second Five-Year Plan are substantially affected by the continual growth of population in India. If the rate of economic development fails to exceed the rate of population growth, unemployment will rise still further. Except for occasional famines and epidemics, there has been a steady increase since 1871, with the increase since 1921 serving as the most consistent and rapid throughout the period. Between 1921 and 1951 the population growth was 110 million, or an increase of 44 per cent in three decades. Between 1941 and 1951 the population increased at an annual average of about 1.3 per cent.[27] Each year 1.8 to 2 million new persons enter the labor force. The death rate, which has been falling steadily for the past three decades,[28] may be expected to decline still further as incomes increase and standards of public health and sanitation improve.

It has been suggested that a rise to the "biological maximum" of 3 per cent is possible in any industrially underdeveloped country as economic development proceeds.[29] A recent study of population growth in India estimates that the current annual rate of increase is 1.7 per cent and may rise to 2.1 per cent in 1961. The rate of increase thereafter will become increasingly dependent on whether or not the birth rate is lowered. Assuming no reduction in fertility, the annual increase in population might reach 2.6 per cent thirty years from now.[30] Yet even a 1.5 per cent annual increase in population in India means that total income must rise by 4.3 per cent each year to achieve a doubling of per capita incomes between 1950 and 1975. Coale and Hoover, in the study referred to above, estimated population growth under the assumptions of unchanged fertility and with fertility declining by 50 per cent over the thirty-year period, 1956–1986.[31] They point out that a rapid increase in the number of consumers (mostly children), with the condition of unchanging fertility, would increase the amount of investment necessary in schools, housing, and so on, yet decrease the amount of funds available for investment by increasing consumption requirements. Both changes would reduce the size of the development program. Moreover, the small per capita consumption would make the labor force less productive because of malnutrition, and because a rising consumption level is needed to combat apathy.

These results would have a cumulative effect on employment. For the next fifteen years the labor force will continue to expand rapidly regardless of the change in birth rates, but lowering the birth rate would permit much more expansion of the type of investment which can provide industrial employment. In a sense, the choice lies between additional factories, mines,

and hydroelectric projects, or additional food, clothing, and primary schools. Reduced fertility would not reduce the supply of labor immediately, but it would increase the demand for it. The conclusion is obvious that an industrially underdeveloped and highly populous country like India needs to devote more resources to the spread of birth control measures if it hopes to make substantial economic progress.[82] Some efforts at family planning were made during the First Five-Year Plan, but the results were not striking. This remains a serious problem for Indian economic development, and a solution probably awaits the discovery and widespread dissemination of methods which can be adopted cheaply and simply. The Second Five-Year Plan provides nearly Rs. 50 million for family planning, compared with the first Plan allocation of Rs. 6.5 million—a substantially increased program.[83] There appear to be no basic religious or cultural objections to the use of birth control methods. The task is largely an educational one, to be undertaken on a vast scale, when inexpensive methods become available.

The Significance of the Industrial Labor Force

Industrialization and more employment in secondary and tertiary industries are, as we have seen, major goals of the Second Five-Year Plan and subsequent planning. The magnitude of the task is seen in the 1951 distribution of the Indian population according to working status (Table 2). Nearly 250 million (approximately 70 per cent) were working in agriculture, or dependent on agriculture.[84] The total labor force—the economically active part of the population—constituted 142.3 million, or about 40 per cent of the total population. Over 70 per cent of these were in agriculture.

The nonagricultural labor force, however, is not exclusively, or even primarily, industrial in the modern industry sense. The employment categories for the self-supporting nonagricultural workers in 1951 are shown in Table 3.

Table 2. Population of India according to working status, 1951

Livelihood	Population		Workers			Nonearning dependents
	Total	Per cent	Total	Self-supporting	Earning dependents	
Agriculture	249.0	69.8	102.0	71.0	31.0	147.0
Nonagriculture	107.6	30.2	40.3	33.4	6.9	67.3
Total	356.6	100.0	142.3	104.4	37.9	214.3
Per cent	100.0		39.9	29.3	10.6	60.1

Source: Computed from Census of India, 1951, Paper No. 3, *Summary of Demographic and Economic Data, 1951* (Census Government of India Press: Delhi, 1953), pp. 34-44. For comparison with labor force data for other countries, see "The World's Working Population: Some Demographic Aspects," *International Labour Review*, 72: 152-76, no. 2 (February 1956).

Table 3. Distribution of self-supporting in nonagriculture, 1951 (in millions)

Industrial group	Number	Per cent
Primary industries (plantations, fishing, forestry)	2.40	7.4
Mining and quarrying	0.57	1.8
Processing and manufacturing foodstuffs, textiles, leather and products thereof	5.51	17.0
metals, chemicals and products thereof	1.24	3.8
unspecified	2.43	7.5
Construction and utilities	1.59	4.9
Commerce (trade, moneylending, banking, insurance, and real estate)	5.90	18.2
Transport, storage, and communications	1.90	5.9
Health, education, and public administration	3.29	10.2
Services not otherwise specified[a]	7.54	23.3
Totals	32.37	100.0

[a]These include domestic services, laundries, barber and beauty shops, religious and charitable services, legal and business services, recreation, and hotels and restaurants.

Source: Computed from Census of India, *Summary*, Table V, pp. 45-144. There is a discrepancy between the 32.37 million total above and the 33.4 million total reported for "self-supporting" in Table 2, but there is no explanation in the official text. The self-supporting nonagricultural labor category excludes, in addition to the 6.9 million nonagricultural earning dependents, persons living on rents, pensions, etc. and beggars or others whose income is derived from nonproductive activities.

The relative importance of commerce and services is clearly evident, since they accounted for over half of the total employment. The processing and manufacturing categories, furthermore, obviously included many small-scale and cottage industry establishments. Total factory employment in manufacturing was probably around 2.5 million,[85] or about 20 per cent of the totals reported for processing and manufacturing in Table 2.

If we add the workers employed in the plantation industries (tea, coffee, and rubber—1.17 million), mining, construction and utilities, and transport and communications, we get a total of 7.93 million employed under conditions approximating industrial employment. This figure is probably too high, since some construction and transport, in particular, are small-scale.[86] But it is safe to say that the industrial labor force of India in 1951 was probably not more than 7 million. Since part of the employment in trade, banking and public administration should be included in the industrial labor force, this estimate is a reasonable one.

How can so small a proportion of the labor force of India be a crucial area for investigation and analysis? Here is where economic expansion occurs; it is the growth part of the economy. In the words of Prime Minister Nehru: "The alternative [to industrialization] is to remain a backward, under-developed, poverty-stricken and weak country. We cannot even retain our freedom without industrial growth. . . ."[87] Furthermore, here is where discontents

and dissatisfactions arising from industrialization tend to be centered. The rural agricultural labor force, and even much of the nonagricultural group, are scattered and diffuse; the urban industrial labor force is concentrated and easier to organize. Trade union activity, the focus of the protest against the consequences of industrialization for the urban worker, is centered on the industrial labor force, and especially on key industries such as coal, transportation, docks, textiles, and engineering. Probably not more than 2 million workers are members of trade unions,[38] but they are highly vocal and bring pressures both on employers and on government.

Government, in turn, has devoted considerable attention through labor legislation and dispute settlement machinery to the aspirations and discontents of industrial workers. The labor and personnel policies of private and public enterprises are designed (with varying success) to develop a stable industrial work force and to deal with the agencies which seek to represent it. Division within the labor movement is at once a source of weakness which employers can exploit, and a cause of many problems which plague both employers and government.

Finally, unemployment in the urban labor force is more visible and more threatening, because of the agencies of protest. This was well expressed by T. T. Krishnamachari (formerly Union Minister of Commerce and Industry and since 1956 Minister of Finance), commenting on the problem of urban unemployment:

> We have a legacy of the past. We were functioning under a social structure where unemployment never came to the surface in villages. In a joint family system nobody knew who was unemployed.
> Unemployment is an industrial concept and a concept of urban civilization. Educated unemployment and industrial unemployment come to the surface. It is difficult to evaluate disguised unemployment. Unless the country is fully industrialized there cannot be full employment.[39]

Trends in Industrial Wage Levels[40]

Unemployment and low wages are two of the most important sources of discontent and protest in the Indian industrial labor force. The demand for a "living wage" is, as we shall see, a principal objective of the trade unions; and the pressure for increases in existing wage levels constitutes a problem for economic development planning. How much of the increase in national income should go to industrial wage earners in the form of higher wages, and how much to agriculturists, businessmen, and other claimants? Will money wage increases come at the expense of industrial profits; and, if so, will this curtail the capital formation necessary for economic development according to the Plan?

The answers to these questions are enormously difficult, and the Planning Commission suggested only some general guides for the First Five-Year Plan.

It maintained that wage increases should be avoided if they threatened to lead to price increases, since price stability was a paramount objective following a period of wartime and postwar inflation. But, subject to this condition, wage increases might be granted under the following conditions:[41] (1) to remove anomalies or existing rates which were abnormally low; (2) to restore the prewar real wage, as a first step toward the living wage,[42] through increased productivity resulting from rationalization and the renewal or modernization of plant.

The prewar real wage level declined sharply during the second World War. Table 4 compares the trends in cost of living, money and real earnings, employment, production and productivity.

During the war the level of prices took a sharp upward turn as a result of pronounced shortages in goods aggravated by hoarding and large increases

Table 4. All-India index numbers (1939 = 100) of cost of living, money and real earnings, employment, production, and productivity, 1939–1955

Year	Cost of living[a]	Money earnings[a]	Real earnings[a]	Employment[b]	Production[b]	Productivity[b]
1939	100	100	100	100	100	100
1940	97	105	109	104	108	104
1941	107	111	104	121	114	95
1942	145	129	89	125	107	85
1943	268	180	67	133	112	84
1944	269	202	75	134	116	86
1945	269	201	75	141	112	79
1946	285	209	73	138	103	75
1947	323	253	78	137	99	72
1948	360	304	84	141	112	79
1949	371	340	92	143	108	76
1950	371	334	90	136	107	79
1951	387	357	92	136	120	89
1952	379	386	102	137	133	97
1953	385	385	100	133	141	106
1954	371	381	103	136	154	113
1955	352	—	—	138	170	123

[a]"Trend in the Index of Real Earnings of Factory Workers in India," *Indian Labour Gazette*, 13:249, no. 4 (October, 1955). (1) Index numbers of money earnings are based on annual earnings reported by each state, by industries, under Payment of Wages Act (1936), divided by average daily number of workers employed. (2) The index of cost of living is based on a weighted average of individual series for over 24 centers.

[b]"Trend in the Index of Productivity of Factory Workers in India," *Indian Labour Gazette*, 13:325, no. 5 (November, 1955). (1) Basic data for the employment index are returns received from factories in 14 major industries reporting under the Factories Act. The concept of "employment" used when collecting the data is the average daily number of workers employed in a calendar year, obtained by dividing the total man days worked by the number of working days of the employing factory. (2) The index of production is derived in part from the Interim Index of Industrial Production (1946 = 100) and further modified to be comparable with the employment index. (3) The productivity index is the production index divided by the employment index.

[c]Because each of the four basic indices above was constructed for the special purposes of the articles cited above, the figures given for 1955 have been estimated from other data currently available. They are in no way more than an approximation.

in the money supply. Profits also rose to peak levels. Both of these developments led to widespread industrial unrest. Although wage increases were granted, they barely kept pace with the rise in prices. By 1943, workers' real earnings had fallen to 67 per cent of the prewar level. In 1945, approximately 4.1 million man days were reported lost as a result of industrial disputes, and this rose sharply to 12.7 million in 1946 and 16.6 million in 1947.[43] This latter figure is perhaps one-tenth of 1 per cent of the man days worked in industries from which reports were received.[44] During the period 1946–1949 the Industrial Tribunals granted large wage increases to industrial workers involved in labor disputes. Money earnings rose faster than the cost of living. Productivity, on the other hand, showed no signs of improving.

With the start of the Korean War in June, 1950, prices and profits both rose, and productivity began a steady upward climb. Money earnings continued to rise faster than the cost of living. By 1952, real earnings had recovered, on an all-India basis, to their prewar level.[45] Since then they have been marked by only minor fluctuations.

The actual improvement in real earnings since the low point of 1943 has varied markedly among states and occupational groups. Table 5 shows how

Table 5. Earnings and cost of living in the chief industrial states of India

State	Average Annual earnings in 1939[a] (Rs.)	1954 Index Numbers		
		Money earnings[a]	Cost of living[b]	Real earnings
Assam	263.7	467.0	249.3	187.3
Bihar	415.5	349.0	423.6	82.4
Bombay	370.4	343.7	332.6	103.3
Madras	175.5	467.3	359.1	130.1
Orissa	161.8	553.1	394.0	140.4
Uttar Pradesh	235.6	423.2	388.2	109.0
West Bengal	248.7	425.2	303.6	140.1

[a] *Adapted from Digest of Vital Labour Statistics*, p. 12.

[b] The states' cost of living indices were obtained by splicing together the indices prepared by Palekar, *An Analysis of Real Wages*, for 1939-50, with those prepared by Kotler, *Problems of Industrial Wage Policy*, for 1950-54. See Kotler, pp. 322 and 332.

real earnings have progressed in various states between 1939 and 1954. Only the workers in Bihar had not recovered their prewar real earnings by 1954. The workers in other states, particularly Assam, Orissa, West Bengal, and Madras, were earning substantially higher wages, in real terms, than before the war. Both real and money earnings have tended to show the greatest improvement in those states paying the lowest wages in 1939, such as Madras, Orissa, and West Bengal; the higher paying states, like Bihar and Bombay, lagged behind. As a result, the differentials in money earnings between the

highest and lowest paying states tended to narrow between 1939 and 1954.[46] Even then, the actual level of money earnings was still very low: converted into dollars, the highest figure for any State (Bihar) was about $25.50 per month in 1954.[47]

Another characteristic of wage trends since 1939 is that the lower paid workers received larger wage increases, in percentage terms, than the higher paid workers. The inflation had fallen harder on the lower income groups and they were granted proportionately higher compensation for changes in the cost of living.[48] As a result, the gap in the earnings of skilled and unskilled workers narrowed. For example, fitters in the Tata Iron and Steel Company at Jamshedpur had earned 3.73 times as much as the least skilled workers in 1939; by 1952 the fitters earned only 2.76 as much.[49] In few cases did the higher-paid workers recover, by 1954, the real earnings that they enjoyed in 1939. It should be noted here, however, that working conditions and job security were definitely better than in the prewar period.

Although the position of the industrial worker has certainly improved from the wartime low point, there was still a gap between actual money wages and the amount said to be necessary for a "living wage" or even, in many cases, for a "subsistence wage" in 1954. The Rau Court of Inquiry estimated that Rs. 35 would have supported, in 1939, a Bombay city industrial worker, his wife, and two children in their minimum requirements for food, clothing, and shelter.[50] The Bombay city cost of living had risen 3.32 times by 1954, and therefore the minimum subsistence wage in 1954 prices amounted to Rs. 116 per month. While average monthly earnings of cotton textile workers probably exceeded this slightly,[51] the least skilled workers in the Bombay city cotton textile industry were earning Rs. 96/2.[52] These workers were therefore receiving only 79 per cent of what was considered a subsistence wage. In view of the fact that the Bombay city cotton textile industry pays relatively high wages, the plight of unskilled workers in other industries is even more acute.

What is the gap between actual wages and the "living wage?" The living wage should enable the family to enjoy, over and above the bare essentials of food, clothing, and shelter, a certain measure of frugal comfort and security. The "living wage" has been variously estimated; the figure of Rs. 50 (in 1939 prices) has often been cited.[53] In 1954 prices, the living wage would have amounted to Rs. 166. Thus the lowest paid cotton textile workers in Bombay city earned in 1954 only 58 per cent of this "living wage."[54] Of course, in multiworker families, the total family income may have approached this level.

So long as the gap between actual earnings and a subsistence level persists in many states, there will be continued agitation for increases in money wages;[55] and this may be expected to continue afterward with the "living wage" as the goal. These are the relevant comparisons for industrial workers and their representatives—not the comparison between industrial wages and

earnings in agriculture. Data on this comparison are meager, but it seems likely that annual earnings of factory workers in 1950 were more than twice as much as for agricultural laborers.[56]

Equity may suggest raising the agricultural labor incomes relatively, or increasing industrial and agricultural employment before raising already higher industrial wages still further. But the methods of wage determination in India are not likely to permit this type of decision. We shall examine these methods, and the role of government in wage determination, in Chapter VI.

We have stressed the numerically small but strategically critical role of industrial labor in India's economic development plans. We have seen how the First Five-Year Plan concentrated on the agricultural sector and succeeded in raising food production. But urban unemployment remains a central problem. So the Second Five-Year Plan is designed to step up industrialization and to provide new jobs for 8 million unemployed and new labor market entrants by 1961.

Several key questions suggest themselves. Will the Indian entrepreneurial and managerial system respond adequately to the accelerated industrial programs? How have they responded to similar tasks in the past? Will industrialization proceed at such a pace and with such rapid adjustments that a stable industrial labor force will develop, fully committed to industrial discipline and an industrial way of life? To what extent has a committed industrial labor force already developed, and what part have management practices played in this development?

As industrialization imposes its requirements and disciplines more extensively, will protest against some of the harsher aspects continue—and in what direction? Or will protest take the form of seeking more of the immediate gains from industrialization? What has been the role of the organized labor movement in developing and redirecting this protest, and what has been the managerial response, both in the private and in the public sectors? Does this experience suggest anything about future trends as India enters her Second Five-Year Plan? Finally, and perhaps most important, what role has government played in managing and redirecting the protests arising from the industrial labor force? What may it be expected to do in the future?

These are the questions to which our attention will be directed in the subsequent chapters as we consider the labor problems arising in the industrial development of India.

CHAPTER II

The Development of Entrepreneurship and Industry

The Second Five-Year Plan offers hope that industrial development will raise *per capita* real incomes from the poverty level in India and at the same time provide more employment in an economy burdened with serious unemployment and underemployment of its human resources. The success of these efforts depends not only upon the planning process and the energies which are brought to bear upon it, but also upon the present industrial capacity of India and its businessmen.

This chapter summarizes briefly the background of industrial development in India, the growth of industrial employment and capacity, and the development of the managing agency system which has given a particular slant to the way in which Indian industry has developed and is controlled.[1] Finally, we shall consider the climate for industrial development in India today, including the impact of religious and cultural factors. All of this is necessary background for an understanding of the labor problems involved in the industrial development of India.

The Beginnings of Modern Industry

The decade 1850–1860 stands out sharply in the industrial development of India as one in which the first successful jute and cotton mills were established, the coal fields were connected by rail to the port city of Calcutta, and the beginning of a rapid expansion of rail lines throughout India took place. Unlike countries moving into an industrial revolution, however, this was not the beginning of a diversified industrial growth, but both a beginning and an ending; for not until a century later, with the coming of independence, did India again move toward an active broadening of her industrial base.[2] For a half century following 1860, the history of industrial growth in India is the history of the growth in these four sectors. Only in 1911, with the completion of the Tata iron and steel works, was there an important addition to the established industries of jute, cotton, coal, and rails.[3]

A brief review of these early developments will help to place India's current position in historical perspective. In 1854 a rail line connecting the

Raniganj coal fields with Calcutta was opened, providing for the first time economical and reliable transport from the coal fields to market. Coal production rose from less than 100,000 tons annually in the 1840's to 300,000 in 1860 and 1,000,000 in 1880. Growth leveled off sharply after the first World War at about 20,000,000 tons, and did not go above 25,000,000 for twenty years. The coal industry was developed initially by British capital and managerial talent, with the largest units remaining in British hands; but by 1920 there was a noticeable shift, particularly in the smaller units, to Indian ownership-management. The managing agency method of control has been used extensively, and this has been blamed for the lack of efficiency and generally loose organization which have been typical of many units in the industry.[4]

Like coal mining, jute manufacture has been a direct result of European (in this case Scottish) initiative. In 1854 the first factory was established, and by the end of 1862, four were in operation. Between 1869 and 1877 the number of looms had quadrupled to slightly less than 4,000. In the next twenty years only about 6,000 new looms were added, but thereafter progress was more rapid, increasing from 15,000 looms in 1900 to 40,000 in 1920.

Jute mill owners established the Indian Jute Mills Association in 1884 in a successful effort to regulate production already overtaking demand; and this was facilitated by the managing agency form of control described later. But the jute companies, unlike the coal industry, did not suffer from poor management. Jute mills have been recognized in the past as among the best and most efficiently operated factory units in the country.[5]

Alone among major developments in the industrialized sector, railroads grew as a direct result of governmental encouragement. In 1853 the first short lines out of Calcutta and Bombay were built; and Lord Dalhousie, Viceroy of India, in that same year recommended that Madras, Calcutta, Bombay, and the northwest frontier be connected by rail. Serious action was not taken until later, however, and by 1900, track mileage had reached only 25,000. This rose to 40,000 miles in 1928 and has not increased appreciably since that time.[6]

The railroads, in addition to serving the needs of the articulate and politically important English trading firms, both in India and in England, were planned and operated to facilitate the prompt movement of troops and military supplies to trouble spots, and food grains and other assistance to famine areas. These requirements led in some cases to commercially uneconomic trackage; and such were the costs of construction and operation that by 1900 losses to the government were over $250,000,000.[7] Daniel Thorner summarizes the railroads' impact in India in the following paragraph:

> In the economic sphere the railways fostered a measure of regional specialization in both agricultural and industrial production and encouraged the bringing of more land under cultivation. The railways appear also to have helped raise the level of wages and prices and to have helped make them more nearly uniform in

the subcontinent as a whole. Yet when we consider the fact that the railways have been the largest and most important enterprise of a truly modern character in India, involving heavy machinery, precision techniques, and advanced communications, we have to conclude that they have had surprisingly few *constructive* results. They helped spread a veneer of modernization over the countryside while doing little to initiate a process of genuine modernization.[8]

Advances in the cotton textile industry in the latter half of the nineteenth century, were the only industrial advances which were basically the result of indigenous entrepreneurship in that period. The first mill was established in 1954 by a member of the Parsi community already successful as a cotton merchant, a transition from cotton trading to cotton manufacture which appears to have been the most typical form of entry into the industry in the following years. Most of the early mills were built by Parsi yarn and cloth merchants already concerned with supplying the Chinese and African markets.[9] The growth of the industry was rapid, the number of mills rising from 8 in 1861 to 193 in 1900 and 271 in 1914.

Early mills were at least as interested in producing yarn for the hand looms of India and China as for their own power looms. From a ratio of approximately 100 spindles to one loom in the years before 1900, however, there was a rapid decline to about 50 to one in 1920; and the ratio has remained approximately constant at that point. Even in the 1930's, handloom output accounted for 25 to 30 per cent of total cloth production, using in large part mill-produced yarn.[10] As late as 1950 this figure was 15 to 20 per cent.

The experience of the first World War provides considerable indirect evidence of the state of Indian industry during that period. With no merchant marine of her own, India was cut off in large part from European imports. As a result, there was a sharp leveling off in growth in cotton textile industry capacity (an actual decrease in spindles), in jute capacity, and in railway maintenance. This latter aggravated an already difficult situation; for prewar railway depreciation policy had been a shortsighted one. The result was an acute shortage of transport and a near breakdown of railway service. The almost complete lack of organized industry in light engineering meant a trickle of inferior replacements to industries subject to heavy wartime strains. British prewar policy in India, particularly the refusal to protect infant industry and the government policy of buying all government stores in England, had helped to create the situation; but the needs of total war caused a reversal of this trend and were in part responsible for the rapid growth of the newly formed Tata Iron and Steel Company. Yet India's second World War experience shows that surprisingly little growth in light engineering had taken place between the two world wars. Not until the outbreak of the second war were factories started for the manufacture of spinning ring frames and looms or even such simple items as pickers, bobbins, and starch, all of which are required by an industry which had been in operation since 1854.[11]

Growth of Industrial Employment and Capacity

One measure of this narrow industrial base during most of India's industrial growth is seen in the distribution of her industrial work force. Table 6 presents the essential facts.

Table 6. The growth of industrial employment in India[a] (thousands of employees)

	1892	1899	1909	1919	1929	1939	1949	1954[a]
Railways	259	309	510	713	818[d]	709[d]	901[d]	966
Coal mines[b]	33[e]	83[f]	129[g]	190	180	227[h]	345	341
All mining[b]				249	364	413[h]	519	594
Factory employment								
Cotton textiles	121[d]	163[d]	237	280	338	499	653	661
Jute textiles	66[d]	102[d]	204[d]	276	347	299	322	272
General and electrical eng'g				30	53	58	136	150
Railway workshops		52[i]	93	134	136	104	108	118
Ordnance		13[i]	15	24	22	31	84	67
Iron and steel	12[j]	17[j]	24[j]	21	32	41	60	77
Chemicals				2.8	3.5	4.8	18	23
Total factory employment	254	452	786	1171	1553	1751	2434	2590

[a]Because the definition of "factory" and the degree of coverage (both in detail and geographic area) have changed over time, the figures are only generally comparable. Figures for 1939 and before are for British India, excluding native states; 1949 and 1955 are for the Indian Union (thus excluding Pakistan). Data, unless otherwise noted, are taken from the annual *Statistical Abstracts Relating to British India* (pre-1947), and the *Statistical Abstract, India* (post-1947): No. 35, 1890-91 to 1899-1900, pub. 1901; No. 52, 1907-08 to 1916-17, pub. 1919; No. 56, 1911-12 to 1920-21, pub. 1924; No. 65, 1930, 1931, pub. 1933; No. 72, 1939-40, pub. 1943; New Series, No. 1, 1949, Vol II, pub. 1950; New Series, No. 2, 1950, pub. 1952.

[b]Employment in Mines: For 1890 see D. R. Gadgil, *Industrial Evolution of India*, (Madras: Oxford Univ. Press, 1924); for 1899 and 1909 see *Report of the Royal Commission on Labour in India* (June, 1931), pp. 7, 8, 9, 514; for 1919 see *Indian Year Book, 1921*, Stanley Reed, ed., Bombay, Bennett Coleman and Co., Ltd., 1929, pp. 354, 187.

[a]Employment statistics for 1954 are published on a different basis than that used for years up to 1949, and in certain cases, particularly engineering and chemicals, the comparability of figures provided is open to doubt. Factory employment statistics are from *Indian Labour Gazette*, 8:616-646, No. 8 (Feb. 1956); railway and mining employment from the *Indian Labour Year Book, 1953-54*, pp. 5, 8; mining employment statistics are for the year 1953.

[d]Accounting year. [e]1890. [f]1901-05 annual average. [g]1911-15 annual average. [h]1938. [i]1905. [j]Includes brass foundries.

Several striking conclusions emerge from an analysis of these data. From 1850 to 1940 the construction, maintenance, and operation of the railways employed at least one man for every two employed in all branches of modern industry. And within organized industry itself, the operations of spinning and weaving in the jute and cotton sectors employed over one third of all factory employees. Not until the second World War and independence was there a substantial broadening of India's industrial base.

The war period (1939–45) was on the whole beneficial to India's industrial growth. A shortage of ocean transport, as in the earlier world war, forced a

drastic reduction of imports; and India's proximity to an active theater of war placed heavy demands on her productive capacity. Again, however, a shortage of machine-making capacity and internal transport, this time aggravated by considerable political unrest, left a disappointing record of output. Industrial production increased only 16 per cent over the six-year war period. But with the establishment of independence at the end of the war, in contrast to the experience of the first war when war-born light engineering industry was allowed (and even encouraged) to die after the crisis passed, the new government now offered substantial tariff protection and assistance to the new producers.[12] Thus the beginnings of a more diversified industrial base made during the war were nurtured in the years following it.

The contrast in the rate of growth of the older industries with those more recently established is indicative of the change taking place. From 1946 to 1953 steel, jute, and cotton textiles, and the coal industry, increased capacity less than 25 per cent.[13] In the same period capacity for production of electric lamps, batteries, motors, transformers and fans, radios, sewing machines, diesel engines, cement and bicycles was increased over 100 per cent.[14] The same trend is apparent in output statistics. From 1946 to 1955 the output of coal, steel, cotton, and jute textiles increased one third or less; but among, for example, chemicals, cement, sewing machines, and the general engineering category, no increase was less than 170 per cent.[15] This change was in part the reason for devising a new index of industrial production in 1951. The index, with base year in 1946, had nearly 80 per cent of its weight in value added by the cotton textile, jute textile, coal and steel industries. The 1951 base index reduced this weighting to 61 per cent.[16] The decade following independence has seen not only rapid growth, but the beginnings of an important broadening in India's industrial structure.

Growth of the Public Sector

We have referred above to the change taking place within industry, the movement toward a more diversified industrial structure. Even more important are the developments of basic services which the government is undertaking directly, and without which industry could not expand. These developments, the river valley projects, railway expansion, industrial investment corporations, are all part of the "public sector," a term of growing importance in India today.

In 1947, the year of independence, the public sector already included substantially all railroads, the post office and telegraph system, and all ordnance factories.[17] The only government-owned factories of importance were the rail workshops (producing freight cars), Hindustan Aircraft, Ltd., producing trainers, bus bodies, and railway coaches, and the ordnance factories, which after the war were used to produce nonmilitary goods.[18]

Between 1947 and 1951 the Reserve Bank of India was nationalized, the

telephone system was centralized under a single government department; and other projects were undertaken, the most important being the river valley power and irrigation developments, the Chitteranjan Locomotive Works, and the Sindri Fertilizers and Chemicals, Ltd. Work was also begun on factories for producing machine tools, penicillin, D.D.T. (post-1951), and telephones and cables.[19] Gross assets of the central and state enterprises in 1951 were estimated at Rs. 12.4 billion (approximately $25,000,000,000).[20] This was nearly equal to the Rs. 14.7 billion estimated as the gross assets of the private sector. However, Rs. 10.7 billion of the Rs. 12.4 billion were gross assets in railways and irrigation power projects; and of the Rs. 2 billion balance remaining, only Rs. .44 billion (something less than $100 million) were in publicly owned industry.[21] This was about the same as the gross assets of the Tata Iron and Steel Company at that time.[22]

Since 1951 three important units—the airlines, the Imperial Bank of India, and the life insurance companies—have been nationalized, and the government has become the only builder of ocean-going ships. A railway coach factory, new units in the iron and steel industry, and several smaller projects have all been initiated since 1950. In electric supply and coal mining there has been some movement toward nationalization, and collieries formerly run by the railroads have been placed under a separate coal authority also responsible for enforcing the governmental controls over the rest of the industry.[23] No recent figures are available comparable to those given above for 1951, but the tabulation below, showing the gross investment in manufacturing industries and electrical undertakings does suggest the nature of the change taking place.[24]

Year	*Public Sector*	*Private Sector*
1951	Rs. 1.34 billion	Rs. 8.02 billion
1956	Rs. 4.54 billion	Rs. 11.42 billion

Even these figures are difficult to evaluate; for it may be doubted if the private sector has done much investing in electrical undertakings when nationalization is such a very real prospect. On the other hand, gross investment in industry by the public sector during this period was only Rs. 0.57 billion, while the private sector invested Rs. 3.4 billion.[25] Moreover, in the mixed economy now well established in India, the dividing line between public and private enterprise is not always clear. Investment corporations financed wholly or in part by government funds may either loan funds or buy equity in private firms, or government may buy directly into formerly private firms.[26] Government funds, in other words, would make up a part of private sector investment.

The plans for future development in the Second Five-Year Plan leave no doubt that the public sector will grow both in absolute terms and relative to the private sector. Proposals for net new investment in modern industry under the Second Plan are Rs. 6.90 billion by the public sector and Rs. 5.75 billion

by the private sector. Comparable proposals for the First Five-Year Plan were Rs. .94 billion public and Rs. 2.33 billion private.[27] The role of the private sector will be discussed more fully in a later section.

Role of the Managing Agency System

While we have briefly summarized above the growth of Indian industry, equally important for an understanding of industry in India today is the distinctive form of control which has developed with it: the managing agency.

As we have seen, managing agencies have been prominent in Indian industry from the beginning. Technically, they are firms which for a fixed fee or more commonly a percentage of profit or sales, operate the business of one or more firms for the owners. In practice, the managing agents typically dominate the firms they manage, normally through substantial ownership or control of voting rights, and thus dominate the board of directors with whom they make the agency contract. The origin of this form of business control appears to have been a severe shortage of managerial ability and venture capital in India, combined with the absence of owners in England who saw the managing agency as the best means of utilizing these scarce resources

Table 7. European control of industry in 1915

Industry	Total employment (thousands of employees)	No. of units	Total employment in European-controlled firms (thousands of employees)	No. of units
Cotton spinning and weaving	273.5	278	56.4	34
Sugar	7.8	30	3.5	8
Jute mills	250.8	72	250.8	72
Woolen mills and carpets, etc.	11.9	23	5.2	2
Dockyards and other port trust works	12.4	9	12.4	9
Railways and tramway workshops	79.6	83	[a]	[a]
Engineering workshops and iron and brass foundries	39.4	94	22.8	[b]
Tile and brick	28.2	205	8.9	27
Jute presses	26.3	122	[c]	[c]
Paper	4.7	7	3.6	2
Printing presses	16.7	102	4.6	17
Rice mills	10.5	158	[b]	
Oil mills	4.1	152	[d]	
Total	772.6	1335	460 (approx.)	

[a]Overwhelmingly foreign.
[b]Indians predominate in iron and brass foundries.
[c]More than half of the units were foreign.
[d]Negligible.

Source: Gokhale Institute of Politics and Economics, *Notes on the Rise of Business Communities in India*, preliminary study by staff members of Gokhale Institute, International Secretariat, Institute of Pacific Relations (New York, 1951), pp. 4-5. The study does not indicate the source from which the statistics are drawn.

for the maximum profit. Time did not materially change the situation, and by the end of the nineteenth century a managing agent had become a near necessity for securing loans and for general business respectability.

As in the case of the railroads, the managing agency system was useful in preserving British control and supremacy. Indian investors often preferred to put their money into firms controlled by British managing agencies; they had the advantages of business experience and competence, international connections, and the support of a generally friendly government. Table 7 shows how pervasive this control was as late as 1915.

The clearest picture of this form of business control is to see the agency as the "firm" and the companies it controls as so many operating divisions.[28] Certainly it is true that the managing agencies have been primarily responsible for whatever industrial growth and business initiative occurred after 1850.[29] Nor is there any question that managing agents are still the dominant form of business control wherever they are permitted to operate. Excluding banks and insurance companies (which are not permitted to have managing agencies, but are in some cases tied to agents through other means), over 95 per cent of the gross assets of public stock companies operating in Bombay in 1948 were controlled by managing agents.[30] Each major Indian industry was at least 70 per cent controlled by managing agencies; and coal, cotton, and jute were over 90 per cent under agency control.[31]

The Rise of Indian Business Communities

While British control was still dominant in 1915, there was a gradual growth of Indian entrepreneurship. Perhaps an additional reason for the slowness of this growth, besides English economic and political control, was the apparent difficulty for Indians in making the move from one field of endeavor to another. Without question the strong ties of caste and family, and the security which both provided, made a plunge into business more difficult than in the West. The first successful efforts were indeed made by the Parsis, a community which was outside the Hindu caste system, and had no traditionally fixed occupations.[32]

These early Parsi entrepreneurs were originally cotton merchants, and the transition from merchant to manufacturer was repeated by the first Hindus who moved into the cotton spinning and weaving business.[33] These were members of the Gujerati trading caste, from the region north of Bombay city. Historically, the second transition, but one equal in importance, has been that from the moneylending to the industrial enterprise; and it is in the moneylending castes in Marwar that the third important business community, the Marwaris, have their roots. Helen Lamb describes their growth as follows:[34]

> The most spectacular rise was that of the Marwaris, the foremost Indian business community today. Though there had been a few wealthy Marwari merchants in

Bombay in the 1850's, it was not until 1920 that several families of this community opened textile and other industrial plants in a number of cities, particularly in Calcutta. Today, eight Marwari families, some of them related by marriage, hold 565 directorships in Indian industry, banking, and insurance. One of these families, the Birlas, sparked by G. D. Birla's talent and zeal, has been an innovator in textile machinery, bicycle, and automobile production since 1939.

The growth in business leadership is reflected not so much in the companies owned—which under the managing agency system signify no particular managerial competence—as in managing agencies controlled. One recent study classified a selected sample of firms in Bombay province by the community affiliation of their managing agents (or by the community of the chairman, if the company was independent). While the sample understates Marwari strength, which is greatest in Calcutta and up-country centers, the changing relative position in business control is clearly evident in Table 8.

Table 8. Per cent of paid-up capital and of gross assets controlled by various communities in Bombay province (1912, 1935, 1948)

	1912		1935		1948	
Community	Paid-up capital	Gross assets[a]	Paid-up capital	Gross assets	Paid-up capital	Gross assets
British	30.8	43.0	21.6	10.0	8.9	3.6
Parsis	49.7	31.4	47.6	41.3	36.0	46.5
Gujeratis	11.5	21.8	12.5	18.3	24.5	18.5
Marwaris	0	0	0.8	2.4	14.3	7.3
All Others	8.0	3.8	17.2	27.9	16.3	24.6

[a]For approximately 40 per cent of the companies in the 1912 sample, the gross assets are for 1913.

Source: Andrew Brimmer, "Some Aspects of the Rise and Behavior of the Business Communities in Bombay," unpublished research paper, Mass. Inst. of Tech., Center for International Studies (Aug. 1953), adapted from Appendix II, Table I. Brimmer used a sampling technique. For each year analyzed, the sample contains from 4 per cent to 10 per cent of public registered companies in Bombay representing over 50 per cent of total paid-up capital.

Surprisingly, there has been a net inflow of foreign business capital since 1948. The Reserve Bank of India estimates that, between July 1948 and December 1953, it has exceeded Rs. 1,3000 million, over one half being in manufacturing.[85] More than 90 per cent of the total has been supplied by British investors, a rather impressive testimonial both to the stability that free India has attained in the eyes of its former rulers and to the skill of both countries in putting old grievances and the past ruler-subject relationship behind them. Yet, even with this substantial inflow of foreign capital, the contrast with the situation in 1915 is very marked indeed. It is estimated that in January 1955, the percentage of capital in Indian industry controlled by foreign interests was not greater than 16 per cent,[86] compared with approximately 60 per cent controlled in 1915.[87]

Concentration of Control

While in many cases managing agencies tend to specialize in one industry, the largest and most prominent have surprisingly diverse holdings. Three examples illustrate this tendency.[38]

Tata, the J. K. group and the Dalmia-Jain group all control companies in the following fields: cotton textiles, light engineering, cement, chemicals and oils, insurance, banking, investments, real estate, food products.

At least two of the three control companies in these additional fields: iron and steel, power supply, printing presses, retailing, jute, wool, sugar, plywood and related products.

Other fields in which the three agencies also control companies are:

Tata	*Dalmia-Jain*	*J. K.*
Hotels	Paper	Straw products
Radios	Periodicals	Soap
Enamel works	Coal	Aluminum
Tinplate	Dairy products	Plastics
	Quarries	Rubber

This diversity in companies under the control of large agencies is perhaps a natural counterpart of the concentration of industrial control in the hands of these same agency houses. Although no detailed studies of control in terms of gross assets, value of product, or similar measures have been undertaken for all industry because of the apparently insuperable problems of data collection, studies of specific industries indicate that in the iron and steel, petroleum products, cement and match industries, one or two firms control over two thirds of total capacity. In terms of separate producing units (mills or factories), four agents control over one third of the jute industry and sixteen agents control about two thirds of the sugar industry.[39] Moreover, the concentration is assisted by a system of interlocking directorships. Six men, for instance, are directors of at least four (in one case eight) out of ten of the largest European managing agencies. This interlocking of directors is also the means by which control over partly or wholly owned banks and insurance companies is maintained; for law prohibits these concerns to be managed through agents.

What is the reason for this concentration of control? The shortage of Indian entrepreneurs is considered a central cause. As M. M. Mehta explains:[40]

> It was natural that the development of (the managing agency) form of industrial organization should have led to the concentration of ownership and control in fewer hands. This tendency was greatly accentuated by the great dearth of entrepreneurial ability and industrial leadership in the country.

He also points to a group of 25 agencies controlling more than 600 firms in 1951 as a reflection of a continuing shortage in Indian managerial ability.[41]

However, the fact that the number of companies rose from 15,000 to al-

most 30,000 between 1945 and 1952 suggests a broad expansion at the base of the business pyramid.[42] Thus, the rapid growth in the number of firms since the end of the war, and the accompanying promise of independence, would suggest that prior to this time the lack may have been one of entrepreneurial opportunity rather than entrepreneurial ability. There is no evidence that this rapid rise in the number of firms has diminished the relative economic power of the large agencies in the last decade, but it may suggest that some new blood is moving into commercial and industrial channels.

The joint Indian family has facilitated the concentration of industrial control. Unlike American experience, where the Ford family empire was a long-noted exception to the more familiar separation of ownership and control, substantially all Indian agencies, large and small, are family concerns. Typically partnerships rather than joint stock companies, the partners are commonly related by blood or marriage, and even the lower ranks of management are filled from within the family or subcaste whenever possible.[43] The Hindu joint family views cousins, nieces, and nephews little differently than Westerners view brothers, sisters, sons, and daughters; and the responsibility for and to a family thus broadly defined is far more inclusive than in Western countries.[44] The result is often to make any business venture a family venture, for the cost of hiring a brother is something like paying one's wife a salary. Obviously, this attitude could have a paralyzing effect on initiative. Pandit Nehru, noting that a family's joint property was used to support productive and nonproductive family members alike, has said:[45]

> Inevitably this meant a guaranteed minimum for all of them, rather than high rewards for some. It was a kind of insurance for all, including even the subnormal and the physically or mentally deficient.

Although most observers agree that the influence of the joint family in India is declining, especially in the cities, the family tie is still of importance in choosing personnel for top positions in Indian firms.[46] This point will be discussed further in Chapter V.

Growth of Employer Federations

While the foregoing discussion has emphasized the importance of community and family in the structure and development of Indian business enterprise, there hase been, particularly in recent years, a growth of employer organizations which tend to cut across these divisions. Commercial organizations as such have a long history in India. British business interests organized the Calcutta, Bombay and Madras chambers of commerce in the 1830's, and the first industry associations in the 1870's and 1880's.[47] But the divergent political aims of British and Indian business led to the establishment of separate chambers of commerce in all the major business centers, and in the

1920's two India-wide organizations were formed—the Associated Chambers of Commerce of India, representing foreign interests, and the Federation of Indian Chambers of Commerce and Industry, representing Indian business.[48] The latter normally aligned itself with the nationalist movement before independence.[49]

The two most important employer associations concerned solely with employer-employee problems were both established in 1933. The Federation of Indian Chambers of Commerce started the All-India Organization of Industrial Employers. The Employers Federation of India was established under the auspices of the Bombay Millowners Association and represented not only British business interests, but generally the group of Indian businessmen who were not members of the Federation of Indian Chambers of Commerce.[50]

The stresses of war, independence, and partition, and more recently of an avowedly socialist-oriented government, have encouraged further coöperative action by business; and in so doing have helped to weaken the ties of family, caste, and community which have traditionally determined business associations. Since the goal of Swaraj (independence) has been reached, the Indian businessmen of the 1950's find they have many problems in common with foreign business groups.

The most common businessman's organizations in India today are the industry federations such as the Millowners Association, both at Bombay and Ahmedabad, the Indian Jute Mills Association, Indian Tea Planters Association, Indian Mining Association, and so on. They have been active in establishing standards, providing industry representation in official and unofficial bodies, and in the case of the Indian Jute Mills Association in limiting industry output. Their number has increased rapidly from the beginning of the second World War, and the planning of balanced industrial development in the First and Second Five-Year Plans has made such associations useful channels through which the intentions of government and the requirement of industry could be exchanged and discussed. Some of them have accepted an important role in handling labor relations for member firms in the postwar period, providing in some cases advice and services similar to those offered by the central personnel office of a multiplant firm.

After the turn of the century a formal organization of business groups on sectional and community lines emerged, among them the Marwari Chamber (now Bharat Chamber) and Muslim Chamber of Commerce, Calcutta, the Marwari Chamber (now Western India Chamber) and Maharashtra Chamber, Bombay.[51] This communal bias has moderated in recent years, and a publication of the Federation, to which the majority of them belong, indicates that membership restriction has in most cases been removed.[52]

One of the more important businessmen's organizations born during the war period was the All-India Manufacturers Organization, established in 1941 and active particularly in the relationship between government and

private manufacturing enterprise. Problems of labor relations and labor legislation are touched only generally by this body, and its basic emphasis has been on shaping industrial policy through publications, membership in commissions, organizing local manufacturers' associations and generally urging on government the private manufacturers' point of view.[53]

The Climate for Industrial Development

Although these business federations have helped to create a more favorable climate for private business enterprise in India, one of the major problems still facing Indian business today is the negative and sometimes hostile attitude toward it held by other segments of the community, and even by government. Part of the cause of this lies in the businessman himself.

Until 1947 Indian businessmen operated along with British business interests, which had the support of a friendly government. They tended to retain the psychology of a trader and speculator interested in quick profits rather than in long-term investments in the building of a business.[54] Even today, many members of the business community of India have a background of industrial management as limited as the industrial empire builders of our own latter nineteenth-century history; and it is not surprising that parallels can be drawn between the watering of railroad stock and Spanish-American war profiteering, and some recent Indian business practices.

No section of Indian opinion recognizes this problem more clearly than some of the leading businessmen themselves. Writing in 1952 in a publication primarily for businessmen, a past president of the Federation of Indian Chambers of Commerce and Industry cautioned his colleagues as follows:[55]

> For the fact must be recognized, however unpalatable it may appear to be, that businessmen are now under suspicion everywhere. We are fast losing goodwill. This is no doubt sad, but nevertheless true. In a condition where social forces are bringing in new thought-currents and new complexes, businessmen should learn to move with the times and so guide their policy and change their perspective that social conscience may not react against them. . . . So, we must develop a new perspective and a new approach so that mere money-making and profit-grabbing may no longer remain the main urge of our existence as businessmen. If we do so, we may have to pay a bitter price in the future.

Government itself has expressed its opinion of private enterprise in several notable policy declarations and in statements by its leaders. A 1949 speech by Prime Minister Nehru to the Federation is exceptionally sharp in some of its criticisms:[56]

> This is a fundamental fact—the capitalists, industrialists, etc., in India are not big enough to face the problems of the day or not quite big enough, and generally the idea is spreading that their stature is rather small and that they get frightened at the slightest upset and start complaining and retiring into their shells and asking others to help them. . . . With all respect, I should like to inform you that if your

demands come in the way of the good of the masses, your demands will be completely ignored. Of course, they need not and should not, because your interests are really tied up with their interests. . . .

Whatever the rights and the wrongs of things may be, the industrialists and the commercial classes in India have become unpopular with the general mass of people. They have become unpopular because some people among them have not behaved rightly, have taken advantage of situations to obtain profit for themselves at an inordinate rate to the disadvantage of the community at large. . . . But I say to you, make every effort to improve your reputation because ultimately it is not through legislation or through government protection that we can go very far in the production of goods but through the goodwill of the various parties concerned in that undertaking.

The tone and content of this talk offer distressing evidence of how far apart were government and business in the immediate postwar period. The 1947–55 period has been characterized as one in which "the Indian state and private enterprise have fought an undercover war. . . ."[57] While this was an extreme characterization, it did suggest the gulf between them.

Some of the difficulty stems from the fact that business has not had a vital impact on other parts of the Indian social system, with the consequence that key segments of Indian opinion have little sympathy for the average businessman, and little respect for that system of values which considers the pursuit of wealth an honorable calling. Leadership in the civil services, the professions, the universities, the Congress party and even the trade unions comes largely from the intellectual class, whose traditions place the government functionary, the lawyer, the teacher and the social worker well above the typical small businessman.[58] A fairly common current view of the profit motive is well illustrated by the following anecdote used in an editorial published in an official organ of the Congress party:[59]

[Rajarshi Tandonji] . . . had just been released after a long incarceration following the August 1942 Quit India movement. A rich man, his dear friend, came to see him. Tandonji asked him how much he had earned during the war. He mentioned many lakhs, certainly not inconsiderable. And this is what Tandonji said: "Whenever I see a rich man, I can't help feeling that either he, or his father, or someone else among his near and dear ones had adopted questionable means to amass wealth. *Wealth cannot be amassed by following methods which are above board.*"

This view of businessmen is changing in a climate of fairly rapid economic, social, and cultural change. What the status system is may be less important than the direction and speed of its change. For example, as government increases its participation in industrial enterprise, the role of the economist, the statistician and professional manager become increasingly important. Scarce resources need to be used efficiently, and basic to achieving this is competent management, itself a scarce resource. Thus "reaping huge profits" may still be equated with wrong ends by some groups and therefore a proper

object of contempt. But if the managerial skills are applied instead to operating a government factory efficiently (that is, at a "profit"), they become a proper object of respect. The direction of change may be favorable to business, or at least management skills; but the belief that an unfavorable climate for private enterprise exists is still evident in many business circles.[60]

Another difficulty facing the private businessman was the decision of the government to work toward a "socialist pattern of society." While within this pattern private and government enterprise were to work side by side, it was not always entirely clear which industries would escape nationalization, and for how long. The numerous and sometimes irritating controls which accompany the planned economic development of a nation were a source of many complaints, and foremost among these were the controls included in the Industries Development and Regulation Act of 1951.[61] As its title suggests, the law provided certain assistance by way of advice and coördinating activity, and also regulation which required government approval before a broad range of business decisions could be carried out. The most prominent feature of the act provided for complete takeover of the management of a business, if in the opinion of government, the quality of the product or the consumer's interest suffered under the existing management. Continued uncertainty of ultimate government intentions led to an increasing sense of isolation and mistreatment on the part of business.[62] The constitutional amendment in 1955 which made the legislature the final authority for setting the compensation for nationalized firms deprived business of redress through the courts. In fairness to the Indian Government, it should be noted that the 1955 amendment was necessary if land reforms, a quite separate problem, were to proceed without endless litigation between the government and landowners. While business opinion did not fear immediate outright seizure of privately owned industry with only token payments, there was distress at the loss of judicial review over what in the future they feared might be a largely political decision.[63]

Perhaps of all the causes of concern, the Company Law reform was the one which appeared to threaten the businessmen's security more than any other. Hearings on the proposal had been in progress for several years prior to its passage in 1955, and generally moderate changes suggested by a commission studying the subject met only minor criticism by business. But the final result was a complex and sweeping act which, among other things provided for strict licensing by government of managing agents by 1960, a ten-company limit for any one agent or his close associates, a fixed maximum agency commission, the right to prohibit managing agents in any industry by governmental decree, and increased authority for government to intervene in business affairs under powers so broad, in the opinion of the business publication *Eastern Economist,* as to make such intervention almost purely discretionary.[64]

The Role of the Private Sector

What the future holds for Indian business has been a question which has troubled many in government as well as industry. In 1948 the Industrial Policy Resolution was published, specifically reserving to government the right to undertake new development in six basic industries with private enterprise to assist only as the state found necessary. These were coal, iron and steel, aircraft and shipbuilding, telephone and telegraph equipment, manufactures and mineral oil production.[65] Furthermore, arms and ammunition, atomic energy and rail transport were to be state monopolies.

The First Five-Year Plan, with its emphasis on the development of agriculture and multipurpose river valley projects, drew heavily on the resources of the state, and not until 1954 was there any official revision of the government's economic policy. But in December of that year in an economic policy debate already concerned with the investment program for the Second Five-Year Plan, Parliament passed a resolution which, in the words of a later government publication, "accepted the socialist pattern of society as the objective of social and economic policy."[66] *Capital*, a leading Calcutta financial journal with British interests, defined it somewhat differently.[67]

"Nehruism" would seem to be Capitalism without the confidence of inalienable property rights, Socialism with a private sector, and communism without revolution or ruthlessness. It is a strange hybrid policy with which to face the future.

One month later, at the Avadi Congress, the "strange hybrid policy" was given added weight by the Congress party in the Economic Policy Resolution.[68] Two elements of the Avadi declaration stand out in importance: the increased role of government in developing heavy industry, and the positive role assigned to private enterprise. Both stemmed from the belief that India had to industrialize more rapidly than the pace called for in the First Five-Year Plan, then within eighteen months of completion. An excerpt from the address by Prime Minister Nehru to the Avadi Congress suggests both of these points:[69]

Land . . . will remain essentially in the private sector. Small-scale and cottage industries will also remain . . . so also most of the lighter industries. It may be advantageous to allow some heavier industries to be organized by private enterprise, if the state is not prepared to assume the burden.

If this is so, then we must adopt a healthy attitude towards the private sector, keeping always in view the main objective of achieving a socialist pattern and preventing the growth of any tendency which might come in our way later.

The term "socialist pattern of society" was clearly distinguished from "socialism" in the debates. This Maulana Azad, cabinet minister[70] and mover of the resolution, explained:[71]

I would like to draw your attention, especially at this time, to the deliberate use of the phrase socialist pattern of society. This is most important, as we want to have a socialist pattern and not Socialism.

The socialist pattern meant control of industry for the common good, and did not always require state ownership.

In April 1956, a new Industrial Policy Resolution replacing the 1948 Resolutions was published, clearly reflecting the changed economic policy. Its basic purpose is defined with precision:[72]

> In order to realize . . . [the socialist pattern of society as the objective of social and economic policy], it is essential to accelerate the rate of economic growth and to speed up industrialization and, in particular, to develop heavy industries and machine making industries, to expand the public sector, and to build up a large and growing co-operative sector.

Since the amount the government could do was limited, industry was divided into three categories, the first being reserved to the state, the second to be progressively state-owned, and the third category left to private enterprise. The three categories are briefly:

Category A

Arms and ammunition
Atomic energy
Iron and steel
Heavy electrical plant
Most mining, including coal, iron, copper, lead
Basic machine making capacity
Aircraft and ship industry
Air and rail transport
Communications and communications equipment, excluding radios
Electric power

Category B

Some mining
Aluminum
Machine tools
Ferro alloys
Chemicals, including drugs, dyestuffs, plastics, fertilizers, synthetic rubber
Road and sea transport

Category C

All other industry

While the public sector of industry was substantially enlarged, the private sector found within the resolution much that was encouraging. For example, in the first category, existing private enterprise could continue and even expand present units. The resolution stated it would be the policy of the government to encourage private enterprise by the development of transport and power and other essential services, by appropriate fiscal policy, by fostering institutions to provide financial aid, and on occasion by supplying direct financial aid. When state and private enterprise worked side by side, government would give fair and impartial treatment to both; and in one of the sentences most encouraging to business in the whole resolution, this promise was made:

> The Government of India . . . recognizes that it would, in general, be desirable to allow such (private) undertakings to develop with as much freedom as possible, consistent with the targets and objectives of the national plan.[73]

The moderate tone and the appreciation of the role that private enterprise would have to play in rapid industrial development was in marked contrast

to earlier statements, and was greeted with restrained approval by the private sector.[74] This was all the more remarkable because the attitudes of the business community which find their way into print are typically not balanced appraisals of the actions of government, nor even entirely accurate indicators of the feelings businessmen act upon. But there has been increasing recognition that, for example, additional steel plants are badly needed, and the important thing is not who owns them, but that they get built promptly. This belief that the public and private sectors supplement and serve each other, and are not antagonistic, may be gaining ground in both business and government thinking. In an analysis of the 1956 Resolution, an American economist working with the Ministry of Commerce and Industry has noted, "with the possible exception of one or two industries dealing with public utilities and national resources, India has abandoned the overall program to nationalise private industry falling within the public sector."[75] Government has in no way given up its "socialistic pattern of society," but the emphasis appears to have shifted towards the maximum speed in industrialization, and this means utilizing the private sector to the full.[76] The Indian government is not willing to spend its limited supply of capital and managerial resources where independent businessmen are already doing an adequate job.

This attitude of reasonableness and accommodation by both government and private enterprise is in part a recognition of the immensity of the job ahead, in part a recognition that there is room enough for both, and in part a normal attitude of optimism when things are going well. Things have been going well in India; inflation was kept in check during the First Plan, and all available measures of industrial output show a healthy and sustained peacetime growth far better than anything achieved before.[77] No one would suggest that mistrust and bad feeling between government and private enterprise are now past history; a recent decline in the price index of industrial securities is attributed by one observer to the "increasingly arbitrary and unpredictable nature of the government's more recent actions."[78]

Nevertheless, it is perhaps true that the first and most difficult phase of the adjustment between a business group with a tradition of private enterprise and a new government dedicated to a socialistic pattern of society is coming to an end.

The Impact of Religion and Culture

Will this momentum continue, or will religious and cultural factors serve to slow down and inhibit capital formation and industrial development? Mahatma Gandhi and his followers have decried the effects of industrialization on Indian society and culture, and some interpretations of the Hindu ethic suggest that the latter may be discouraging to the kind of initiative and enterprise necessary for a dynamic industrial society. We need to evaluate the impact of these factors, in addition to the effect of caste, community, and

joint family which we discussed earlier. A brief summary of Mahatma Gandhi's philosophy, however inadequate, must be attempted here insofar as it deals with the problems of industrial organization.[79]

From his value system based on the reduction, rather than the satisfaction, of wants, Gandhi posited two closely related requirements for solving India's economic problem: the development of self-sufficient Indian villages and the elimination of modern industrial machinery. He believed that industrialism was responsible for a host of evils; among the gravest were unemployment, destruction of the village unit, and concentration of wealth in the hands of the few. Admittedly some machinery would, as a practical matter, have to stay, but these machines must be subordinated to man and his requirements, serving him and not he them.

The manufacture of this limited machinery should be in the hands of the state, which would avoid in its factory organization and its distributive policy the evils normally associated with industrialization. But until the state did accept this responsibility, let the present fortunate few be trustees for the masses and let their goal be service, not material gain, in Gandhi's view.

There is no question that the Indian merchants and industrialists, the "fortunate few" whom Gandhi had in mind, have seen their entry into the Gandhian scheme of things at this point. The most practical exponent of this view today is Mr. G. D. Birla, an eminently successful Marwari industrialist who seeks to convince businessmen that they must not think of profit alone, and that they need not think of service alone.

> The profit reward is the greatest incentive to a businessman. But it is not realized that profits come automatically if the business is based on service. Those who talk of doing business with the service motive alone, forget that the two are intermixed and indivisible. There is no such thing as a purely profit motive, nor can there be business with an undiluted service motive. But profit, in the ultimate analysis, is a secondary thing in a business because, if the business is really useful and renders service to society, then profit is inevitable and automatic. On the other hand, there can be no lasting profit without service. This is a point which we have not fully realised and on which we have to educate our fellow travellers.[80]

Nevertheless, most students of recent Indian developments will agree that, however admirable the precept, the practice of Indian business today is not noticeably affected by the basic Gandhian tenets.[81]

A more noticeable impact of the Gandhian tradition is in the acts of government, and more particularly in certain policy decisions of the ruling Congress party. Perhaps the clearest example was the decision to restrict mill production of cloth (recently relaxed) in order to provide an assured market for handloom cloth, and to tax mill cloth to provide a necessary subsidy for handloom output. Yet even in the sphere of government, it is clear that the philosophy of "wantlessness" has no part in the present concern with national income statistics and the rapid growth of heavy industry. When a Gandhian

at the Avadi Congress suggested the phrase "socialistic pattern of society" be replaced with the word "sarvodaya," a purely Gandhian concept of which at least one connotation can be described as gaining by giving, Maulana Azad said that this beautiful word suggested the dawning of a new era, but that Gandhiji did not mean to place an economic program before the country.[82] It is a reasonable conclusion that the impact of Gandhi's teaching on government and private business, however important in other respects, has not been to slow the pace of industrialization. Industrialization—not the village handicraft economy—is the primary goal of India's present government.

Yet the planning of the Indian government has much more than rapid industrialization as its goal; and its rural development projects and aid to cottage and small-scale industry follow a pattern which accords well with Gandhian thinking.[83] Moreover, the concept of the dignity of labor, that in Gandhian terms "work is worship," has found a receptive audience in portions of the industrial work force. An annual or seasonal "puja," a religious celebration doing honor to the products of manual labor is a common occurence in many workshops and factories, although the practice predates Gandhi. The attitude towards manual labor is of some importance in India, for many educated Indians consider it socially beneath them to work with their hands. The Second Five-Year Plan has tactfully noted that "there is a general disinclination among the educated to look for employments other than office jobs," and recommends that orientation camps be established to help remove the problem.[84]

Have other aspects of the Indian social system tended to retard industrialization? Here the answer is quite possibly yes. The strict compartmentalization by caste lines and the equally strict ordering of occupations by religiously determined acceptability have declined in significance (a decline aided by the teachings of Gandhi); but to some extent these restraints still exist, and the rapid development of new, nontraditional skills and a stable industrial work force is consequently somewhat retarded.[85]

There are other carry-overs from the essentially static, rural society which characterized colonial and pre-British India. The opposition to cow slaughter places an economic burden on the country which already must spend scarce resources on raising agricultural productivity. Less easily defined but possibly also a problem is the willingness with which peasants, employees, and governed generally accept a "dependent" attitude, expecting that things will be done for them without more effort on their part than to request it.[86] This attitude, unlike others mentioned above, may be encouraged by the concept of a welfare state. Improved education, higher standards of living, increased job opportunities—in short, most of the factors which will change this attitude—may themselves be delayed by its existence.[87]

Given the total impact of a social system adapted to a static rural village economy, modified by Gandhian teachings, and admittedly eroded by West-

ern and nationalistic influences, how much will it affect the future industrialization of India? Serious students of the subject offer differing conclusions,[88] but all qualify their statements with a recognition of the immense variety of social and cultural attitudes throughout India and the immeasurability of forces which are acting on and reacting with them. Moreover, the factors aiding industrialization are not always separate from those hindering it. Gandhi consistently opposed mechanization, but with equal consistency championed the dignity of manual labor. Joint families may have smothered initiative, but were a natural vehicle for adapting the managing agency system to Indian conditions, and currently do much to lessen the sharp and politically difficult problem of unemployment.

Important as the hindrances to industrialization may be, their measurement is still beyond the skill of the social scientist. But one may say at least that on the basis of progress to date, they have not proven an insuperable obstacle. A perceptive economist of long experience in India draws up the balance in these terms.[89]

> India has been fortunate . . . in national leaders who have known how to lead instead of driving their people, how to push and pull them into change instead of shooting them into it. India is abolishing untouchability with the consent of the touchables, making women equal with the help of the men, getting rid of landlords with their own resigned acceptance, emphasizing physics and economics rather than Sanskrit with hardly a murmur from the Pandits. Indian planning still shows an inadequate respect for business and the consumer, the Indian peasant still too often saves in order to spend on ceremonies rather than on investment. But on the whole Indian society has changed and is changing enough to make it probable that it can achieve development by its own bootstraps, that the Indian people are now interested enough in planning to raise their incomes to make the many sacrifices of habits as well as of money, which will be needed.

From 1850 to 1940 the industrial history of India is essentially the story of cotton textiles, jute textiles, coal mining, and railroads. The British rule tended to make India a buyer, and not a supplier, of industrial products; and this was aided by the social and economic conditions prevailing in India. Not until the second World War and independence was there both a desire and an opportunity for substantial industrial development.

A unique development in the growth of Indian industry has been the use of managing agents to control several companies through a single group of managers. It facilitated British dominance for a long period, and it was equally useful to Indian entrepreneurs in extending family empires over wide fields of commerce and industry. The large majority of these "captains of industry" have come from three relatively small communities: the Parsis in Bombay city, and the trading castes from Gujerat and Marwar. More recently the dominant position in Indian industry, which over the last century has moved from the British to these three business communities, seems to be

moving to the government. Already the largest operator in several important fields, the state plans to expand its participation in every basic industry, transport, communications, and mining, and in numerous smaller segments of the industrial sector of the economy.

This rapidly expanding role of the state has been a source of much concern to private enterprise. On the other hand, the democratically-elected government of India has been concerned with the reluctance of private enterprise to fit itself into a "socialistic pattern of society," and with the framing of laws which will force it to do so. Several factors complicate the situation in which private businessmen find themselves: Mahatma Gandhi was opposed to organized industry and distrustful of the profit motive, and Gandhi's teaching has made a powerful impact on the people of India and its ruling political party, the Congress. Also, it appears true that business ethics have been rather low in India, particularly in some sectors.

However, the nine years during which business and government have dealt with each other since independence have helped government to see that entrepreneurial and managerial skills are not easily developed and should not lightly be discarded. Businessmen have also modified their ideas on the role of government in a free nation, and there is reason to hope that the working relationship between the two will improve over time.

Are Indian social and cultural conditions inhospitable to industrialization? This is a question which has no precise answer. While there is no doubt that the low level of education, the many different languages, and the large and growing population pressing down on an already low standard of living are very real restraints, the effect of less tangible considerations such as the caste system or the joint family sometimes hinders and sometimes helps industrialization. If we look at the prospects for the successful industrial development of India from the vantage point of 1956, the factual statistics of progress during the nine years since independence are more impressive than any catalogue of cultural or social impediments to progress.

CHAPTER III

The Emergence and Commitment of an Industrial Labor Force

Industrialization requires not only the recruitment and training of an industrial labor force, but also its commitment to an industrial as opposed to an agricultural way of life. As an economically underdeveloped economy moves toward industrialization, some part of the rural labor force is either pushed or pulled toward the growing industrial cities. The ties with the village and the land may remain strong. The development of a labor force which accepts the discipline of factory work and the conditions of urban living is much slower than the initial recruitment of enough workers to man the mills and factories.

We can say that a "committed" industrial labor force has developed when workers no longer look on their industrial employment as temporary, when they understand and accept the requirement of working as part of a group in a factory or other industrial enterprise, and when they find in the industrial environment a more adequate fulfillment of personal satisfactions than they enjoyed in the village or rural society. Commitment in this sense also involves the "structuring" of the labor force;[1] and management, unions, and government may each play a role in the development of a "web of rules" which leads to a stable and committed industrial labor force.

As we have seen, the industrial labor force in India today is probably somewhere around 7 million; India is still predominantly an agricultural country. But the rise of the cotton and jute textile industries in Bombay and Calcutta during the latter part of the last century, and their continued growth along with the newer industries like steel, engineering, cement, paper, and so on, brought an increase in factory employment from around 300,000 in 1892 to 2,500,000 in 1950.[2] Similar gains were registered in the other sectors of the industrial labor force: primarily mining, plantations, railways and other transport, and municipal and public workers. During the same period the migration of people to the cities was proceeding. In 1881 only 9.3 per cent of the Indian population lived in urban areas (over 5,000), while by 1941 the total was 12.8 per cent and by 1951 it was 17.3 per cent.[3]

Where did these workers come from? Why did they migrate to the in-

dustrial cities? To what extent do they now represent a stable and committed industrial labor force? These are the questions we shall attempt to answer in this chapter. Management's role in recruiting and developing the labor force will be brought into the discussion, and some reference will be made here also to the part played by unions and by government to show the interrelationship between the structuring of the labor force and the institutions which are concerned with it.

The Push from the Land

An understanding of the changes which have occurred in Indian agriculture and which have given rise to a large group of agricultural laborers willing to move to urban industrial employment, is necessary to an understanding of the growth of the industrial labor force. In the pre-British period, the Indian economy was characterized by more independent, self-sustaining villages. Plots of land surrounding the village were owned and cultivated by individual peasants who lived in the village, although there were also various types of semifree and unfree agricultural laborers. Nonagricultural needs were met by local artisans.[4]

In some areas such as Bengal and Bihar, the British encouraged a type of landowner known as "zamindars," who were assigned the responsibility of collecting land taxes for British revenues. When a peasant could not pay his taxes, his lands might be confiscated by the zamindars; and he would be forced to work for hire on the latter's holdings to provide for himself and his family. This increased the number of semifree or unfree agricultural laborers. The process was further accelerated as some agricultural production began which was oriented to a cash market, as in the case of cotton and jute. The demands of the tax collectors encouraged the growth of cash crops, and moneylenders financed the peasant until his crops were sold. A poor harvest, however, could put the peasant at the mercy of the moneylender, who could also appropriate land when loans were defaulted, or, at least, keep the peasant permanently in debt.[5]

The plight of the small landowner was further accentuated by the subdivision of existing holdings among all sons. Many landholdings became so small as to be uneconomical. The rapid increase in population, especially after 1921, added to the rural impoverishment. The number of agricultural laborers increased, and by 1954 the Agricultural Labor Inquiry estimated that there were 17.6 million agricultural labor families and about 40 million working agricultural laborers.[6] This number is still large, but it is clear that considerable surplus labor earlier left the land and migrated into the expanding industrial cities.

One recent study of an Indian village, for example, reported that:

> A near doubling of population (in thirty years) has stimulated more extensive and intensive use Kishen Garhi's land for agriculture. . . . Increased pressure on local

lands has brought about an increase in the number of groups in the village whose members have dispersed to the outside urban world. One or two persons of almost every clan have joined with outsiders to earn a living instead of staying to work with kinsmen and neighbors.[7]

The significance of this push from the land for the character of India's industrial labor force is graphically indicated by a distinguished student of Indian labor problems:

The mass of workers still represent the superfluous elements of India's rural population whom an impoverished land . . . is incapable of supporting. Socially and economically they represent the most backward sections of the population.[8]

In many cases, undoubtedly, those who migrated to the cities were not only impoverished agricultural laborers; they were also from the lower castes, and had less to lose by leaving the security of the village. But there were also migrants among the better educated and the restless villagers. These points are best understood against the background of a brief discussion of the caste and joint-family structure of the Indian village.

The Restraining Pull of the Village

Despite the poverty which the average villager faced, the socio-economic structure frequently held him and even today attracts him back from the city. The typical Indian village family is a joint family, including brothers, sons, grandsons, and even cousins, and their wives and children. Often this group may live under one roof; in any case, it is an integrated unit. Each member who works contributes to the support of the joint family members, not just to his immediate dependents. Elderly, incompetent, or unemployed members of the family unit are taken care of by the others; the family thus represents a social security system.

This feeling of security is reinforced by the effect of the caste system on occupational choice and social intercourse. The four major castes in Hindu culture are subdivided into numerous subcastes, to which many individuals are affiliated. Below these are the millions without caste—the "untouchables." The pervasive influence of caste is underscored in the following statement (which refers to an earlier period):

Hindu society . . . is communal; it is the caste and not the individual that counts. A man's social position is that of the caste of which he is a member. The caste chooses his occupation for him, and if he disregards its decision then it can take away his social position altogether by outcasting him. Secondly, the caste-system is rather a socio-economic than a social organization. Almost every caste is closely associated with a particular occupation.[9]

Today, the impact of caste on occupational choice is less important, but still influential in certain occupations, such as weaving, spinning, sweeping, and so on. Caste or subcaste may also dictate to the tradition-bound villager

his choice of a wife, how his food should be cooked and by whom, the clothes he may wear, and the people with whom he associates. If he moves to another village or area, he tries to find members of his subcaste, and the fear that he will be unable to do so is inhibiting on mobility. Language differences, which are reflected in the fact that there are some seventeen distinct linguistic groups and many more dialects, reinforce the villager's attachment to his local area.[10]

The sharp break represented by migration to the impersonal city is well stated in a recent study of 523 working-class families in one section of Bombay:

> The industrial worker comes from a close, familiar, well-knit environment of a village. Born and bred amidst the affections of his parents, brothers and sisters, and in fact the whole village, the industrial worker coming to the city for the first time suddenly gets lost in the tempo of the city life with its accompanying traits of individualism, materialism, indirect contacts and impersonal ways and indifferences. He feels cut off for the greater part of his existence from the family which to him was affectionate and protective.[11]

Yet this family and caste structure may also push certain individuals away from the village. Another survey of the communal composition of a sample of 550 families of Bombay textile workers in 1937 found that 43 per cent were from the "depressed" (untouchable) classes, and most of these were Mahars, whose hereditary occupation was serving as village menials, performing such services as guarding of crops, scavenging, carrying of messages, cutting firewood, carrying cowdung cakes, and so on. "The development of industries in the city has, however, opened a new channel for them for the betterment of their economic condition and for emancipation from the economic and social dependence on the caste Hindus."[12]

The depressed classes were not the only ones who migrated from the villages after the turn of the century: agricultural laborers, more or less regardless of caste, moved in great numbers as pressure on the land increased and inducements were offered to come to the cities. The magnitude of this rural-urban migration is illustrated by the fact that while India's population increased by roughly 50 per cent between 1901 and 1951, Bombay, Calcutta, Delhi, and Madras expanded more than 235 per cent. Table 9 shows the differential migration status between even the large cities and the largest cities, classified by employed and unemployed in 1951. Slightly over 40 per cent of the labor force in the large cities was migrant, as compared to well over 60 per cent in the four largest cities. The extent of migration from other states and from Pakistan (as a result of partition) is also clear.

As strong as family, caste and language ties were in the past, these began to weaken under the pressure of economic forces. Better alternative job opportunities in the expanding urban industrial centers attracted even higher-caste villagers. A survey of 38,000 Bombay textile mill workers in 1940 for

Table 9. Migration status, urban labor force, 1956 (per cent)

Workers	Four largest cities		Other large cities	
	Employed	Unemployed	Employed	Unemployed
Nonmigrants	31.4	38.5	59.2	58.5
Migrants from:	68.6	61.5	40.8	41.5
Rural area in same state	11.4	7.4	18.6	13.6
Urban area in same state	3.2	2.3	6.1	4.2
Rural area in another state	25.5	9.7	5.1	2.6
Urban area in another state	4.9	3.5	1.1	1.8
Pakistan	21.9	38.4	9.0	18.7
Elsewhere	1.7	0.2	0.9	0.6

Source: Table IV in Wilfred Malenbaum, "Urban Unemployment in India," *Pacific Affairs* (June 1957). The data were computed from National Survey reports for 1954, not published, but available to the author in 1955-56.

example, revealed that nearly 60 per cent of the Hindus were Marathas and Kunbis, members of respectable cultivating castes from regions relatively near Bombay, and only 15 per cent were "Harijans" (the so-called "untouchables" or members of "depressed classes").[18] In contrast to the earlier period, therefore, the "pull of the city" has attracted an increasing proportion of higher caste workers from the villages.

The significance of this weakening pull of the villages and the rush to the cities is summarized in the report of the Labour Investigation Committee in 1946.

> In recent years . . . there has been a greater concentration of the working class population in industrial areas and this has led to the rise of an urban proletariat in most cities, which is prepared to stick to the town to a greater extent than before . . . A steady increase in the ranks of landless labourers, moreover, has compelled many to remain and settle in the town and to regard it as their home. Even today, no doubt, large masses of labour do migrate to the urban areas but it is an unmistakable fact that the labour force in principal industrial cities like Bombay, Calcutta, Cawnpore (Kanpur), etc., is getting more and more stabilized. This stabilization has been a matter of necessity rather than of choice. The village, the joint family, the caste, and several other institutions of old, which were the bulwark of social security for the toiling masses are, unfortunately, steadily crumbling down. At the same time, the urban areas have not yet begun to provide for them the degree of social security which may be considered as necessary.[14]

The committee may have exaggerated the degree of stabilization of the industrial labor force, which as we shall see later still has important ties with the village. But the old links were crumbling, and the process of migration was hastened by the recruiting methods used by industrial employers.

Recruitment through Jobbers

Growing labor requirements in cotton textiles, jute textiles, mining, and plantations were filled by employers largely through the use of labor jobbers

or contractors, known variously as *sardars, mistries, mukdams,* and *jemadars.* These men frequently recruited friends, relatives, and fellow members of the subcaste from their own villages. In many cases they were paid a commission by the employer for the numbers they recruited, and security of employment once the worker came to the city was therefore by no means assured. He often had to pay a "commission" (a bribe) to the jobbers to keep his job, get promoted, obtain leave, or be reëmployed.

In 1931 the Royal Commission on Labour in India stressed the abuses resulting from the recruitment function of the jobber:

> The temptations of the jobbers' positions are manifold and it would be surprising if these men failed to take advantage of their opportunities. There are few factories where a worker's security is not, to some extent, in the hands of the jobber; in a number of factories the latter has in practice the power to engage and dismiss the worker. We are satisfied that it is a fairly general practice for the jobber to profit financially from the exercise of this power.[15]

In the coal mining industry, the jobber combined the recruitment function with supervisory duties. His role here has been graphically described as follows:

> It is he who visits the villages of miners and loaders, offers advances to them and brings them to the colliery, maintaining an adequate labour force from day to day. It is he who keeps the labour in village and family gangs, which adds to the amenities of their toil in an uncongenial environment. He is a man of higher intelligence and ability than ordinary miners. He keeps watch over them, sees that they go to the pits regularly and reports if they do not obtain proper facilities for work, i.e., suitable working faces, and an adequate supply of tubs. He is also responsible for all tools and plant issued to miners and loaders, keeps them under discipline at their work and also remains present when the payment is made to them. He acts in fact as the middleman between the management or the rising contractors and the miners.[16]

In other industries and plants, jobbers also acted as first line supervisors, since they had recruited the workers, knew them personally, and usually spoke their language. Thus, discipline and direction of the work force were placed by the managers in their hands. This supervisory role of the erstwhile labor recruiter persisted even after the recruitment functions were supplanted in many factories by the growth of centralized hiring departments.[17] This was to come much later, however, and in the meantime, most managements were not particularly concerned with the development of a stable, committed industrial work force.

Management Policies

With labor relatively plentiful and recruitment and even day-to-day supervision in the hands of jobbers, management failed in most instances to show systematic and sustained interest in labor problems. The speculative char-

acter of much of early Indian and European management was partly responsible for this. We shall consider later the extent to which this is still true of Indian management; here we are concerned with the management pattern which coincided with the initial development of an industrial labor force. Given the labor surpluses, it is at least arguable that employers were following their own economic self-interest.

The case of the Bombay textile industry is instructive on this point. The labor force in the mills before 1934 has been described by one investigator as "little more than a vast seething mob, with few loyalties and even less discipline."[18] Yet in the eighty years preceding the 1934 intervention by the state to bring order into the labor force, employers took no effective steps to change this situation. One reason was that there was never a shortage of untrained labor, which poured in from the impoverished rural areas as employment opportunities appeared and as the jobbers showed the way. Second, the mills were very profitable; capital equipment was expensive and labor was cheap, so the "efficiency with which labor was utilized and the discipline under which it worked were matters of small concern."[19]

Later, in the 1920's, when employers tried to reduce wages and rationalize in the face of increasing competition, they reaped the whirlwind of labor protest, strikes, and unionization in which the Communists played an important role. The labor force was structured and disciplined only through intervention of the Bombay State Government in a series of legislative enactments beginning in 1934.[20] Subsequently, the Millowners Association established a Labor Office, many mills appointed labor officers before this was required by the Factories Act of 1948, and a dominant union, affiliated with the strongest national trade union federation, developed to give stability and direction to workers' aspirations.

With some exceptions, most employers in the urban centers did little in the early period to meet the needs of migrants for adequate housing, sanitary facilities, and other amenities which might help the recent migrant from the village to accept industrial employment as a permanent way of life. Instead, as late as 1946, the Labour Investigation Report mentioned the curious attitude of many employers about welfare activities:

> On the whole, it may be stated that employers who take a most indifferent and nonchalant attitude towards welfare work and say that no rest shelters are provided as the whole premises belong to the workers themselves, no latrines are provided because workers prefer the open spaces, no canteens and sports are necessary because they are not likely to make use of such facilities, and so on, constitute the majority. It is apparent that, unless the precise responsibilities of employers in regard to welfare work are defined *by law,* such employers are not likely to fall in line with their more enlightened and far-sighted confrères.[21]

Workers' housing was characterized by serious overcrowding. Seventy-three per cent of 5000 dwellings in 14 industrial cities, surveyed before 1946

by the Labour Investigation Committee, were one-room huts, with occupancy rates as high as 4.8 persons per room.[22] Only one third of this housing was provided by employers. A 1948 census of occupancy of the Worli Chawls (tenements) in the textile district of Bombay showed as many as ten persons to a room, and a later private survey reported: "In a large number of chawls it is found that ten to twenty persons occupy a single room" (with a floor space of 160 square feet).[23] Furthermore, occupants of a room were not usually members of a single family. Sometimes as many as three or four separate families or individuals shared a room. Single men were frequently accepted as boarders or lodgers, and this accounted for some of the overcrowding. But it was also the result of the attempt of people from the same villages or subcastes to band together against the inhospitable city.

The Push from the City: Partial Commitment

Crowded housing, lack of privacy and other physical disadvantages of city living were not, however, so much different from the worst conditions in the villages from which the migrants came. There was less "open space" in the cities, of course; and this difference was often stressed by writers who also emphasized the intolerable working conditions in the factories. The initial lure of higher wages in the industrial city proved, in the view of these commentators, enough to attract workers in great numbers, but at great social cost:

> The factories (in the Bombay textile industry) had no difficulty in attracting . . . numbers of people, skilled and unskilled, who found the prospects of earning high wages at mechanical tasks more attractive than the hard work and poor returns of their depleted native regions; often it was poverty that drove them to the mills. Mostly leaving their families behind in their village homes, they made their way to the city, to pack for long hours into hot, close, crowded and noisy factories. Thereafter they huddled fifteen to twenty and more together under any roof they could find, in stifling tenements and sheds where there was no sunshine, no clean air to breathe, not enough water to wash in, no sanitary conveniences, no room for comfortable sleeping and decent living. Lakhs (hundreds of thousands) of human beings were driven by the unthinking greed of what was termed progressive enterprise to such straits that, after hours of devitalizing work, they even lacked a home to turn to for relaxation, gardens and clean open spaces for revitalization.[24]

There is some idealization of village life in this comment, but it helps to explain much of the push that city living exerts on the industrial worker to return to his village, or at the very least, to keep his village ties for periodic visits. Conditions such as these, which are still visible in most Indian industrial cities, also underscore the strong preference which many Indian leaders, following Gandhi, have for village industries as opposed to urban industrialization. Earlier, in 1931, the Royal Commission on Labour observed that "the village is an infinitely better place than the city for the young and

the aged, the sick, the maimed and the exhausted, the unemployed and the unemployable."[25]

To some extent, the impersonality of the city was also hostile to the recent migrant from the villages. If he came alone, as nearly four-fifths of those interviewed in the Bombay study did, he faced a new and strange environment. In some cases, he stayed with other members of his family who preceded him to the city. But more frequently he sought out distant relatives and friends from his village, and moved in with them for extended periods. Nearly half of the Bombay workers interviewed could not bring wives, children or other family members to the city to live with them, so their close family ties with the village remained.[26]

Even with some family and friends around him, the former villager may still feel somewhat adrift in the new life of the city and the factory. As Hoselitz has suggested, "the comforting security of a known and accustomed environment is lost. The number of face-to-face relationships with persons whom one does not know is increased; the loneliness of the individual becomes, in some cases, almost absolute."[27] This psychological isolation, perhaps as much as the inhospitable physical conditions of work and living, drives the worker to return periodically to his village or "native place," which he still considers as his home. He is pulled, also, by a number of obligations which his village ties place on him.

Forty-seven per cent of the Bombay textile workers surveyed in 1953–54 visited their villages once a year; 18 per cent twice a year; and 6 per cent three times a year or more—or a total of 71 per cent once a year or oftener.[28] The reasons given for these visits by the 523 workers mentioned are revealing (many respondents gave more than one reason):

Change of climate	84 per cent
To pay homage to the Deity	31 " "
To see people at home	24 " "
To recoup health (after illness)	15 " "
To help at harvest season	13 " "
Religious festivals	9 " "
Marriage celebrations	7 " "
Court and litigation business	2 " "

"Change of climate" may mean many things: a chance to escape the heat of the city and factory during the summer months (although it is also hot in the villages), a change of scenery and a chance to be with one's kinsfolk and friends, and an escape from the routine of factory work (this may be a "residual category" in the interviews). The emphasis on "homage to the Deity" and "religious festivals" may reflect the connection between religious practices and the family obligations which the migrant worker has in his native village. Religious obligations are taken seriously by many Hindus, and in the words of one factory manager, "the worker would be considered an

out-caste in his village if he did not return to observe these obligations and ceremonies."

These reasons for returning to the village account for the high rates of absenteeism, which we shall examine in the next section. But it is important to note that the same workers who gave these reasons also stated that they liked their present mill jobs. Only 21 per cent positively disliked industrial employment because it was "troublesome or involved hard work," and 5 per cent because the income was "insufficient." The investigator reported:

> It is quite apparent that an overwhelming majority of migrants are generally content with their job situations or are adjusting themselves to their work in the mills and factories. However, we can not gainsay the fact that their present position is economically better than what it was in the village.[29]

There have been no similar surveys of other industrial cities in India;[30] but the results of the Bombay study corroborate the impressions of labor officers and employment managers who reported in interviews that workers on leave in their villages will use every device to fight suspension by the employer if they overstay their leave. Telegrams, pleading letters written by hired letter writers, and even grievances taken to the union are resorted to by workers who want to hang onto their factory jobs at all costs, even though they also want extended leaves in their villages. In a sense, these Indian workers want to have their cake and eat it too: they are partially committed to factory jobs in that they regard them as more or less permanent jobs which can be interrupted (but not lost) by periodic visits to the village.[31] The chronic indebtedness of many Indian workers, stemming in part from unusual expenses resulting from illness, a daughter's marriage, and religious festivals, also compels them to keep jobs which provide a money income. Possibly a multiple-livelihood status is involved in some cases; the factory worker may also help relatives in the villages to till the family plot.[32]

Rates of Absenteeism

If a majority of Indian industrial workers hold this partially committed view of industrial employment, it is not surprising to find rates of absenteeism much higher than in more advanced industrial countries. Data on absenteeism in Indian industries are regularly reported in the *Indian Labour Gazette,* and show that even in the "low months" the rate varies from 6 to 8 per cent in Ahmedabad cotton mills to 10 per cent in iron and steel, and 13 per cent in engineering.[33]

Within an industry such as cotton textiles, absenteeism varied in January 1957, from 16.5 per cent in Sholapur to 6.4 per cent in Ahmedabad.[34] The yearly averages reported in the cotton textile industry of Bombay City show a decline after 1949, and this has been generally true throughout organized industry. Possibly more effective managerial policies and greater attachment

to the job account for this decline; or changes in the method of data collection may explain it. The Bombay City average, however, is still above 8 per cent.[35] Monthly averages (still of Bombay City) are more revealing of the variations within the year, and show slightly higher rates during March, April and May which are the hot months in India, before the monsoon. The tabulation of absenteeism in Bombay City Cotton Mills may be examined below:

Month	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*
January	11.20	12.24	11.24	7.3	7.4	6.3
February	13.56	13.99	11.53	6.9	8.1	6.4
March	15.47	14.83	13.85	8.6	9.8	
April	14.32	13.02	13.95	9.6	9.7	
May	14.03	13.34	14.85	10.2	9.9	
June	13.19	13.36	12.23	8.7	8.7	
July	11.72	12.59	10.82	7.8	7.4	
August	11.32	10.90	9.2	7.4	7.6	
September	11.10	12.05	9.4	7.6	8.6	
October	11.95	11.63	8.2	7.8	7.4	
November	12.50	12.06	7.4	8.4	8.2	
December	12.01	11.45	6.9	7.7	6.8	

These figures come from the March issues of the *Indian Labour Gazette,* except for February 1957, which comes from the April 1957 issue (these are issued monthly by the Deputy Minister of Labour, Bombay).

No distinction is made in these data between "authorized" and "unauthorized" absences. Some firms attempt to distinguish on the basis that "authorized absence" covers only all paid annual leave, casual (unpaid but arranged) leave, and sick leave. This is a substantial total, however, and averaged in the Bombay branch of a leading American firm as much as six weeks per year per employee. The monthly average during 1953 and 1954 in this firm was slightly over 10 per cent, varying from a low of 7 per cent in August 1953, to a high point of nearly 17 per cent in May 1954. Unauthorized absences averaged about 6 per cent, with minor monthly variations. Total absenteeism averaged 16 per cent in 1953 and 17 per cent in 1954. Because of this, it was necessary for the company to keep an equivalent amount of surplus labor on hand to fill vacancies. The same practice is common in the cotton textile industry, where the surplus is known as the "badli pool" and averages about 20 per cent of total employment, thus offsetting absenteeism in the so-called permanent work force.

Unauthorized absences are lower in other industries where the labor force is drawn from greater distances, and authorized leaves to home villages are arranged well in advance. In a large Calcutta jute mill, for example, unauthorized absences seldom exceeded 3 per cent in any month during the three years, 1952–1954, and frequently were below 2 per cent. Total monthly absenteeism, however, averaged between 13 and 33 per cent in these years, largely because of generous provisions for authorized leave and sick leave.[36]

In summary, the high rates of absenteeism found in much of Indian in-

dustry are a measure of the accommodation which Indian employers have made to the demands of Indian workers that they have considerable periods of time off from work for visits to their home villages for a variety of reasons, including genuine or feigned illness. Although much of this is with pay, and required by legislation,[87] there has nevertheless been a marked decline in rates of absenteeism in recent years. The partially committed industrial worker, however, is tied to industrial employment by these measures; for, if he loses his job, he forfeits his leave privileges.

Labor Turnover

Despite the yearly or biennial migration to the villages, Indian industrial workers typically do not leave their factory jobs voluntarily to return to the villages. In an economy still characterized by urban unemployment and vast rural underemployment, the industrial worker holds onto his job at all costs. Consequently, labor turnover in many industries and firms is relatively low compared to absenteeism, and relatively low in comparison with American experience, as Table 10 shows. The data may not be strictly comparable, however, because extended absence (counted as part of absenteeism in India) would lead to discharge in the United States (and count as part of labor

Table 10. Monthly labor turnover (separation) rate in cotton textile industry, Bombay State and United States, 1952–1954 (per 100 workers)

	1952		1953		1954	
	Bombay	U. S. A.	Bombay	U. S. A.	Bombay	U. S. A.
January	0.97	3.60	0.90	3.50	1.07	3.70
February	1.16	3.90	0.99	2.90	0.87	3.10
March	1.33	4.30	0.90	3.60	1.02	3.10
April	1.52	4.80	1.04	3.70	1.20	3.30
May	1.48	4.20	1.46	3.70	1.07	3.00
June	1.47	3.40	0.86	3.40	1.10	3.00
July	1.12	3.90	1.09	4.30	1.00	3.10
August	0.99	4.40	1.24	4.70	0.99	2.90
September	1.32	4.20	0.95	4.50	0.79	3.30
October	1.27	4.30	1.17	3.70	0.92	2.90
November	1.02	3.20	0.86	3.30	0.89	2.30
December	1.06	2.60	0.87	3.30	0.80	2.20
Total	14.71	46.80	12.33	44.60	11.72	35.90
Monthly average	1.23	3.90	1.03	3.70	0.98	2.90

Sources: Bombay State: *Indian Labour Yearbook, 1953-54*, p. 40. These statistics exclude clerks but allegedly include the large force of "badlis" (temporary urbans) employed in the industry to meet the high absenteeism among the permanent workers. The Government of Bombay collects these statistics under the provisions of the Bombay Industrial Relations Act, 1946.

United States: Consecutive issues of *Monthly Labor Review* (U. S. Department of Labor, Bureau of Labor Statistics), between May 1952, and April 1955. The separation rate is composed mainly of the number of quits, discharges, layoffs, and calls to military service. The figures apply to mills producing broad-woven fabrics from cotton, silk, and synthetic materials.

turnover). Nevertheless, low labor turnover rates in India, for the reasons given above, are not a reliable index of the degree of commitment to industrial employment in India.

Examples of industrial firms illustrate the relatively low level of labor turnover, as computed in India. In one large cotton textile mill with about 15,000 employees, 275 workers left their jobs during the twelve months between April 1, 1950, and March 31, 1951.[38] Of these, only 32 were voluntary resignations, a yearly rate of slightly over two-tenths of 1 per cent. The same pattern was found in a large government-owned factory in South India. Absenteeism here was around 16 per cent per month in 1954, but labor turnover averaged six-tenths of 1 per cent. A Calcutta engineering firm reported an average labor turnover rate (for all reasons) of 6.4 per cent in 1951, 3.1 per cent in 1952, 1.2 per cent in 1953 and 2.1 per cent in 1954. This compared with an average absenteeism rate of 9 to 10 per cent during 1954.[39]

Indiscipline and Poor Performance

Absenteeism rates are more objective indications of the degree of commitment in the industrial work force than are reports by employers of indiscipline and poor performance. Yet the latter cannot be ignored, for views based on such evidence are widely held by Indian and European employers in India.

The visitor to Indian factories, particularly in the cotton textile and jute industries, is struck by the amount of loitering which he sees in the mill yards. Workers have apparently left their machines, frequently without permission, to go outdoors for a smoke, to chat, or just to sit. Attempts to discipline them are either resisted by the workers with the help of union representatives, or are ineffective, according to many managements.[40] Not all the employers interviewed complained of this indiscipline, but many did. The difficulty of discharging offending workers, and the lack of pressure to utilize labor effectively because it is so plentiful, help to explain poor labor discipline.

An extreme type of labor indiscipline is illustrated by physical assaults on managerial staff by workers. In eight months during 1946, for example, 75 assaults were reported in Bombay cotton textile mills, on managers and other higher staff, clerks and timekeepers.[41] Writing in 1953, one authority on the textile industry concluded: "In brief, with the exception of some centres, industry-wide forces of indiscipline and defiance make the maintenance of industrial discipline a difficult proposition. To the extent that this spirit is general, industrial efficiency must rest on an unstable and tenuous basis."[42] Other instances were reported in interviews with Indian management, although most cases of assaults on managerial staff took place during strikes, when workers stormed company offices. These assaults, it should be added, occurred in previous years; only one was reported during 1954–55 in the fifty

firms interviewed. These serious outbreaks of indiscipline are periodic, not continual.

Apart from indiscipline, poor performance by Indian workers is less generally charged by employers. Among the employers interviewed, the frequent response was that the Indian worker was often just as good as his counterpart in other countries, given the same equipment and the same state of health. Malnutrition and disease, of course, lower the stamina of the Indian worker, and these, coupled with poor training and illiteracy, seem to indicate a lower level of performance. But an appreciative view of the Indian worker is found in many of the better managed firms. For example, a high official of the Bombay plant of an American firm said:

Our men work pretty well; not as fast as in the United States but then these men live ten to twelve in a room smaller than this office, and they don't get the right food. Many are small of stature, so they can't handle the heavy work. But taking these differences into account, they are equally as productive as American workers.[43]

The Indian superintendent of a well-managed jute mill in Calcutta explained:

The philosophy I try to get over to our supervisors is—don't look on everything as a challenge to your authority. There is a lot we can do to encourage more consultation and participation in dealing with Indian workers. The man working in the mill has certain problems which he can explain and understand, regardless of literacy. It's amazing to me in dealing with workers how well they can see your problem. But too often supervisors fail to see the workers' problem, either because of their superior education or class feeling.

This suggests that the response of Indian workers to the productivity requirements of modern industry is also related to managerial attitudes and competence. So obvious a point hardly needs emphasis here; and its full implications will be developed in a later chapter dealing with the nature of current managerial attitudes and practices in Indian industry. But so much emphasis in this chapter has been placed on the "partially committed" Indian industrial worker that we need here to stress that under favorable employment conditions his aspirations are not greatly different from workers in other industrial societies, despite cultural differences.[44]

Two studies substantiate this point. The first is a random sample survey of 308 workers in a large Calcutta plant manufacturing sewing machines and other light engineering products. The firm has been expanding, and is known for its progressive and enlightened management, both technically and in terms of its employee relationships. The investigator found that

the four most important things that the workers want are sufficient and adequate income, a sense of security, an opportunity for promotion and advancement, and finally, opportunity to learn a more interesting trade. . . . In these and also in their aspirations and expectations, there does not seem to be any fundamental

difference between this group and other groups of factory employees in other countries.[45]

The other study pointed to the importance of the approach used by supervisors in dealing with workers, and the effective approach was similar to that found in other more advanced industrial societies. Workers and supervisors in eight physically similar sections of a cotton textile mill in Ahmedabad, some with high efficiency and some with lower efficiency, were interviewed. The differences found between the sections were these: the high efficiency supervisors got their work done by persuasion; the low efficiency supervisors had to give suspension notices for poor work and believed that fear was the major motivation for work.[46]

These studies, and other impressions from interviews with Indian employers, cast doubt on such blanket statements as:

> Indian workers are not interested in factory work: they resist adjustment to the type of life which goes with industrial employment. In the value scheme of the majority of Indians, factory labor does not offer any avenue for the expressions of their individual personalities; wage increases and promotions do not operate as stimulants to greater exertion nor does greater exertion lead to changes in status.[47]

To the extent that there is any validity in this view, it is only partially a result of the "village nexus." Managerial attitudes, approaches, and policies in dealing with employees are also responsible.

Employer Welfare Policies and Commitment

The development of a stable committed industrial labor force is, therefore, more a consequence of "managerial pulls" than of "pushes" from the impoverished rural regions. In fact, the push from the land can create a discontented industrial labor force if nothing is done to adapt it to factory and urban requirements. Inadequate management policies have been, as we have seen, an important explanation of the slowness with which a disciplined labor force has developed in India. Many managements are equally at fault in not taking necessary steps to reduce excessive absenteeism, and other evidences of noncommitment. Here the question will be raised, however: is not management acting rationally in an economic sense in ignoring these factors when labor is still so plentiful and so cheap? The answer is partly that labor costs are no longer low in India,[48] and partly that management policies which may have been politically adequate in a similar economic context in the nineteenth century are politically explosive in the mid-twentieth. Industrial labor is now more articulate, has powerful political friends competing for its allegiance, and is ready politically to protest any short-sighted and selfish managerial practices.

The lack of adequate urban amenities, particularly housing, has also been a negative factor in commitment, although it may be lower in the Indian

workers' scale of preference than is generally thought by Westerners. When the community is unable to provide the facilities necessary to accommodate migrants from the villages to an urban and industrial way of life, the employer interested in building a stable work force must, however, undertake to meet more of his workers' needs than would be necessary or desirable in advanced industrial countries. "Paternalism" and "welfare activities," which characterize a managerial philosophy increasingly rejected in the United States, are required of the Indian employer who expects to keep unauthorized absenteeism fairly low, turnover at a minimum, and employee morale satisfactory.

The experience of a large cotton textile mill in a south India city is illustrative of the policies adopted by an increasing number of Indian firms, although they still constitute a minority. Data supplied by the mill for the year 1954 showed the following distribution of employees according to length of service:

Years of Service	*Number of Employees*	*Per Cent of Total*
5 and under	6,000	39
6 – 10	4,369	28
11 – 15	880	6
16 – 20	1,054	7
21 – 25	1,025	7
26 – 30	1,842	12
31 – 35	159	1
Over 35	82	—
	15,411	100

Sixty-one per cent had been employed longer than five years; and nearly one-third longer than ten years.[49] Absenteeism averaged around 9 per cent a month, and most of this was "authorized" in the sense that it included the statutory leave with wages, sick leave, or unpaid "casual leave." Less than 1 per cent was due to absence without leave.[50]

How is this stability explained? First, all the work force are Madrasis who have largely broken their ties with the villages, even though periodic visits continue. But second, this came about in part through the extensive welfare activities which the company adopted in connection with high employee earning levels. Third, alternative employment in textiles in the city was nonexistent. Among the welfare programs are the following: free medical aid for workers and their families, extensive housing, recreation programs, nursery classes, maternity and child welfare center, allowance for sick leave and also for accidents beyond statutory requirement, concessions in purchase of cloth, night shift allowance of 25 per cent of basic wages, Sunday work allowance, canteen (cafeteria) subsidized by company, perfect attendance bonus (except for leaves with wages) drawn by between 4000 and 5000 people each year, an annual increment of 1 per cent of basic wages paid each year since 1942, and a semi-annual profit-sharing bonus since 1919, averaging

20 per cent of basic wages in 1954. The cost of these welfare programs and wage increments was estimated at Rs. 2.2 million per year, or nearly Rs. 12 per month per worker. Basic wages and dearness allowance totaled about Rs. 105 per month.

It is worth noting further that this mill had a systematic grievance procedure involving three joint committees at different levels, on which there were elected representatives of workers and also (at the top committee) the outside leader of the union with which the company had collective bargaining relationships. The labor officer, a high level company official with considerable responsibility, reported that the majority of grievances were settled at the departmental level, 51 cases reached the second level committee in 1953, and 11 the central committee. The union president stated in a separate interview that relationships with this company were much better than average.

The success of this firm, of course, may be the result of the comparative advantage it possesses over other firms in the community in offering such welfare programs and wage increments to its employees.[51] Some of these are now required by legislation, as we shall see in Chapter VII, and it is clear that the failure of the majority of Indian firms to provide even the minimum amenities in the past led to action by government to establish standards which would help commit industrial labor to urban employment.

The most striking instances of employer policies which facilitate the commitment of a stable industrial labor force are found in the industrial communities which are largely dominated by one firm, like the company towns of an earlier industrial era in the United States. Some of these firms were located in rural regions to escape the tensions and labor problems of the city; some were established in the founder's home village for personal and sentimental reasons. But location of many others was dictated by the availability of raw materials, as in the cement industry or in the steel industry.

Jamshedpur, the city of 250,000 built on the site of a small jungle village close to iron ore and coal deposits in eastern Bihar, is a prime example of enlightened management's efforts to build a stable work force.[52] The Tata Iron and Steel Company owns the city and administers it. Most of the labor force had to be brought in when the steel mill was built between 1904 and 1911, and additional labor has been attracted with subsequent expansion. Housing had to be provided, streets built, a water supply developed, schools constructed, municipal services organized, and so on. The consequence is that, according to one report, Jamshedpur has the largest proportion of permanently resident industrial work force of any city in India.[53] It is clear that the enlightened policies of the Tata management in Jamshedpur resulted in the development of a stable industrial labor force much earlier than in most other industrial cities.

The Tata Iron and Steel Company is the largest employer in the city, with nearly 30,000 employees in 1955–56. Less than 1,700 of these were classi-

fied on the company payroll as "temporary," and labor turnover among the permanent staff was 2/10 of 1 per cent. Absenteeism (adjusted for leave with pay) was only 5.04 per cent during 1955–56. Yet the composition of the work force according to "province of origin" shows that only 39 per cent come from the state of Bihar (on the border of which Jamshedpur is located). Thirteen per cent come from Orissa, 12 per cent from Bengal, 9 per cent from Madhya Pradesh, and the remaining 27 per cent from six other Indian states and four neighboring countries.[54]

A stable labor force, which can maintain its ties with the village and yet work steadily in the factory, may also be sought by a conscious managerial policy of locating a new factory near a village which previously knew only handicrafts and agriculture. A dramatic example of this is the case of a new bicycle factory, with mixed British and Indian capital and management, deliberately located fifteen miles outside a city and next to a village with underemployed or unemployed labor willing to take factory work. One year after it opened, the plant was operating at a level of efficiency satisfactory to the British plant manager, who said that most of his workers "were twisting cows' tails a year ago." They kept their village homes, walked to work, and cultivated small plots of land in their spare time. Many other instances of this type of industrialization were observed and were cited by others in interviews. This is not a phenomenon confined to India; every industrial country has similar examples. But the process of developing a committed industrial labor force is achieved by a variety of methods, including moving the plant to the labor supply.

We have seen that the development of an industrial labor force in India was possible because pressure on the land forced villagers to seek work in the expanding industrial cities. This exodus, however, was largely a push, facilitated by recruiters who used various devices to entice people to come to the mines, mills, and factories. Living and working conditions in the cities were, on the whole, extremely bad; and this reverse push from the city kept many industrial workers in a "partially committed" state which persists to the present day. Family, religious, and economic ties with the village remain, and result in high absenteeism through extended leaves for visits to the village—mostly authorized by statute or employer policy, but some unauthorized. But labor turnover is, on the whole, low; the Indian worker wants to keep his job in the factory but to get periodic relief from its pressures as he returns to his village for rest, family visits, festivals, or the harvest season.

Commitment to industrial employment implies more than the presence of workers on the job, however. It involves also their acceptance of industrial discipline and the performance of tasks under supervision. Here the role of the employer has been stressed, as a crucial factor in shaping the kind of responses which the worker gives to the job. The failure of management

to structure and discipline the labor force, as in the Bombay cotton textile industry before the 1920's, has led government to intervene, and the nature of this intervention will be examined in later chapters. But the growth of an industrial labor force also brings the emergence of worker organizations to shape and direct the nature of the labor response to industrialization and to the manner in which workers are treated by employers and by government. We turn in the next chapter to an examination of the development of an organized labor movement in India.

CHAPTER IV

The Growth and Development of an Organized Labor Movement

Out of a total labor force of over 140 million persons, only about two million are organized in trade unions. Such a comparison is misleading, however, as the Indian labor movement is significant and important far beyond the proportion covered by its numbers. It is centered in the growth sector of the economy; it has political power, and its support is sought by competing political parties.[1]

As we have seen in Chapter I, Indian industrial labor occupies some of the key sectors of the economy, in modern factory industry, transport, mining, plantations and commercial activity, which are of relatively greater importance in their total contribution to the national product than the biggest occupational group—agriculture.[2] In these critical areas of economic activity, the trade union movement has developed its greatest strength. Some obvious examples are cotton textiles, railways, ports and docks. Furthermore, the concentration of the industrial labor force in important urban areas like Calcutta, Bombay, Ahmedabad, Kanpur and Jamshedpur renders it one of the few concrete, identifiable forces in the huge, unorganized population mass of India. Because of this concentration, and because of industrial labor's relatively superior economic position,[3] the Indian industrial worker represents an elite group within the country. The role of industrial labor becomes even more significant in the context of present emphases on industrialization and economic development within the framework of a democratic political system.

It is for these reasons that political parties and prominent national leaders have, throughout its history, taken a great interest in the Indian labor movement and sought the allegiance of organized labor. Political parties have also sustained the labor movement, although their varying interests have given added force to divisive tendencies within the movement itself. The important role of government in labor-management relations has given added emphasis to the strategic importance of Indian labor. These points will be developed in our survey of the origins and growth of the Indian labor movement.

Early Growth and Weaknesses

The Indian labor movement grew slowly, and it was not until 1877 that we have the first indication of labor protest—a "misunderstanding" over wage rates at the Empress Mills in Nagpur.[4] Several years passed before anything resembling a union was started, largely because of the slowness of industrial development, the backwardness of the industrial worker, and the partial attachment which labor had for work in industry, as Chapter III has indicated. The Royal Commission reported in 1931, approximately eighty years after the first signs of industrialization:

> Few industrial workers would remain in industry if they could secure sufficient food and clothing in the village; they are pushed, not pulled, to the city.[5]

Because of the backwardness of industrial labor, public-spirited outsiders with a humanitarian interest in the welfare of labor took the initiative in publicizing workers' grievances and in formulating demands. The content of these reports constitutes an adequate commentary on prevalent conditions in industry. The early demands were for regulation of hours of work, for holidays and rest periods during the working day, for full and regular payment of wages due, and against physical ill-treatment.[6]

But there was hardly any realization of the value of combination. Buchanan observes, after a detailed analysis of developments up to 1908, that:

> There was only sporadic and irregular concerted action among Indian laborers, even on the scale of the individual shop. When occasionally there was united action, it was rather that of a mill mob aroused over a particular, temporary, purely local, and often personal, grievance, than that of a business-like trade union.[7]

Weaknesses of organization were apparent even in the case of the one or two "unions" formed by outsiders. There was little conception of trade union membership or of regular collection of union subscriptions. Outside leadership was also principally individual and unorganized. These unions were, therefore, short-lived.

Despite these weaknesses of organization, there was some progress in the direction of protective labor legislation, due to other favorable influences. Important in this respect were Lancashire and other English manufacturing interests, which pressed for Indian labor legislation because they were concerned with cheap competition from Indian manufacturing enterprises. The Government appointed successively several factory commissions, which led ultimately to the passing of the Indian Factories Act in 1911. This regulated for the first time working hours of adult male labor in Indian factories to twelve hours per day. The outside leaders of labor worked generally in coöperation and in sympathy with the Government's efforts. Nationalist discontent against British rule had not yet entered the labor field.[8]

The First World War and Subsequent Developments

The first World War with its inevitable hardships, led to an identification of political discontent and leadership with rising labor discontent. The Indian National Congress, the party of independence from British rule, adopted a resolution urging its provincial committees and other affiliated associations to "promote" labor unions throughout the country.[9] The All-India Trade Union Congress (AITUC) was formed in 1918 through the initiative and leadership of prominent Congressmen.[10] Many individual unions were also established by outsiders with nationalist sympathies. For example, the Madras Labour Union, considered one of the earliest successful Indian unions, was founded by patriots who regarded the struggle with employers as secondary to winning "home rule."

Most of these unions were weak and poorly organized. Even the AITUC was nothing more than a loosely coördinated body, coming to life only around the time of the annual conference to elect worker representatives to the I.L.O. meetings in Geneva.[11] The unstructured state of unionism and of industrial relations is well indicated by a statement of findings contained in the report of the Industrial Disputes Committee appointed by the Government of Bombay:

(a) the frequency of the strike without notice;
(b) the absence of any clearly defined grievance before striking;
(c) the multiplicity and sometimes the extravagance of the claims put forward after the strike had begun;
(d) the absence of any effective organization (except perhaps at Ahmedabad) to formulate the claims of the operatives and to secure respect for any settlement which might be made;
(e) The . . . capacity of the operatives to remain on strike for considerable periods despite the lack of any visible organization.[12]

The exception cited in this report was in Ahmedabad, second largest cotton textile center in India. This was due principally to the unique personality of Mahatma Gandhi, under whose leadership an industrial dispute in 1918 was fought on a high moral plane of "struggle for justice,"[13] and during which an important Indian union—the Ahmedabad Textile Labor Association (TLA) emerged. This development deserves separate treatment.

Gandhi and the Ahmedabad Union. When Ahmedabad textile workers learned that the millowners contemplated stopping the "plague bonus" that had been paid in previous years, they demanded that, in view of the rise in cost of living, they should instead be given a 50 per cent increase in wages as dearness (cost-of-living) allowance. The workers were led by Miss Anasuyabehn Sarabhai, a social worker who was the sister of the chairman of the Millowners' Association, Mr. Ambalal Sarabhai. Gandhi's mediatory intervention was sought by the millowners and by the British collector of the dis-

trict. The collector wrote Gandhi, who was living near Ahmedabad, in the following words:

The millowners threaten to lock-out the workers, which will naturally cause great distress and hardship. I am, therefore, very anxious to understand the real situation. I am informed that the millowners will, if at all, heed only your advice; you are also sympathetic to them, and you are the only person who can explain their case to me. I shall be thankful, therefore, if you can make it convenient to meet me for about an hour tomorrow.[14]

Gandhi saw the collector, the workers and the millowners. The discussions led to the establishment of an Arbitration Board, which was composed as follows: Gandhi, Vallabhai Patel, and Shankerlal Banker,[15] representing the workers; three millowners, led by Ambalal Sarabhai; and the collector, acting as umpire.

The situation worsened, however, and some workers went on strike, apprehensive that the millowners were going to declare a lockout. The millowners thereupon contended that they were no longer bound by the arbitration proceedings, and that they would dismiss all the workers who were not willing to work on the basis of a 20 per cent increase in wages. The millowners' attitude is clearly revealed in their reaction to Shankerlal Banker's enquiry and recommendation in favor of increased wages. They commented as follows:

The points mentioned by Mr. Banker are based on false assumptions. He assumes that mills are run out of love for humanity and as a matter of philanthropy, that their aim is to raise the condition of the workers to the same level as that of the employers. We beg to say that his approach in this respect is wrong. In reality mills are privately owned, and are run with no other motive than to make profit. Workers are employed with this aim in view, and therefore employment of labour and conditions of employment are determined purely on the basis of supply and demand and from the point of view of their efficiency. This is as it should be . . . Mr. Banker's approach is impossible, unachievable, visionary and utopian. It is not practical for this world, for our country, or for this city.

Mahatma Gandhi, after a personal enquiry, advised the workers to give up their original demand for a 50 per cent wage increase in favor of a 35 per cent wage increase. Gandhi also enjoined the workers to adopt a pledge not to return to work until a 35 per cent wage increase was granted by the millowners. He further required of the workers

not to indulge in mischief, quarrelling, robbing, plundering, or abusive language or cause damage to millowners' property, but to behave peacefully.[17]

The workers began to falter when, after three weeks, the millowners announced their intention of lifting the lockout and allowing workers in on the basis of a 20 per cent increase in wages. Dejected and depressed, the workers were also bitter in their criticism of Gandhi and their leaders. They complained:

What is it to Anasuyabehn and Gandhiji? They come and go in their car; they eat sumptuous food, but we are suffering death-agonies. . . .[18]

When Gandhi realized that disaffection was spreading among the workers, he reminded them that "a man is bound to keep to his oath at whatever cost," and announced:

I cannot tolerate for a minute that you break your pledge. I shall not take any food nor use a car till you get a 35 per cent increase or all of you die in the fight for it.[19]

Gandhi's fast introduced a new element into the situation. It strengthened the workers' resistance, and greatly added to the widespread public concern. The millowners soon yielded, and an agreement was finally reached along the following lines: (a) on the first day following the settlement a 35 per cent wage increase would be given the workers, in accordance with the workers' pledge; (b) on the second day the wage increase would be 20 per cent, according to the millowners' resolution; (c) "from the third day till the date of decision by the arbitrator an increase of 27½ per cent will be paid, and then, if the arbitrator decides on 35 per cent, the millowners will give us 7½ per cent more, and, if he decided on 20 per cent, we shall refund 7½ per cent." Explaining the rationale behind this settlement, Gandhi said:

The millowners said that they had their resolution to abide by just as you had your pledge. I told them that they could not regard their resolution as a pledge, but they insisted that theirs too was a pledge. . . . I, therefore, agreed that for the present both may maintain their pledges, and finally what the arbitrator decides should prevail.[20]

The issue was thus settled amicably after a "righteous struggle," the results of which were announced in the final strike leaflet as a "Victory for Both." Arbitration resulted in a 35 per cent increase in wages.

The 1918 struggle is significant because it revealed the unquestioned personal authority of Mahatma Gandhi and indicated the beginnings of a new ideology, appropriately called the "Gandhian" labor ideology. When the struggle was formally ended at the residence of Mr. Sarabhai, the millowners distributed sweets to the assembled workers as a mark of harmony. Mr. Sarabhai paid his tribute to Gandhi, the man who had led the workers, in the following terms:

It is a matter of great pleasure to me that the workers have decided to re-open the weaving sheds and resume work. . . . I do not want to say anything more than that if the workers revere Gandhi Saheb, the millowners do no less. On the contrary, they revere him even more. I hope that mutual goodwill among us will remain for all time.[21]

What did this unique leadership of Gandhi mean for the labor movement and for evolution of labor-management relations? Briefly, he emphasized "truth and fairness" in the formulation of demands, avoidance of bitterness

during the course of the struggle, and finally an attitude of mind that would view the final outcome as victory for justice rather than for any one party to the controversy. During the struggle, as well as on other occasions, Gandhi stressed that the union should rely on self-help and on its own internal strength.[22] Gandhi also strongly recommended that in future all disputes should be settled amicably by means of arbitration.[23] He did not like the political emphasis given to trade unionism, and was also dissatisfied with the quality of labor leadership.[24] It was precisely due to these reasons that the Ahmedabad Textile Labour Association stayed away from the AITUC.[25] Later, as we shall see, it had a decisive influence on the formation of the Indian National Trade Union Congress (INTUC) and its subsequent development.

Radicalism, Splits, and Crises. As we have already indicated, Ahmedabad was distinctly an exception to the prevailing state of Indian unionism. Observations by contemporary students make it clear that the unions of the day were nothing more than inchoate manifestations of industrial unrest.[26] The Government, undoubtedly influenced by the gravity of industrial unrest and the pressures exerted by the International Labor Organization at Geneva, acted to provide legislative protection for labor.[27] Among the more important legislative measures of the period were the Indian Factories Act, 1922, providing for a ten-hour day; the Indian Mines Act, 1923 (the first to regulate mining conditions); the Workmen's Compensation Act (also the first of its kind); and finally the Indian Trade Unions Act, 1926. This act allowed any seven persons to form a registered trade union. Moreover, it granted immunity from criminal prosecution for any agreement furthering trade union objectives, and from civil suit for actions which would induce workers to break a contract of employment or otherwise interfere with trade, business, or employment.[28]

Despite these governmental measures, labor unrest increased toward the end of the twenties.[29] This was not only an economic protest against wage cuts and increases in work loads, but was a manifestation of political radicalism directed against British rule and economic radicalism directed against the prevalent economic system of private enterprise, a large part of which was dominated by British capital. Moderate leadership was edged out by a Communist-National coalition which dominated the AITUC and the labor strikes of the period.

A severe blow was struck at the Communists in the labor movement when the Government arrested several of them on the charge of conspiracy to overthrow the state. The famous Meerut Trial of 1928 led to their conviction and removed their influence from the labor field during the following years. Government followed these measures by passing the Indian Trade Disputes Act, 1929, the major purpose of which was to prohibit lightning strikes.

The appointment in 1929 of the Royal Commission on Labour in India

represented, however, a more fundamental search into the causes of labor unrest. After an exhaustive enquiry, the Commission recommended in 1931 that employers should adopt a more liberal policy toward "recognition" of unions,[30] and that Government should take the lead in the case of their own industrial employees. It favored a liberalization of the provision in the Trade Union Act, 1926, relating to the inclusion of "outsiders" in trade union executives.

The commission suggested that these outsiders should endeavor to train future union officials from the rank and file and encourage them to assume greater responsibility. Further, the commission was particularly critical of the Trade Disputes Act and the prevailing government approach to the settlement of industrial disputes, as being influenced unduly by considerations of public order.[31] Other measures included a greater emphasis on conciliation, the establishment of joint committees at the plant level, and a tripartite industrial council on a national scale.[32]

But the climate in the thirties was not very conducive to the implementation of the Royal Commission's recommendations. The militant Nationalist-Communist leadership of the AITUC boycotted the work of the commission.[33] On this issue, and also on the question of participation in the work of the International Labor Organization, a group of "moderate" labor leaders split from the AITUC and formed a rival federation in 1929. The AITUC itself suffered a further split when the hard core Communists, thwarted in their attempts to control the AITUC, formed another rival labor federation in 1931. With the exception of the "moderates," all these groups emphasized the role of the union as an organ of class struggle.[34] On other issues they were agreed on the objectives of the labor movement, which included the establishment of a socialist state in India, the attainment of political freedom from foreign rule, and the abolition of economic privileges.[35]

On the whole, the thirties were a depressing period for Indian unionism. Political rivalries dominated the labor movement, despite various attempts at a political level to effect reconciliation.[36] The politically-minded labor leaders were also heavily involved in the increasing tempo of activities in connection with the struggle for independence. Further, Indian industry had to face the depressing impact of world economic conditions, and industrial workers were also affected adversely.

Some of these developments were brought to a head in 1934 with efforts on the part of the employers to effect wage cuts and retrenchment, and labor's resistance under militant labor leadership, strengthened by the release of the Communists, and the formation of a new Congress Socialist group within the Congress Party with distinctly Marxist leanings.[37] Unrest was most acute in Bombay. The Bombay Government reacted by passing the Bombay Trade Disputes Conciliation Act, which provided for compulsory conciliation and the appointment of a government Labor Officer with statutory powers to in-

quire into labor conditions in factories, and to represent labor in the absence of its own representatives.

These experiments were carried a step further during the years 1937–39, when the Indian National Congress assumed power in seven of eleven provinces in British India, following elections held under the Government of India Act, 1935. The Congress had promised in its Election Manifesto that its policy was to secure for industrial workers

> a decent standard of living, hours of work and conditions of labour, in conformity, as far as the economic conditions in the country permit, with international standards, suitable machinery for the settlement of disputes between employers and workmen, protection against the economic consequences of old age, sickness and unemployment and the right of workers to form unions and to strike for the protection of their interests.[38]

The Congress assumed office under favorable auspices. The distribution of powers under the 1935 Act had enlarged considerably the jurisdiction of the provincial governments. Disunity in the labor movement had also been amicably settled within the framework of the AITUC.[39] Some Congress administrations appointed high-level labor enquiry committees which added to the existing knowledge of labor conditions and recommended several measures for the improvement of labor welfare.[40] New concepts were introduced by the Congress-sponsored Bombay Industrial Disputes Act, 1938,[41] and by the National Planning Committee, also established by the Congress. The former involved regulation of plant-level relations between labor and management and prohibition of strikes except under certain circumstances. The Bombay Act also attempted to eliminate rivalries in the labor movement by providing for different categories of unions, only one of which could be registered in an industry or occupation. A union with 25 per cent of membership of all those employed in an industry or occupation in a local area was thus placed in a special category, for the Act empowered the Government to direct that an agreement or award applicable to a representative union would be applicable to all other employers and employees in the industry.

The National Planning Committee indicated the outlines of a future labor policy by favoring gains for labor within the framework of a planned economy, governed by a comprehensive system of state-sponsored compulsory arbitration. Some idea of future difficulties in securing an acceptance of this policy was indicated in the opposition of influential labor leaders to the abridgement of the "right to strike" provided in the Bombay legislation and in plans for the economy.[42] Yet all these early plans were later developments under the Five-Year Plans.

The outbreak of the second World War interrupted these Congress experiments as Congress ministries resigned in protest against the Government's policy of committing India to the war effort without consulting representative Indian opinion.[43] In protest against the AITUC's official policy of neutrality

in the war, a rival labor federation was started under the leadership of M. N. Roy, a noted former Communist and leader of an anti-Fascist group. The opposition of Congressmen to the war effort landed them in jail, and left control of the AITUC principally in the hands of the Communists.

With a steady growth of employment during the war, trade union membership registered a substantial increase from 399,000 for 1938–39 to 889,000 for 1944–45.[44] Industrial unrest during this period was kept in check by the Defence of India Rule 81(A), which empowered government to prohibit strikes or lockouts and to refer any dispute for conciliation or adjudication. Labor itself suffered heavily, due to the wartime rise in prices and decline in real wages,[45] and the temporary disregard, for wartime purposes, of some of the protection offered by Indian labor legislation.

The Postwar Crisis and Labor Legislation

The immediate postwar period was, therefore, one of violent industrial unrest, reminiscent of the 1928–29 wave of strikes. Chiefly responsible for fanning this unrest were the wartime lag in earnings, the renewal of political activity in the labor field, and the removal of wartime policy considerations which had moderated Communist labor policy. The Congress assumed control of the Government of India during this period when, despite the prospect of freedom, the outlook was gloomy because of industrial and economic difficulties and the partition of the country.

Faced with unrest, the Government adopted the Industrial Disputes Act, 1947, embodying many of the restrictive features of the wartime Defence of India Rule 81(A). Its continuation aroused bitter opposition from the labor representatives in the Constituent Assembly. N. M. Joshi, the president of the AITUC, emphasized that the Government was doing workers great harm by prohibiting the right to strike. Similar views were expressed by Mr. Guruswamy and Miss Maniben Kara, the other labor representatives in the Assembly.[46]

Government also secured the passage of an amendment to the Trade Union Act, 1926. The amended Act of 1947 provided for compulsory recognition of unions, conferred bargaining rights and ensured protection of the right to organize by the proscription of certain "unfair labour practices." But the act was not enforced for reasons which have never been made clear.

Further measures contemplated by the Government were contained in the Five-Year Labor Program, announced early in 1947.[47] The Government promised improvement of the conditions of recruitment and tenure of workers, added benefits of social security, and a better wage structure, including the promotion of "fair-wage" agreements, "having regard to the capacity of the industry to pay." In addition, it was announced that the Mines and Factories Acts would be revised, providing for a 48-hour week, rest periods, and holidays with pay. It was also proposed to extend labor legislation so as to

include those employed in commercial undertakings, docks, transport services, and the municipalities. Further welfare measures were also promised, particularly in the form of improved attention to the housing of industrial workers and measures aimed at improving the health of the labor force.

Another development, in tune with the Government policy of moderating labor protest, must be noted. This involved high-level official support by the leaders of the Congress Party. A conference of labor and management representatives was held in New Delhi in December 1947, under the auspices of the Government to discuss the serious deterioration in industrial production because of strikes and to suggest ways of improving the situation.[48] The conference, following the call of Prime Minister Nehru, unanimously adopted a resolution calling upon "labour and management to agree to maintain industrial peace and to avert lockouts, strikes or slowing down of production during the next three years." This became known as the "Industrial Truce Resolution." The conference further recommended that:

> Mutual discussion of all problems common to both and a determination to settle all disputes without recourse to interruption in or slowing down of production should be the common aim of employers and labour. The system of remuneration to capital as well as labour must be so devised that while in the interests of the consumers and the primary producers excessive profits should be prevented by suitable measures . . . both will share the product of their common effort after making provision for payment of fair wages to labour, a fair return on capital employed in the industry and reasonable reserves for the maintenance and expansion of the undertaking.

Formation of the Indian National Trade Union Congress

While the country was plunged in a wave of industrial unrest after the war, the Congress Working Committee expressed its dissatisfaction with the radicalism of labor leadership and recommended specifically that Congressmen work with the Hindusthan Mazdoor Sevak Sangh (a labor advisory body sponsored by leaders associated with the Ahmedabad TLA) and "accept its guidance in dealing with labor questions."[49] Two months afterwards, the HMSS adopted a resolution directing its members to affiliate their unions with the AITUC.[50] They were further instructed:

> to promote through it the policy and programme of the Hindusthan Mazdoor Sevak Sangh and to secure such changes in the constitution, organisation and administration of the Trade Union Congress as to make it a fit and effective instrument for the realisation of the legitimate aspirations of the working class and of the objectives of the Sangh.

The HMSS members were advised particularly to ensure that "union records and returns of membership are in complete accord with the actual payment of membership dues,"[51] and that those in arrears for over three months are stricken from membership rolls.

The high-level conference held at New Delhi on May 3–4, 1947, was a confession both of the failure to infiltrate the AITUC and of Government and Congress Party impatience with the leadership of the AITUC. The invitations to the conference had been issued both by the All-India Congress Committee and the Hindusthan Mazdoor Sevak Sangh. The theme of the conference was dissatisfaction with the Communist labor leadership, and its purpose was the establishment of the Indian National Trade Union Congress as an alternative to the Communist-led AITUC.

Mr. G. L. Nanda, Secretary of the Sangh (first General Secretary of TLA and now Minister for Planning in the Central Government), presented the view of the HMSS members that:

> in the existing set-up of the [All-India] Trade Union Congress it was vain to expect fair play . . . since it was not possible . . . to join the race for multiplying bogus unions and . . . bloated returns of membership. . . .[52]

Nanda also drew attention to the AITUC's "violent campaign against arbitration" and its resolution condemning the Bombay Industrial Relations Act and the All-India Industrial Disputes Act. He pointed out that these ran "directly counter to the declared policy of the Congress. . . ." The Sangh had, therefore, come to the conclusion that:

> the most urgent need of the moment is to speedily bring into being and develop a central organisation of labour in the country which will strive to secure the highest benefits and the maximum of progress for all categories and classes of labour while preserving a national spirit and outlook, and standards and just conditions in accordance with the principles set out in the statement of the Working Committee dated the 13th August, 1946.[53]

The presence of distinguished and high-level government and Congress leaders at this conference made clear beyond doubt the official support behind this move to establish a new central labor organization. Among those assembled at the conference were Jawaharlal Nehru, the Prime Minister; Sardar Vallabhai Patel, deputy Prime Minister and, as minister in charge of Home Affairs, the man most concerned with the maintenance of law and order; Jagjivan Ram, Union Cabinet Minister for Labor; the chief ministers of Bombay, Madras, Madhya Pradesh, Orissa and the chiefs of the All-India and Bombay Congress. Sardar Patel, who was also president of the HMSS, pointed out that the AITUC, which owed so much to the Congress, was now "devoting all its energy to oppose and weaken the Congress . . ."[54] He further charged that "the Communists who are in the dominant position in the AITUC have little scruples" and that they "have thrown all regard for national welfare to the winds." Further, he emphasized the severity of the crisis confronting the nation, and commended this new move as "an indigenous movement having its roots in the Indian soil."

So, in May, 1947, a new labor organization—the Indian National Trade

Union Congress—was formed with top Congress and government support. Foremost among the INTUC's labor supporters was the Ahmedabad Textile Labour Association, whose officials were the active leaders of the HMSS, and prominent also in the subsequent leadership of the INTUC. Among these were Khandubhai Desai, general secretary of TLA and first general secretary of INTUC; S. R. Vasavada, later the general secretary of TLA and twice president of INTUC; and Somnath P. Dave, one of the secretaries of TLA and member of the executive committee of INTUC.

In 1948 the Government of India declared that the INTUC, and not the AITUC, was the most representative organization of labor in the country, entitled to represent Indian labor in the ILO. Thus, almost overnight, a new labor federation was ushered in as the premier spokesman—in the official view, at any rate—of labor interests in the country. INTUC claimed membership had grown from the original 575,000 members in May, 1947, to 1,429,621 in December, 1955—the largest labor federation in India. It is important, therefore, to note the distinguishing features of this organization.

The constitution of the INTUC is distinctive in its emphasis that negotiation, conciliation, and adjudication of industrial disputes (failing which alone) must precede a union's exercise of its right to strike.[55] The objectives of the INTUC are stated to be the establishment of a society most suited to the development of the human personality, which would go to the utmost extent in the progressive elimination of exploitation and inequality, and also of the profit motive and the antisocial concentration of power in any form; the nationalization of industry, with the above end in view; the increasing association of the workers in the administration of industry; the organization of all categories of workers, including agricultural; the improvement of conditions of work, and the establishment of a just basis of industrial relations; and, finally, the development in the workers of a sense of responsibility toward industry and community. The Gandhian heritage is clearly indicated in the following clause embodied in the Constitution:

> The means to be adopted for the furtherance of the objects . . . shall be peaceful and consistent with truth.[56]

The impact of the Gandhian influence on the INTUC is still emphasized by the INTUC itself and a recent leading editorial in *The Indian Worker* also stated it; the INTUC has tried to mold the trade unions in other parts of India on the model of the Ahmedabad Textile Association.[57]

Reactions to Congress Labor Policy

Despite the popular mandate with which the Congress assumed office, Congress labor policies came in for serious criticism by non-Congress labor leaders. Some of this reflected basic difference of opinion with the Congress policy of compulsory arbitration. Congress sponsorship of the INTUC was

especially disliked. Whatever the justification, the Indian labor movement entered upon a new phase of political unionism, with the formation of two more central labor organizations.

Naturally, among the earliest to react critically were the leaders of the AITUC. Even before the formation of the INTUC, Mr. Mrinal Kanti Bose, the non-Communist president of the AITUC, had complained:

> There have been numerous instances of firings and arrests of labour leaders on some excuse or other; one curious excuse often put forward being that they are goondas [rowdies] and as such externed from their home provinces! The policy seems to be general and I would seriously ask the . . . Governments concerned to consider if they have been well-advised in launching upon a policy which could not but fill the minds of the workers with misgivings as to their lot in the Indian of tomorrow. . . .[58]

When the INTUC was established in May, 1947, criticism burst out anew. N. M. Joshi, the non-Communist General Secretary of the AITUC, charged that the INTUC was in no sense a nonpolitical labor organization, but only an adjunct of the Indian National Congress.[59] Joshi further deplored the active association of high-ranking members of the government in the formation of the new organization, as he feared that this could well lead to a dangerous situation wherein the labor movement would become practically a department of the government. Joshi denied charges that the AITUC encouraged bogus membership or opposed arbitration, and asserted that they were opposed only to compulsory adjudication. Joshi concluded by saying that the AITUC was not dominated by the Communists, though they were in the majority. He pointed out that all the AITUC resolutions since 1938 had been adopted unanimously, and that no union seeking affiliation was denied entry because of its political views.

As we can see, some of this criticism reflected in part a genuine desire for a labor federation independent in its approach from the political views of the leadership. Developments soon afterwards indicated clearly the slender grounds on which these hopes were based.

The Communist leadership of the AITUC embarked in open pursuit of sectarian policies, disregarding in the process the appearances that were considered necessary to claim for the AITUC the status of an independent labor organization. One by one the prominent "independents" associated with the AITUC resigned in protest in 1948.[60]

The Socialists also expressed their dislike of Congress labor policy. They declared themselves opposed to compulsory arbitration, and indicated their disapproval of government-sponsored trade unionism. But the Socialists were also against the Communists, whom they wanted to drive out of the working-class movement. Confronted with this dilemma, the Socialists vacillated for a while, during which period the activities of the Socialist labor leaders were coördinated by the Hind Mazdoor Panchayat, the labor bureau of the Con-

gress Socialist Party. Finally, after breaking away from the Congress, the Socialists decided to sponsor a new central labor federation. Accordingly, as the result of a conference of leaders held at Calcutta in December, 1948, a new federation—the Hind Mazdoor Sabha (HMS)—was launched, ostensibly with a view to keeping the trade union movement free from domination by government, employers, and political parties. It was announced at the conference that the Indian Federation of Labor (established during the war) was merged in the new body.[61]

In addition to the main objective of socialism, the HMS Constitution[62] enumerated the following as the aims of the new organization: the nationalization of key industries, the securing of effective recognition to bargain collectively, worker participation in the control and regulation of industry, and a close working relationship with the Indian coöperative movement. In view of the prevalence of a large number of weak unions, it was announced that the HMS intended to sponsor nationwide industrial unions.

The general approach of HMS to trade unionism was stated as follows:[63] "The Labour Movement hopes to soar high on the two wings of combative and constructive activities. The trade union is viewed at once as the organ of class struggle and the school of democracy." The constitution qualified this statement by pointing out that "the Sabha shall employ all legitimate, peaceful and democratic methods," thus emphasizing the difference between the Socialists and the Communists.

Resentful at the attitude of the Socialist majority in the Calcutta Conference, a group of left leaders—ranging in their views between the Communists and the Socialists—took the first steps, simultaneously with the conference, to establish still another labor federation.[64] This was finally launched in April-May 1949, and was called the United Trades Union Congress.[65] The new group also claimed that it had been formed to conduct union activity on the broadest possible basis of trade union unity, free from sectarian party politics. Its revolutionary attitude was illustrated by the following opening remarks of Mr. M. K. Bose, former president of AITUC, who was elected general secretary of the new body:

> The policy of the Congress Government has been a complete repudiation of the pledge repeatedly given by the Congress while in opposition. . . . Their Government has adopted policies and measures that are calculated to establish . . . a Capitalist Raj. The influence of the capitalists as a class on the Government has increased and has been increasing . . . The keeping in abeyance of the nationalisation of the industries for ten years with the ill-concealed hint by cabinet ministers that the Capitalists had no reason to worry on account of the time limit is a clear indication that the Government is not moving towards the abolition of classes, but the perpetuation of them. The cordial invitation to foreign capital . . . also shows which way the wind has been blowing from New Delhi. The threat to hang cloth mill-owners for the shameless fleecing of the common people is heard no more. On the contrary, facilities are being given to the profiteers to make more

and more profit. . . . The arbitration and conciliation machinery set up under the Industrial Disputes Act is being boomed as a priceless gift to the workers . . . But the fact is that these tribunals have benefited the employers more than the workers . . . and have attracted all the evils that have made our civil courts a paradise for the rich and a hell for the poor.[66]

The pattern of splits and conflicts caused by the presence of these four major groups in the Indian labor movement has continued to this day. There have been changes reflecting minor shifts of attitude and leading to limited areas of coöperation, cutting across the established political and ideological lines of division. Thus, following the merger in 1952 of the Socialist Party and the KMPP (a group of dissident Congressmen headed by a former Congress president, Mr. J. B. Kripalani), the prospects for HMS-INTUC cooperation appeared improved, and led actually to united industrial federations, notably in railways and defense. However, as we shall see later, political cleavages have continued, either limiting the success of or totally frustrating the unity efforts. For the rest, these efforts have been limited to *ad hoc* fronts, or city-wide combinations of non-INTUC unions. Generally speaking, the pattern has been as follows: the INTUC and HMS have shown some willingness to coöperate with each other, but the INTUC has not been willing to include the other two groups;[67] the HMS has indicated its readiness to coöperate with the UTUC, but not with the AITUC; the UTUC is willing to coöperate with both the HMS and the AITUC, but not with either one alone;[68] the AITUC advocates, especially in recent years, the broadest possible basis of unity, irrespective of party affiliations.[69] This, of course, is in line with a "popular front" strategy of the Communist Party.

But these developments represent only marginal shifts. Indian trade unions and labor leadership continue to pull in four different ideological directions, and have not yet discovered a broad basis of trade union unity.[70] In the following chapter our discussion of the structure of Indian unionism and of the nature of labor leadership will throw light on this relationship.

CHAPTER V

The Character of Present Indian Unions

Size and Structure

We have seen that approximately two million Indian workers are members of trade unions. Major concentrations of union strength are shown in Table 11, together with total employment figures. Two of the three oldest industries (iron and steel, and cotton textiles) are among the most unionized industries.

The formal basis for union organization is provided by the Indian Trade Unions Act, 1926. The relevant article reads as follows:

Any seven or more members of a Trade Union may, by subscribing their names to the rules of the Trade Union and by otherwise complying with the provisions of this Act with respect to registration, apply for registration of the Trade Union under this Act.[1]

Table 11. Trade union membership and employment in major industries,[a] 1953

Industry	Trade union membership, March 1953	Total average daily employment, 1953	Per cent of union membership
Railways	370,000	930,000[b]	40
Cotton textiles	310,000	660,000	47
Plantations	160,000	1,230,000[b]	13
Food, beverages, and tobacco	150,000	430,000	35
Coal mining	90,000	340,000	26
Jute textiles	86,000	270,000	32
Posts and telegraphs	64,000	240,000[b]	27
Iron and steel	45,000	75,000	60
Chemical products	38,000	77,000	49
Wholesale and retail trade	34,000	960,000[b]	3.6
Banking and insurance	28,000	150,000[b]	19
Printing and publishing	27,000	67,000	40

[a]Except as noted below, data are compiled from *The Indian Labour Year Book, 1953-54*, pp. 5-8, 151-152, 433-463.

[b]Railways employment is given as of March, 1953; posts and telegraphs as of March 1954; plantations, average daily employment for 1952; for total employment in the wholesale and retail trade, and banking and insurance, figures reported under the 1951 Census as employees have been utilized, as reproduced in *Research and Statistics*, 5:42, no. 4 (July 1954) quarterly publication of the *Eastern Economist*.

This provision in law has led to the formation of a multiplicity of small unions which characterize the Indian labor movement.

A survey of official trade union statistics confirms this observation. The two million trade union members in 1952–53 were shared by 2,687 registered unions, or an average of 768 members per union.[2] Figures relating to the distribution of unions according to size of membership further emphasize the small size of individual unions. Sixty-five per cent of the unions are in the group with an average membership of from one to 299, but these account for only 9.3 per cent of the total membership. Unions in the 300 to 1000 category constitute 22.2 per cent of the total number of unions, and 16.3 per cent of the total membership. Unions in the 1000 and above category represent 12.8 per cent of the total number of unions, but include 76.4 per cent of the total membership of all reporting trade unions.[3]

Trade union membership reports, however, are subject to question. A considerable number of unions do not maintain satisfactory records that will enable them to submit returns periodically, as required by law. Between 1927–28 (the first year covered by official statistics) and 1944–45 the percentage of unions submitting returns was relatively high, ranging for the most part between 66 per cent and 96.5 per cent; since 1944–45, however, the percentage has dropped to around 50 per cent (with the exception of 69 per cent for 1952–53).[4] Furthermore, there is a fairly high mortality rate, which raises doubts whether many unions exist as continuous organizations. This is shown clearly in the accompanying data from the industrial states of West Bengal and Bombay.

Years	*New Registrations*	*Cancellations*	*Total Number of Registered Unions*
	West Bengal		
1947–48	410	23	985
1948–49	391	281	1,049
1949–50	203	135	1,157
1950–51	161	350	967
1951–52	205	194	975
1952–53	321	83	1,213
	Bombay		
1947–48	166	21	329
1948–49	149	36	442
1949–50	221	82	581
1950–51	155	101	635
1951–52	158	121	672
1952–53	145	105	712

Figures for West Bengal are calculated from *Annual Reports on the Working of the Indian Trade Unions Act, 1926, in the State of West Bengal,* for the various years, copies of which were made available to the writer through the courtesy of the Labour Department of the Government of West Bengal. Figures for Bombay are taken from the *Annual Report of the Working of the Indian Trade Unions Act, 1926, in the State of Bombay* (for the year 1952–53), Government Press (Baroda, 1954), p. 3.

There is little in India comparable to strong craft and industrial unions in the United States and Great Britain. Most Indian unions are plant-wide or firm-wide unions, embracing all the employees, irrespective of occupational groups. The Textile Labour Association of Ahmedabad is an exception which, since its formation in 1920, had been organized on the basis of several craft unions. Even here, a reorganization effected since independence has transformed the union into an industrial union, within which the former craft unions continue as separate departments.

Of course, there are some craft or occupational unions, mostly in what may be termed single-occupation industries. The Indian social structure undoubtedly plays a significant role in determining which groups enter these occupations. Thus, we have unions of rickshaw pullers, taxi drivers, lorry drivers, journalists, teachers, scavengers, and so on. These tendencies are also observable in commercial firms and government establishments, among low-paid employees (called "peons" according to usage, but more recently termed Class IV employees). A good example is the All-India Postal Workers' Union (representing Class IV employees and postmen from Class III, one of the nine unions in the National Federation of Post and Telegraph employees formed in 1954–55. In the same federation, the clerks are organized separately. On a lesser scale craft consciousness is evident—not necessarily in the form of separate unions—in seamen's unions, which are divided between saloon staff and those who work as deckhands; and in railway unions, where the "ministerial staff," the ticket-checking staff, and the "stationmasters"—to take a few examples only—air their grievances by means of special conferences. Despite the absence of strong national craft or industrial unions, as indicated above, there have been two integrating developments which offset partly the weakness posed by the existence of a large number of autonomous, small unions. In the principal industrial cities, especially in Bombay and Calcutta, there are city-wide unions embracing employees in an entire industry. Union organization along these lines is found in textiles (cotton and jute), engineering, chemicals, mottion picture and hotel establishments, and among seamen, and employees in docks and ports. A more recent example is the formation of a city-wide textile union in Kanpur in 1954, embracing the many different unions which had existed formerly.

Within recent years, there has also been a tendency to organize nation-wide industrial federations. This is noticeable particularly in the textile industry, and in industries or employments classified by the Industrial Disputes Act, 1947, as falling within the central sphere. These are railways, mines, oil fields and refineries, ports and docks, seamen, banking and insurance, posts and telegraphs, and defense. Whatever strength may accrue to labor is, however, offset by numerous ideological and political cleavages following the pattern set by the four national federations of labor—the AITUC, HMS, INTUC, and the UTUC.

National Federations and Rival Unionism

These four national federations, then, are at the apex of the organizational forms manifested by Indian unionism. All of these are animated by the universal objective of organizing all labor. The phraseology of the Constitution of the AITUC, the oldest of the four federations, is typical:

> To co-ordinate the activities of all the labour organizations in all the provinces in India, and generally further the interests of Indian labour in matters economic, social and political.[5]

A cursory examination of trade union statistics reveals the importance of these labor federations in the Indian labor movement.

Official figures for 1952–53 indicate that 1086 registered trade unions with a total strength of 1,218,390 are affiliated to the four national federations.[6] Total membership figures for the same year are 2,064,932 for 2687 registered unions. Granting the accuracy of these figures, the federations represent between them approximately 60 per cent of the total union membership, but only about 40 per cent of the number of unions. It seems reasonable, therefore, to infer that the larger unions are affiliated to one or the other of the national federations.

In contrast to these government data on union membership, the labor federations themselves claim a greater following. For the year ending March 31, 1953, the affiliation claims of the four federations, contrasted with data reported by the government, are shown in the accompanying tabulation.[7]

Federation	*Number of Unions Claimed*	*Membership Claimed*	*Reported by Government*
INTUC	988	1,347,320	752,909
HMS	574	804,494	208,196
AITUC	784	675,377	172,413
UTUC	485	515,177	84,872
Total	2,831	3,342,368	1,218,390

One major consequence of the presence of these four federations is the existence in most areas and industries of three or four unions for the same union territory. The rivalries are acute, and continue to present problems for trade union unity, despite several attempts to cut across political lines of division. These divisions counteract, as we have already indicated, the advantages to be gained by the formation of nation-wide industrial federations. Only three Indian industrial federations—the Defence, Railways, and Posts and Telegraphs—are not merely independent of all affiliation to any of the national federations, but also free—on paper, at any rate—of the existence of rival federations within the same industry. However, in actual practice, these three industrial federations are also pulled in different directions by the different national federations.

The National Federation of Indian Railwaymen was formed in 1953, as the result of a merger of an INTUC railway federation and the All-India Railwaymen's Federation, an older organization then under the presidency of Jayaprakash Narayan, the Socialist leader. But unity was achieved in only two of the six railway zones, and by January 1955 there was a split in the Western India zone, followed in June by a split in the NFIR itself. Two competing groups again formed, one led by Mr. S. Guruswamy, the general secretary of the NFIR and of the previous AIRMF, and the other led by S. R. Vasavada, president of the NFIR and prominent leader of the INTUC (president of the latter during 1954–55 and 1956–57). The split also affected the one remaining area where zonal unity had been reached, the Central Railway. Early in 1956 mediation efforts were initiated by Lal Bahadur Shastri, Union Cabinet Minister for Railways, and Jayaprakash Narayan.[8]

Rival unionism caused similar difficulties in the defense industry and posts and telegraphs. A merger was effected in the former in 1953, but in 1955, during the course of interviews, the highest officials of the federation stressed that each of the three preëxisting groups (Kanpur, Calcutta-Ichapore, and Poona) was pulling in a different direction. As one high official commented lamentingly:

> there are three forces—the Congress, the Communists (and pro-Communists), and the Socialists. Today the organization is not a homogeneous body. We cannot act effectively on an all-India basis. All the rank and file workers are O.K., but not the top. I am tired of all this now. . . .[9]

The postal federation was formed only in 1954–55. Interviews in India early in 1955 indicated that rivalries presented a major problem here also, of which the principal contenders were Congressmen, Socialists, and Communists.

Weaknesses of Trade Union Finances

Rivalries, however, represent only one aspect of the weakness of Indian unionism. Most Indian unions are weak organizationally, and particularly with respect to trade union finances. Further, very few unions or federations have full-time leaders at the helm of affairs. Indian union leadership presents certain special features, and will be dealt with separately.

Official figures for 1952–53 indicate that an average union has an annual income of Rs. 1906.[10] Obviously, this figure is inadequate for the maintenance of even one full-time officer per union and for any but the most essential expenses relating to staff and establishment. Many unions do not have regular dues-paying members and no real office or meeting hall. Expenditures on benefits for members constitute an extremely small part of the total. However, this is only a statistical average. Three years earlier it had been pointed out that the Textile Labour Association at Ahmedabad alone was responsible for approximately 80 per cent of the total expenditure for welfare (including funeral, old-age, sickness, unemployment, educational, social and religious

benefits) incurred by all unions in India.[11] We shall elaborate on the TLA's activities later.

The financial position of the industrial federations is similarly unsatisfactory. Published figures are not readily available, and we can only generalize from one or two examples provided by the leading industrial federations. The financial statement for the first year of the National Federation of Indian Railwaymen (August 1, 1953, to March 31, 1954) reveals an income of Rs. 8244 and an expenditure of Rs. 4330, of which Rs. 2860 were spent on salaries and establishment charges. For the following year the income was Rs. 6917, and expenditure Rs. 5074, of which Rs. 2659 were spent on salaries and establishment charges.[12] Obviously, this is an inadequate financial basis for an industrial federation claiming to be the representative organization of employees in an industry which employs more than 900,000. The expenditure on "salaries" could cover at the most the wages of two members of the clerical staff. The financial position of the All-India Defense Employees Federation is similarly weak.[13] The total income and expenditure for the period May 1953 to October 1954 was Rs. 6,715–14–0. There was, however, no expenditure under the head "salaries." It seems reasonable to infer that both these federations depended on the services of leaders who worked either on an honorary basis, or on the basis of other outside support. The report presented by the general secretary of the Defence Federation confirms the validity of this observation. It points out that, although a number of organizers were active, going from center to center, offering advice in the name of the federation, the organization "could not finance them for these tours; therefore the expenses were met by the unions concerned or by themselves."[14]

An examination of the financial position of the national labor federations reveals the same general weakness. We have no published data concerning the UTUC, but its position is probably the weakest, as we shall later indicate. The All-India Trade Union Congress reported for 1952 a total income of Rs. 12,775, of which salaries and establishment charges took up Rs. 4840, or approximately sufficient to cover the services of two or three paid clerical personnel. This income is obviously inadequate to cover the various needs of the organization, the rents of the various buildings or the salaries of paid organizers. The HMS reported for the year ending December 21, 1952, a total income, including affiliation fees, of Rs. 6066; the expenditure for the same period was approximately Rs. 4200. Of the latter, Rs. 1539 were spent on "allowances," presumably expense allowances to honorary workers. The limitations of the financial base are here again obvious.

The INTUC is in a stronger position than all these federations. Its total income for 1953–54 was Rs. 62,280. To this we must add the strength represented by the Gandhi Memorial Labour Trust, with approximately Rs. 1,100,000 of total funds.[15] The INTUC maintains two all-India organizers, and publishes *The Indian Worker,* one of the more regular and better known

labor papers. It has impressive headquarters in New Delhi, and has recently launched a drive to collect Rs. 500,000 for a building fund. It has its own full-time research staff, and is undoubtedly the best equipped of Indian federations from the point of view of office efficiency, records, and publicity. In addition to quarterly research notes on "rationalization," "wage policy," "managing agency abolition," and so on, it has also recently published, from the INTUC point of view, the most detailed of labor comments to date on the Second Plan.

What is, then, the national labor federation? It is really nothing more than a coördinating office, maintained for the purposes of representation and publicity. The cohesive force is supplied by the different labor leaders, outsiders with political preferences who group themselves around one or the other national federation.

Union Leadership: Outsiders and Insiders

In the preceding section we noted some weaknesses of Indian unionism resulting from the lack of a conscious and continuous membership. It is precisely because of this that practically all Indian unions are led by persons who have no background in industry—that is, "outsiders." These outsiders are mostly middle-class intellectuals, with clear-cut political orientation in many cases.

The dominance of outsiders in the leadership of the principal unions in the key industrial cities is reflected in the distribution of offices in the trade union executive. They occupy the key posts of president, general secretary, treasurer, office secretary, and so on. This is true even of such well developed and stable unions as the Ahmedabad Textile Labour Association, the Bombay Transport and Dock Workers' Federation, the Bombay Engineering Mazdoor Sabha, the unions affiliated to the UTUC in Trivandrum, and to the City Trades Union Council in Madras, to take just a few representative examples. The general secretary is usually the key, full-time official who runs the union from day to day.

The dominance of outsiders, however, is usually reflected only in the composition of the key posts in the trade union executive. The majority of the office-bearers, in conformity with the law, is composed of insiders—those actually employed in the industry.[16] Nevertheless, the dominance of the outsiders is so apparent that signs of real "inside" leadership are difficult to find. The most notable examples of inside leadership are in the Tata Workers Union in the steel center of Jamshedpur;[17] the unions in the defense industries in Kanpur, Calcutta, and Poona; the Bombay dockworkers and in some of the railway unions. It is also evident in the middle-class unions representing government employees in posts and telegraphs, in government secretariats, among employees in commercial firms (such as banks and insurance), and in professions such as journalism.

The leadership in all of these cases, however, is drawn from middle classes; in the factories largely from the supervisory ranks. Furthermore, in the important area of collective bargaining with the government, the key leadership is in the hands of "outsiders," and inside leadership is not evident at the strategic levels. This is clear in leadership at the zonal or federation headquarters of the defense or the railway unions.

There are also a few sporadic cases of "inside" leadership of unions where the leaders are drawn from less skilled workers in the plants. It was apparent during interviews in 1954–55 that these leaders were not very effective, because of low educational standards and poor command of English, which is still the principal language of labor legislation and adjudication. To understand this fully, we must remember that many Indian unions are composite unions, embracing both the supervisory and clerical groups which have higher social and work status than laborers.

To sum up, in none of these cases of so-called inside leadership, at least in the significant areas of union activity, was the outsider dispensed with. Inside leadership, confined mostly to supervisory and middle-class employees, operates only at the local or "uncritical" level of union activity.

There is a secondary category of labor leadership drawn from rank and file workers to serve on the union executive as ordinary officeholders. Occasionally, such workers may even be elected as vice-presidents of their unions. Usually, however, this carries with it little responsibility. Where works committees are appointed in consultation with the union, worker representatives may have some opportunity of exercising responsibility. But it is doubtful whether there is any real delegation of responsibility within the union so that worker representatives can play an active part. This is due not only to the nature of available worker representatives, but also to the rather limited framework within which such leadership has to be developed.

For example, one leader, whose union had sixty-five factory committees for the different plants in the city, commented that the worker representative "cannot convey and convince" decisions of factory committees or of the general council. His comprehension of such technical questions as balance sheets, audited statements of accounts, and the technicalities of labor legislation and tribunal proceedings is limited. For these matters the outsider's help is clearly necessary. It was also suggested in the interviews that, in view of their low social (caste) and educational status, worker representatives may lack the incentive or ability to handle union responsibility. There are few institutional arrangements to train worker representatives; labor training institutes are mostly for the English-educated. Further, few unions have sufficient finances to permit them to engage the most talented or energetic insiders as part of their permanent staff; joining the union staff full-time would invariably involve a financial loss. There is also the age-old fear of victimization and the workers' difficulty in facing the employers on equal terms across the bargain-

ing table.[18] These were the various reasons advanced during interviews in 1954–55 to explain the absence of inside leadership, and to stress the continued need for outside leadership.

Although it would be premature to deprive Indian unions of outside leadership, it must be admitted that this leadership is not an unmixed blessing. For one thing, many of the outsiders are associated with more than one union. Sometimes such extremes are reached that one man may be president of more unions than he can remember. A national leader of considerable stature remarked that he was president of about thirty unions, but he added that obviously there was nothing he could contribute to the work of any of these. A labor union weekly drew a remarkable panegyric of a labor leader extolling his presidency of over one hundred unions.

The motivations and insecurities of outside leaders also represent a source of instability. Many of them are politically oriented, and aspire to political leadership. Further, they often have no unified approach to labor questions, and are considerably divided ideologically and politically. Some of them do develop an independent outlook, and emphasize that they exclude political considerations from the day-to-day running of the union. Even where they are able to make a clear distinction between the two, there is still the question: how far can they assert their "independence?" Most unions are financially and organizationally weak, and only a few have anything like a permanent existence. Under the circumstances, it will be a rare man, indeed, who will go all the way in asserting the "independence" of the union from financial support and the leadership of political parties.

There are also clear indications that the parties would not be keen on encouraging their adherents to become too independent of party control. Party discipline is fairly rigid in the case of the AITUC; and, despite overtures to others, the organization functions as a Communist party unit in the labor field and discourages outsiders from its inner councils. There is again not much of a distinction between the union movement and the political parties in the case of the UTUC, as their only substantial activity lies in the labor field. The Socialist theorists emphasize the independence of the labor movement, but difficulties are apparent. One HMS leader pointed out that, when he raises the issue of the independence of the labor movement,

> they [the political leaders] think that I am trying to isolate the trade union movement from the political field. . . . Party leaders also accuse the trade union leaders of setting up their own kingdom, of not contributing to the same extent for party work.

There are similar difficulties in the case of the INTUC, also. In 1950, when a group of INTUC leaders broke off from Congress, the latter demanded their expulsion from the INTUC. However, this demand was resisted, but as a result a group of loyal Congressmen broke off from the West Bengal INTUC to form a rival unit. At the various regional levels, in

Jamshedpur, Burnpur, and Madras, clashes between Congress and INTUC have been open. Perhaps to obviate these difficulties G. D. Ambekar (INTUC President in 1955–56) secured and announced the following directive of the Congress high command:

> No Congressman will henceforth be permitted to associate himself with any rival organisation opposed to the Indian National Trade Union Congress.[19]

We must remember, however, that though this grants to the INTUC the monopoly of Congress support, it does not necessarily ensure its independence, as the INTUC is primarily a body of Congressmen working within the framework of Congress principles.[20] Prime Minister Nehru made this clear when he said in 1953:

> Technically the INTUC and the Indian National Congress are two separate organisations. . . . Still it goes without saying that the INTUC has been sponsored and nursed mostly by Congressmen and derives its strength from the moral and other support of the Congress. As such it is imperative that in political matters all Congressmen working in the INTUC should treat the Congress as the supreme body and abide by its code of conduct.[21]

The difficulty is that there is no clear distinction between a "political" and a "trade union" matter. Nevertheless, the INTUC has made some progress in this respect. During interviews in 1954–55 it was reported that the INTUC is recruiting full-time workers directly without going through political channels, and is using its own funds.[22] It must also be conceded that, since the Congress is such a heterogeneous organization, representing so many diverse economic interests, it is possible for INTUC Congressmen to distinguish between sectional interests affecting their members and the broader interests of the political party.

Some critics of the present trade union leadership see the problem as too many politicians and a lack of intellectuals. A student of the Indian labor movement writes that:

> becoming leaders of trade unions has become a fashion amongst the politicians of our country. Persons with little knowledge of the background of labour problems, history of labour movement, fundamentals of trade unionism and the technique of industry and with even little general education assume the charge of a labour union and become the self-appointed custodian of the welfare of workers.[23]

Other trade union groups also talk in terms of strengthening their trade union leadership.[24] However, very little concrete progress has been made, and the possibility that this may merely intensify the ideological rivalries should not be excluded. Ultimately, further progress will have to await the development of rank and file leadership, which will pay primary attention to the problems of the work environment. Government has indicated an awareness of this problem and has proposed in formulations of labor policy in con-

nection with the Second Plan to devote attention to training workers for trade union work, and to specify a category of workers as "protected" workers[25]—presumably to ensure the freedom with which they will undertake trade union activity. These are long-term developments; it is certain at present that the trade union movement cannot be deprived of the support and leadership of the outsiders.

Objectives and Policies

The reliance of outside leadership on political channels to further trade union objectives is reflected, as we have seen, in the division of the Indian labor movement into four principal labor federations. All these federations have in common the objective of changing the framework of society as a condition of progress; but there are important differences of approach on the method by which these objectives are to be gained.

The AITUC, at one extreme, emphasizes the class consciousness of the workers, and the class basis of the conflict between labor and management. There have been, of course, debates within the Communist Party ranks, on the extent to which the revolutionary potential of the workers' movement may be depended upon.[26] There have also been strategic shifts, or tactical considerations, which have ushered in a policy of direct settlement.[27] However, the general approach has been revolutionary, reflective of deep suspicion both of the government and of the employers. The AITUC has therefore been severely critical of any abridgment of the right to strike, and its wrath has been directed particularly at the Industrial Disputes Act, 1947. In a reply submitted in 1952 to a Government questionnaire on a suitable industrial relations policy, the AITUC condemned the Act in the following terms:

> The Industrial Disputes Act of 1947 and similar laws in the States should be immediately repealed. They are so bad as to be incapable of any intelligent and helpful revision.
> The Acts are bad not because the framers would not frame good ones. They are bad because they were framed with an evil objective . . . [to] make the growth of good, strong, democratic trade unions impossible, . . . [to] keep the workers divided and unorganised. . . .[28]

But the AITUC also made it clear that they

> disapprove not only of compulsory arbitration but also the suggestion that everything be left to the contending parties without *any* State intervention.[29]

What, then, is the AITUC position? Clearly the AITUC wants labor to be backed by the State, without accepting, however, any restriction on its freedom to act. Expressed in another way, the AITUC would require the state to coerce an employer, but such coercion cannot be directed against labor.

> In the event of the failure of negotiations and collective bargaining, the workers should be free either to exercise their right to strike or to refer the dispute to arbitration, for which a machinery should be at their disposal for use *at their will*.[30]

The UTUC approach is also conditioned by the belief that "employers generally look down upon the workers as an inferior species of human beings and . . . the workers do not enjoy the status of equality with employers."[31] The organization favors the retention of compulsory conciliation and adjudication machinery, but questions the discretion given to government to refer only some disputes for adjudication and to include only some points of the dispute in the referral. During interviews in India during 1954–55, UTUC spokesmen stressed that they also believed in the "class struggle." However, it was emphasized that they did not intend to carry it to the level of the plant. One leader explained as follows:

> Don't be carried away by the general impression that simply because we believe in class struggle we don't believe in collective bargaining. We believe in strong unions at first, even to preaching our political ideas. We do the preaching, no doubt. But the worker will be interested, the worker will give his loyalty only if his wages increase.

The fundamental need, the leader added, was to build up trade union strength. In view of the very weak state of Indian unionism, the leader felt that there could not be any genuine difference of opinion on trade union goals.

The original HMS position has undergone several changes. When the organization was established in 1948, the emphasis was on "class struggle," tempered by the position that the methods adopted shall be "democratic" and "peaceful."[32] Since the merger in 1952, of the KMPP (a group of dissident Congressmen headed by J. B. Kripalani) and the Socialist Party, the talk of class war is officially discounted.[33] The latest position is perhaps best indicated in *Janata* (December 18, 1955), the official organ of the Praja Socialist Party, in an editorial captioned "Socialism and Class Struggle." The editorial rejected the notion that "there is a contradiction in the policy which accepts class struggle as an inevitable characteristic of a class society and yet accepts non-violence as a method of achieving a classless society," and continued:

> This conflict is visible in the hundreds of negotiations between the representatives of the workers and the managements which go on from day to day all over the country. No industrialist or union leader would be prepared to say that there is no conflict of interest between the workers and those who own the industrial unit. . . . The means for the liquidation of these relationships are altogether a different matter. . . . Non-violence is a powerful instrument in bringing out a sudden and definite change in social relationships.[34]

If the emphasis on "non-violence" distinguished the HMS from the other left groups, it was also clear that the HMS, like the other groups, viewed the strike as a weapon of greater significance than purely for the settlement of plantwide relationships. The editorial quoted above continued:

> Strikes and Satyagraha are the weapons whereby the exploited classes express their

determination not to play the role assigned to them. When the class-consciousness grows sufficiently, when class organizations become sufficiently powerful, a decisive action can be fought more effectively under present circumstances through strikes and Satyagrahas rather than through attempts at violent overthrow. . . .

At any rate, the HMS has expressed itself as being in favor of collective bargaining, and has criticized the "pathetic reliance on the compulsory adjudication system."[35] During the 1952 election campaign, the Socialist Party promised freedom of "collective bargaining and even strikes."[36] Similarly, in 1952, replying to the government questionnaire on an appropriate industrial relations policy, the HMS declared:

Collective bargaining is one of the essentials of a democratic form of society. . . . Since collective bargaining cannot be effective without the right to strike, declaration of strikes as illegal would amount to a denial of democracy.[37]

But the parties were not to be left to fight it out. According to the HMS:

The State should intervene when conciliation fails. In our opinion, conciliation should be made compulsory. . . . Failing conciliation, the dispute should be referred to adjudication if any one of the parties desires that this should be done.

By contrast, in its approach and emphasis the INTUC represents a new element in the pattern of labor-management relations in India. True, like the other federations, the INTUC has pinned its faith in the national ownership of industry; there is also a further antipathy to organized industry in the minds of some INTUC leaders, reflected in their support of the Village Industries Movement, even if it be at the cost of restricting the growth of modern industry.[38] The INTUC leaders have repeatedly stressed their adherence to the Gandhian ideology, and have also indicated in their constitution the importance attached to peaceful and truthful means. Furthermore, the INTUC Constitution places great emphasis on the "just settlement" of industrial disputes, and the avoidance of work stoppages.[39] The INTUC reply to the government questionnaire in 1952 merely restated this position.[40] Substantially the same points were made during interviews in India in 1954–55. INTUC leaders explained that they did not place any great importance on the right to strike; rather it was "the right to secure justice" which was paramount. The harmony of approach between the INTUC and the government is indicated by the following words in a leading article in *The Indian Worker,* the official organ of the INTUC:

Proper planning should make strikes and lockouts wholly unnecessary in industrial relations. . . . If, in spite of best planning, a fight becomes necessary, such a fight will not be of the crude, violent, and dislocating type as in the past, but a refined and intelligent fight which will not dislocate the industry, employment or production.[41]

The INTUC emerges, therefore, among Indian labor federations as a moderating element, supporting government efforts to curb industrial strife. The

support does not mean, however, uncritical acceptance of government labor policy; for one thing, this would be out of the question where so many different federations compete for the "proprietorship" of labor protest. We shall review briefly some major issues in this context, with special reference to the role of the INTUC in mobilizing and channeling this protest.

At the outset it should be noted that there are few issues which are settled directly as a result of collective bargaining. This is not surprising in view of the distance between labor and management. We shall discuss this, with particular reference to management attitudes and policies in the next chapter. Our discussion here will be confined to an indication of union attitudes and policies on some outstanding issues, and the pattern in which labor protest is directed.

Some Major Issues of Protest

Organized labor in India, like organized labor everywhere, seeks to alter the distribution of income and to protect its members against what it considers evils in the industrial system. In India this protest is focussed principally on (1) inadequate wages, (2) labor displacement through "rationalization," and (3) private ownership of industry which is held to deny "workers' participation in management."

The demand for a "fair wage" or a "living wage" is in the forefront of union pressures. The attack is carried on at two levels: (a) through the tribunal system, and (b) through pressures on government for legislation on the subject. During the First Five-Year Plan unions made it clear that they were not satisfied with the official view that further wage increases should go hand-in-hand with rising productivity and should be confined only to anomalous situations where the wage level is below the prewar real wage level.[42] Union efforts were concentrated in the direction of supplementing the basic wage and dearness (cost-of-living) allowance to advance toward the "living wage" standard. Such steps took the form of annual demands for "bonus" as a means of sharing the prosperity of the industry. These have been settled largely on the basis of the Labour Appellate Tribunal's 1950 "full bench formula," which has become the most authoritative pronouncement on the subject.[43]

The "formula" was based on the principle that where "the industry has capacity to pay . . . payment of living wage is desirable; but where . . . the industry cannot afford to pay . . . bonus must be looked upon as the temporary satisfaction, wholly or in part, of the needs of the employee." The "formula" further indicated that certain "prior charges" must be taken care of before claims for bonus would be allowed. These included depreciation funds and reserves, and fair return for paid-up capital and (at a lower rate) company reserves.

Union dissatisfaction with this procedure came to the forefront following

exemptions from payment of bonus that were granted to mills which declared losses.[44] This was partly due to a suspicion of company balance sheets, and was coupled with the demand that the veracity of balance sheets should be investigated. Criticisms have also been expressed about the "Full Bench Formula," on grounds that allowances made for depreciation and for fair return to capital were too high, and that reserves built "on the toil of labour" should not be treated as management's exclusive property. Further, the position has been taken that profits of an industry in an entire local area should be pooled and distributed among all workers, whether or not the individual firms in which they worked reported profits. There has also been some support for the position that annual bonus payments should give place to higher consolidated wages, free from the vagaries of company profits. Growing dissatisfaction was also reflected in a demand for the abolition of the Labour Appellate Tribunal. The demand itself was not new, but gathered momentum with adverse decisions, principally with respect to bonus.[45]

The publication of the Second Five-Year Plan does not seem to have altered wage policy appreciably. The current union demand is for the appointment of a full-fledged Wage Commission to inquire into the position thoroughly. Meanwhile, at its 1956 annual convention, the INTUC demanded a 25 per cent wage increase.[46]

Another important issue on which labor feelings run high centers upon rationalization in industry, which involves new machinery and methods with actual or potential labor displacement.[47] As early as 1949 the general secretary of the INTUC indicated labor opposition in the following terms:

> The Indian National Trade Union Congress is not opposed to any scientific scheme of rationalisation. But it is perfectly clear that we are not willing to accept any rationalisation which leaves industrialists untouched and throws the whole burden on the working class. It is my definite opinion that the future industrial progress . . . is not possible under the old framework. . . . The Managing Agency system is the greatest stumbling block. . . .[48]

However, in 1951 both the INTUC and the HMS agreed to the principles set forth in the "Delhi Agreement" of 1951, which were also incorporated in the Draft Outline of the First Five-Year Plan.

A lead was given in Ahmedabad where the Textile Labour Association and the Millowners' Association signed agreements providing for the doubling of loom and ring-frame assignments. It was further provided that the Ahmedabad Textile Industry Research Association, an autonomous research institute supported principally by mill funds, would act as the technical arbiter on the working conditions that were considered a prerequisite to the introduction of rationalization. Implementation proved difficult, however. It was reported during interviews in 1955 that not a single increase in loom assignments had been effected among member mills. Union leaders agreed that implementation was slow, but blamed management for proposing pre-

maturely the installation of automatic looms, with a higher rate of displacement of labor. This excited the apprehensions of the workers and damaged the climate for introduction of rationalization schemes, according to union officers. Management spokesmen, on the other hand, asserted that rationalization and modernization were necessary for survival, particularly in export markets.

It was clear by 1953, therefore, that the issue of rationalization would remain a thorny one and difficult of amicable settlement. Reports of increased unemployment were undoubtedly a prominent factor in the change.[49] The HMS officially attacked the Ahmedabad agreement and later withdrew its support of the Delhi Agreement. It was explained that the economic conditions of boom, which had facilitated the Delhi Agreement, were no longer present.[50] The HMS, therefore, took the stand that rationalization should center principally on "organizational" methods, including an elimination of the abuses of the Managing Agency system, and a consolidation of uneconomic industrial units.

The communist-led AITUC also took a strong stand against rationalization. Meeting in 1954 for the first open convention after five years, the AITUC adopted the following resolution:

> The AITUC severely condemns the various measures and forms of rationalisation introduced or contemplated by the employers . . . in India with the help and support of the Government. . . . The AITUC further calls upon the entire working class to take note of this new offensive. . . . The AITUC calls upon its units and affiliated units to take every initiative to forge unity of action with all workers, irrespective of opinion and organisational affiliation.[51]

The AITUC attack against rationalization was carried to the Lok Sabha (lower house of the Indian Parliament), but a Communist resolution demanding a total ban on rationalization was defeated. Instead, the Lok Sabha adopted a resolution to the effect that "rationalization of the textile and jute industries, where it is necessary in the country's interests, must be encouraged, but the implementation . . . should be so regulated as to cause the least amount of displacement of labor. . . ."[52]

The debate on rationalization was further intensified by the application of an Ahmedabad millowner for permission to introduce automatic looms. Mr. S. R. Vasavada, general secretary of the TLA and president of the INTUC, raised the application to the level of a national issue, and demanded during the Planning Commission meeting held to consider the request,

> a postponement of introduction of labour saving machinery for ten years, during which period new industries should be started to expand the pool of employment so that labour displaced through future rationalisation could be re-employed elsewhere.[53]

Vasavada won a temporary victory, at any rate, as the Ahmedabad millowner's application was denied.

Although the General Council of the INTUC passed a resolution in May 1954 urging the government to put a total ban on the introduction of automatic machinery, its approach was moderated in 1955 in a memorandum to the Planning Commission which stated:

We do recognize that under certain circumstances certain labour-saving machinery will have to be accepted . . . to see that national assets once created by whatever process in the past should not be wasted and new problems of unemployment or closure of industries already existing should not occur.[54]

It is clear that there was sharp resistance and strong opposition at local levels to national INTUC leadership on this issue. In Kanpur government-sponsored efforts to reach agreement on rationalization failed completely in 1955, and led to the formation of a city-wide merger of all the local textile unions, including the INTUC local union, with the avowed objective of fighting rationalization. The INTUC expelled the recalcitrant local INTUC leadership, but employer efforts to introduce rationalization, in accordance with government instructions, led in May, June, and July 1955, to one of the longest strikes in India's labor history.[55] The pattern was repeated in Nagpur, where the textile workers went on a three-month strike early in 1956, protesting an INTUC agreement with a large mill on rationalization.[56]

In the preceding review of union objectives, and particularly in the discussion on rationalization, we have mentioned the distance separating organized labor from management. Labor's lack of confidence in private industry is reflected in a variety of demands aimed at restricting the abuses or otherwise curtailing the prerogatives of management. A brief summary of labor attitudes will indicate the direction of these pressures.

First and foremost, there is the historic demand for public, as distinct from private, ownership of all industry. Even as early as in the twenties, the All-India Trade Union Congress, the other rival trade union federations, and the Ahmedabad Textile Labour Association had declared for this goal.[57] This happens to be the objective also of the three new federations established since independence, the Indian National Trade Union Congress, the Hind Mazdoor Sabha, and the United Trade Union Congress. Labor leaders' dissatisfaction over the labor policies and practices of the nationalized sector in the years since independence has not led to any appreciable change in this respect.

The demand for increased regulation of the private sector is closely related to the demand for nationalization of industry. The chief object of criticism is the managing agency system which is the principal form of industrial organization. The demand for its abolition was seen in the INTUC 1949 statement already referred to.[58] Leaders belonging to the Communist, Socialist, and Congress labor groups have, especially in the past few years, consistently stepped up pressure for ending the system. The following Socialist statement may be regarded as typical:

Apart from the obvious malpractices indulged in by some of the managing agents, the system, even if honestly worked, can have no place in a planned economy. It is well known that because of the managing agency system a sort of monopoly capitalism has come into existence in this country. . . . Thus we have neither the advantages of a healthy competitive system nor the fruits of a planned economy. No amount of restrictions contemplated by the Joint Select Committee [Parliamentary authority reporting on changes in company law] can deal with this menace. The time has, therefore, come to press for unequivocal abolition of this system.[59]

The INTUC has similarly supported proposals for ending the Managing Agency system so that "the managing agents of today may function as trustees of the industry, as Mahatma Gandhi wanted them to be."[60]

Closely related to the demand for the abolition of the Managing Agency system is the demand for worker participation in industry, which seems to go beyond the provisions in the Industrial Disputes Act for "works committees."[61] While this is an objective both of the HMS and the INTUC, the AITUC has not placed any direct emphasis on this demand, presumably because of its limited faith in collective bargaining and in the reconcilability of the interests of labor and capital. In the 1952 Indian Labour Conference at Naini Tal the AITUC answered, "If compulsory recognition of Trade Unions by employers and negotiations with them are made statutory, then no such [bi-partite] machinery is necessary."[62] Even in its Election Manifesto for the General Elections in 1951–52, the Communist Party of India merely contented itself with the promise that "joint production councils [will be] set up."[63]

Among labor groups, the INTUC has been the most active to campaign for this goal of "worker participation in industry."

Progressive steps for workers' participation in the management of the industry should be taken. It would be in the interest of the industry itself to include workers' representatives in the management, i.e., in the Board of Directors in all concerns. In the beginning such representatives may not be available from rank and file workers but in course of time when workers' knowledge increases it would not be difficult to find such persons even from among them.[64]

Proposals to this effect empowering government to appoint unionists as directors were introduced in the form of amendments to the Companies Bill by Mr. K. P. Tripathi, general secretary of INTUC, in the Lok Sabha. It is interesting to note, however, that Mr. Tripathi opposed at the same time the suggestion that workers should become shareholders and elect their own directors. It was reported that he felt that this would make the workers

liable to intrigues by the management itself, with the result that the unions might split thereby, and instead of this being a right it might become a liability. He said that Indian trade unions were not in a position to withstand this danger.[65]

It is important to note that INTUC leaders emphasize the Gandhian notion of "trusteeship" with reference to labor's responsibility to the nation. A

lead article in *The Indian Worker* argued that the Indian labor movement did not suffer from the "immaturity" governing the "class approach" of the American labor movement.[66] It asserted:

> Workers in India do not think themselves as anything but part and parcel of the whole Indian community. They do not imagine their legitimate interests ever to conflict with the true national interests. . . .
>
> Workers' participation in the management is not conceived in India in any narrow class sense, but entirely in a national spirit—to ensure a rationalised management of industry and higher production morale among the workers—both to the good of the entire community.

Whatever the INTUC's feeling for this development, it seems that such enthusiasm is not shared by the other labor groups. HMS leaders, particularly, asserted during interviews in 1954–55 that appointment of labor leaders to directorships and such other co-management schemes may add only to the prestige of some leaders and groups in the labor movement without making them any more effective in protecting labor interests.[67] An important background consideration was of course the apprehension that the INTUC representatives would be favored in such appointments.

The Limited Role of Collective Bargaining

Despite the heated debates over bonus and rationalization, and the general air of suspicion with which labor regards private management, some progress has recently been made in settling matters directly with private firms. This has been most notable in Ahmedabad, Jamshedpur, and plants in several other centers, as we shall see in further detail in Chapter VI.

Significant as the Jamshedpur and Ahmedabad agreements are for the future, it is clear, however, that the bulk of unions in India have not succeeded in establishing satisfactory relations with management. On most issues involving wages, discharge, and discipline, they either rely on the tribunals provided by the government, or direct their energies to securing satisfactory legislation on the subject.

Even with respect to shop rules, it is unlikely that the Indian unions play a very significant role, because in most substantive respects their members are governed by "Standing Orders," certified by government Labor Commissioners under the Industrial Employment (Standing Orders) Act of 1946 or the different state acts. These require the employer to submit his "Standing Orders" to the labor commissioner, who may invite labor to submit its views. It is reported that some "bargaining" might take place at this stage, but organized labor has made it clear that it is not satisfied.[68]

The limited role of the union is further indicated in the absence of mutually-agreed bipartite procedures for dealing with day-to-day grievances and production problems. This point will be discussed in more detail in Chapter

VI, where several exceptions to this generalization are also noted. Like many managements, however, some unions have been more active in providing welfare programs for workers.

Union Welfare Activities: The Ahmedabad Example

The Ahmedabad Textile Labour Association is outstanding for the considerable attention it devotes to a vast range of welfare activities, in addition to handling grievances. The underlying philosophy was indicated by an officer of the TLA in an interview:

> One characteristic of the Gandhian trade union movement is that he [Gandhi] has put more emphasis on uplift work than trade union work. . . . Even though we have brought more rupees [to the worker], we can't say that his standard of living has improved. His [monthly] wages have increased from Rs. 5 in 1914 to Rs. 100 today. But I don't find that his habits have changed that much.
> Some of them eat carrion meat. We tell them, "We don't mind your eating meat, but eat good meat." We tell them to live decently, have electricity in their homes, and to join housing cooperative societies.

The importance attached to social uplift work is reflected in the following institutions sponsored by the union up to 1954:[69] twenty-five cultural societies and social centres, two study homes, a girls' hostel, forty-six reading rooms and libraries, eight gymnasiums, and seven women's welfare centers with a staff of counselors to visit homes. There is a workers' coöperative bank whose total working funds were reported, as of March, 1954, to be as high as Rs. 2,249,440. There are also twenty-eight housing societies, ten credit societies, and ten consumers' societies.

The union also provides training classes in tailoring to help workers learn an alternative craft. A Municipality Section deals with complaints regarding workers' residential areas. Finally, since many workers come from a rural background and have a continuing interest in land or have left their families behind in the villages, the union maintains a Rural Relief Section, which deals with such diverse matters as helping workers to secure loans for the digging of wells, implementation of tenancy rights, copies of court records and decisions, certificates of births and deaths, and so on.

These welfare activities, the vigorous grievance processing machinery, and the stable labor-management relations are certainly responsible for the strength and vitality of the Textile Labour Association. It stands virtually alone among Indian unions in its financial strength and organizational continuity. The headquarters of the union are located in an imposing three-storied building, erected at a cost of Rs. 300,000, collected entirely from the workers. It is the most important bulwark of the Indian National Trade Union Congress, which depends on the TLA not only for leadership, but for funds amounting to over one million rupees subscribed by the Ahmedabad workers for national labor work.[70] Its membership has shown a steady in-

crease over the years, with a total of 81,139 in March, 1954, making it the largest single union in India.[71] The TLA executive consists of a full-time general secretary and three secretaries who head a union staff of nearly two hundred persons.

In the scope of these activities, however, the TLA is exceptional among Indian unions. Barring the Tata Workers Union and a few other examples, Indian unions have done very little to police management actions toward labor on a day-to-day basis, or to service their members in a systematic manner. There is a tendency for unions to become extraordinarily active during strike periods, but only rarely does such enthusiasm get transformed into effective and lasting organizational drives. Union records are generally poorly kept, and, as we have indicated earlier, union funds are inadequate. Few unions collect subscriptions on a regular monthly basis, or make a conscious effort to keep members apprised of union policy on current or developing issues. Grievance processing suffers by default, and important benefits conferred by law—such as those provided in the Workmen's Compensation Act, the Employees State Insurance Act, and the Payment of Wages Act—are often not realized simply because of the workers' ignorance of conditions governing these benefits.

Outbursts of Violence

A review of Indian unionism would be incomplete without noting the violence which occasionally mars the Indian industrial relations scene. Some of this, though not all, may be accounted for by the earlier history of the union movement as part of the nationalist independence movement. But examples can be cited from recent years.

In a Calcutta firm a few years ago some British managerial personnel were thrust alive into a furnace by a group of enraged workers. This instance is frequently mentioned in interviews. Numerous cases of physical assault of managerial and supervisory personnel, and even of trade unionists were also reported during interviews in many parts of India. A government conciliator and arbitrator in Uttar Pradesh reported that he had been locked up for a considerable length of time by some disgruntled workers because the employer had not paid their wages in time. Another notable incident occurred during 1956 in Kharagpur, an Indian government railway workshop center west of Calcutta. A group of striking workers, dissatisfied with management's attitude on some outstanding demands, entered a moving locomotive, pulled the engineer out, and let the steaming vehicle charge into an assembled crowd, injuring over sixty persons.[72]

These manifestations of violence indicate that industrial conflict is not yet institutionalized along mutually acceptable lines. Weakness of union organization and discipline, with a tendency for feelings to run high and strike situations to get out of hand, are also responsible for such a situation.

As Prime Minister Nehru remarked bitterly on the Kharagpur incident:

either it [the Kharagpur union] is directly or indirectly responsible for all that has happened or it is completely incompetent and it has no business to exist. There is no third explanation for this.[73]

Mass demonstrations and violence, including general strikes in Bombay, Ahmedabad, and Calcutta, occurred during 1956 in protest against recommendations of the government's States Reorganization Commission on new state boundaries. The Bombay general strike set the Marathi-speaking textile workers against a government proposal to make Bombay city an independent political unit governed from New Delhi, rather than the capital of a Marathi-speaking state, which would have displeased the Gujeratis. When the government later reversed itself in August 1956, and proposed a new and larger bilingual state including Bombay city and both Gujerat and Maharashtrian sections, students in Gujerat University in Ahmedabad led a riotous demonstration which included some textile workers, paralyzed the city, and resulted in many injuries and deaths.[74] Calcutta's third general strike in 1956 occurred on July 7, and was reported to have been organized by "the combined leftist parties, including the Communists . . . in protest against the Indian government's refusal to acknowledge the state of West Bengal's claims to certain areas of the neighboring state of Bihar."[75] These demonstrations, with violent overtones, indicate both the divisive factors in Indian labor and in the Indian nation generally, and the persistent use of unions for political purposes.

Fortunately, there are indications that a few responsible Indian leaders are alive to these weaknesses of the Indian labor movement, and would like to improve the quality of Indian unionism through strengthening the union link with its membership. The Ahmedabad lesson is not entirely lost on the Indian labor movement, even among those opposed to the TLA. Increasingly, union leaders think in terms of building a permanent full-time staff, as we have already seen in our review of Indian labor leadership. During interviews in 1954–55, many labor leaders emphasized that unions should lay greater stress on the amicable settlement of disputes, on extending the scope of union services, and on strengthening the basis of union organization. A statement along these lines was adopted by the HMS recently:

The HMS is not blind to its own weakness and that of the Labour movement of the country in general which has been responsible to a considerable measure for the cavalier treatment it has received in the past. The Labour movement has spent too much energy in mutual rivalries; has not given sufficient attention to the strengthening of the Central Organisations, has permitted the growth among workers of the short-sighted obsession with immediate monetary benefits. Above all, a section of the labour movement continues to operate under Governmental patronage and to disrupt independent, militant rival organisations.

The HMS pledges itself to strive for the removal of these weaknesses from the Labour movement. . . [76].

The veiled reference in this statement to the INTUC, however, indicates the continued rivalries within the Indian labor movement and the difficulties in the way of unity among the non-Communist labor federations.

The protective role of government, important as it is to the encouragement of labor organization, has also had adverse effects on the freedom of unions to use whatever economic strength they may possess. We shall examine in Chapter IX the more compelling reasons why government finds it necessary to limit union activities, especially the strike and wage demands. But employer policies and attitudes toward unions and collective bargaining also have a bearing on union strength and the course of action that unions take. In the next two chapters we shall consider the nature of the employer response to Indian unionism and describe in more detail the nature of plant-level labor-management relations in India.

CHAPTER VI

The Managerial Response

Modern management in India has been slow in changing in response to the protest and challenge presented by the growth of the Indian labor movement, by the partially committed industrial work force, and by evidences of labor indiscipline. We shall examine in this chapter the current attitudes and approaches of management in India with particular emphasis on the utilization of labor and the handling of labor-management relations. We shall analyze the organizational structure of Indian management, stemming from the managing agency, together with methods of recruiting managerial personnel. Finally, we shall pay particular attention to the relation between management training and the educational system, and consider the extent to which private and public enterprises in India have concerned themselves with systematic management and supervisory training programs.

Attitudes and Approaches

There is a widespread view in India, shared by a number of progressive employers as well as by trade union leaders and government officials dealing with labor matters, that many Indian top managements are relatively authoritarian in their relationships with lower management and with labor.[1] Some quotations from interview notes will illustrate this view:

There is still considerable short-sightedness and lack of human relations practice on the part of many millowners, who think only of the quick profit. This is true even of those who have traveled in Europe and America and have seen different practices. When they get back to India and to their mills, they think of themselves as having sole authority to order people around and do their bidding. [Official of an employers' association]

Managing agencies have had a real impact on labor relations, and wartime changes have been unfavorable. Before the war, many managing agencies were interested in building a business on a long-term basis, but during and after the war, with high profits, there was a turnover in managing agencies. Some were bought for quick profits and their purchasers were not interested in building a business for the long term. They did not consider how they treated labor. [High government official]

Much of Indian management is not yet convinced of the importance of management's responsibility for developing good industrial relations. They tend to blame

government, labor legislation and the unions for their troubles, without realizing their own faults. [Industrialist]

Employers in India are still not willing to recognize unions or treat labor fairly. The present difficulties are not labor's fault. Employers must be willing to recognize one union. Indian employers will have to learn this, and it's a matter of time. [Plant manager]

The management attitudes required for an expanding economy are slow in coming. The slave drivers are still favored, even in appointments to government enterprises. The value of the human approach is not understood; it is dismissed as "too theoretical." Many managing agents got into manufacturing through profits made on the share market (stock exchange). They still regard quick profits as their major objective: they don't really want to build a business for long-run gains. [Official in a public enterprise]

Some Indian businessmen take a professional managerial view of building up the business. But many others are after quick profits; they are not interested in developing their organization within the firm for long-run survival. I am very pessimistic about rapid change here, and I would frankly have to say that a majority of Indian businessmen are in the second category. [Employers' association official]

Indian employers haven't yet learned to deal constructively with labor. They are behaving the way American employers did in the early 1900's, and they don't know that American employers have changed greatly since then. Laissez-faire is gone in America and England, but some of our employers don't realize it. [High government official][2]

Changes are occurring in managerial attitudes, principally under pressure from government, but the above interview statements made during 1954–55 do not differ markedly from the 1947 view of a former president of the Federation of Indian Chambers of Commerce and Industry:

The borderline between authority and autocracy or discipline and docility still seems to elude us. We lack the rudiments of organizational capacity and are far from having mastered the technique of building up and managing institutions. Our Industrial organization, for example, is, with certain notable exceptions, still largely in a medieval state and we adopt and follow methods which are individualistic and haphazard.[3]

On the other hand, there has been a feeling of some resentment against criticisms of management implicit in the labor legislation which came largely after 1947. This view was expressed by one industrialist in 1952 in these words:

All the actions of Government during these years (1947–52) were animated by an ideology which conveys pretty clearly to the minds of the people of India the State's concern and anxiety for the so-called downtrodden and ill-treated factory labour, exploited by the unscrupulous industrialists, needing the protecting hand of the guardian angel, Government. . . .

Thus, with the advent of the National Government, industry entered the labour-management arena in an atmosphere in which an industrial worker was looked upon as the most unfortunate victim of a cut-throat capitalist. It is this spirit which,

even today, permeates many of our labour enactments and tribunal awards, and the bias is distinctly in favor of the workers, while the onus of proving innocence is placed on the unfortunate employer.[4]

This reaction, which still finds a sympathetic audience in Indian industry, is no longer so openly expressed. Some management spokesmen, not content to stop here, go further to emphasize in their public utterances the need for good relationships with labor and the importance of working together for the achievement of the nation's planning goals.[5]

In interviews during 1954–55 many management officials emphasized the changes which they claimed are occurring in Indian and foreign managerial philosophy. These examples will suffice:

In 1947–48, after fabulous wartime profits, the general attitude without exception was, "How much can we cheat the workers?" But today times have changed and world trends have made managements here realize that they cannot hope to survive unless they change their attitudes and approaches. Today managements are sincerely interested in their workers and the general welfare. [Mill managing agent]

Ten years ago when I was first coming out to India, an "old India hand" got me aside and told me, "Now just forget about these ideas of leadership you have been learning here in Britain. Out there if the workers don't follow instructions, belt them. That will bring them around." But those methods are no longer possible. Leadership is needed, but it can't be a driving leadership. You've got to be firm, but fair. [Assistant plant manager, English firm]

I am optimistic about the future here. Changes are coming, and changes in management's thinking and organization to deal more effectively with human relations and labour relations are inevitable in India. Of course, there are still many employers who appear to be reactionary, but in our view of life there is a strong urge underneath to do the right thing—the good thing. I believe this is coming out more and more. [Managing director, large firm]

Workers are more conscious of their rights now and they are stronger, so management can't treat them the way they used to when labor was so cheap and unprotected. But many of my Indian friends don't realize this; they dismiss my talk of human relations as "unpractical" and "won't work." It will take time for them to realize the need for a change, but I can't say how long. [Partner of prominent Indian managing agency]

Indian management is becoming more aware of the need for good employer-employee relations and for training of lower management in the better handling of labor. When labor is plentiful, there is not the same incentive; but workers in India are expecting better things and are demanding their rights. [Chairman of two large Indian manufacturing companies]

In some cases the newer, expanding firms with young, dynamic managements are in the forefront of this change. The view of the general manager of a chemical firm was characteristic of this group:

We work on the theory that incapable management, not poor labor, is the trouble

in Indian industry. If management is competent, the worker can produce more and earn more. But we are hemmed in by other managements—especially those controlled by big industry associations, which take a different approach and blame labor for everything.

These changes, however, are more often expressed in extensive welfare programs which reflect a paternalistic concern for employees, than in organizational changes which would help to make possible a better management structure for dealing with human problems in the enterprise. The "ma-bap" relationship (mother-and-father-ism) is said to be characteristic of Indian rural society,[6] and this is often cited by management representatives as the reason why the Indian worker wants to be taken care of and why various welfare and benefit programs are necessary. For example, the personnel officer of one firm asked a worker representative who was demanding a long list of free amenities, including free shoes, "But why free shoes?" The worker replied, "Sahib, the Company is our father and our mother."

As we have noted in Chapter III, welfare programs are extensive in the progressive firms, which have far more employee benefits and services than the minimum required by the Factories Act and other laws. While there is an important labor supply consideration in these programs, to hold workers to the firm when community facilities are inadequate, there is also a strong feeling of management pride in providing amenities for workers. As an example, the founder of one managing agency system, with a number of operating companies which are known for their progressive labor and welfare policies, described his welfare programs in language which abounded with "I's." "At first," he explained, "I found that if workers got a few annas more, they were absent more often; they didn't know how to live properly. So I had to show them how to live better, to keep their houses clean. I started various games and recreation centers. I had to provide these outside interests to soothe the workers' minds."

Some Indian managements have found that paternalism does not win employee loyalty—or advert unions. A Calcutta industrialist said that in one of his mills (in another region), "I have bungalows for the workers; I have a school, a children's playground; I have a sports program and spend Rs. 10,000 a year; I had a provident (pension) fund before it was required by law; I gave them a production bonus so with yearly bonus they get nine months' extra pay. But in spite of all I have done for them, the INTUC union still creates trouble, makes more demands, and says, 'If you don't give us something, the Communists may take over.'" Then he added, "In a nearby plant, I pay just the minimum required, but have four trusty employees who keep out Communists and trouble makers. We have an INTUC union here, but no trouble. You avoid trouble if you keep all unions out. They're all trying to outbid each other; and, left alone, the Indian worker is as good a worker and as sensible as any."

Perhaps this view, which is more representative of the majority mentioned earlier, is best described in the words of *The Economist:*

> Today labour relations (in India) are uneasy. Many of the new business leaders have the thrusting nineteenth-century business man's contempt for the efforts of the working class to protect themselves and enhance their status.[7]

Exceptions and Variations

The preceding generalizations and quotations attempt to suggest the dominant managerial ideology and approach in handling labor problems in India today, but they cannot convey the exceptions that will be found to the prevailing pattern or the range of variations that exist within that pattern. The following impressions emerge from a review of the interview notes with 150 management officials in fifty companies, supplemented by interviews with trade union leaders and government officials.

In almost every industrial region in India will be found Indian enterprises and managements which have a different ideology and concept of management goals than the dominant one. Among these, but not limited to them, are the following firms: Tata Iron and Steel Company, Jamshedpur; Associated Cement Companies, Bombay; Bombay Dyeing and Manufacturing Company, Bombay; Tata Mills, Bombay; National Rayon Company, Bombay; Calico Mills, Ahmedabad; Sarabhai Chemicals, Bombay; Arvind Mills, Ahmedabad; Delhi Cloth Mills, Delhi; Jay Engineering Works, Calcutta; Ramakrishna Industrials, Ltd., Coimbatore; and Kirloskar Electric Company, Bangalore. At least two public enterprises (Government of India) should be included: Sindri Fertilizers, Sindri; and Indian Telephone Industries, Bangalore.

There is no single distinguishing technical feature about these firms. They are of varying size, in producers' and consumers' goods industries, and with managements from different castes and business communities. But they have one thing in common—a top management which believes in the importance of building a lasting organization and developing constructive relationships with employees and trade union representatives. Many of the top officials of these firms have traveled abroad, and some have taken advanced technical or managerial training in Western countries.

It should be noted that these same firms are also generally the progressive firms in other aspects of management—in sales, marketing, production processes and techniques. Their interest in organization building extends to all phases of the organization.

Some of the variations in outlook and policies are attributed to the differences between the Indian business communities. For example, the Parsis as a group are generally believed to be more progressive, and the Tatas (the outstanding Parsi firm) are cited by government officials, labor leaders, and other industrialists as being in the forefront of dynamic management and

enlightened labor and personnel policies.[8] The Gujeratis are also well regarded, although there is perhaps more variation in managerial outlook within this group, which is concentrated heavily in textiles, and primarily in Ahmedabad. Bombay industrialists, by and large, are frequently cited as more progressive and enlightened than those in other centers.

The Marwaris, as we have seen in Chapter II, are the fastest-growing of the three big Indian business communities. As they have acquired existing plants and built new ones, it was perhaps inevitable that they would develop a less favorable reputation in handling labor. Any blanket characterization is unfair, but it must be reported that a somewhat critical view of Marwari attitudes and policies is widely held by government, trade union, and other business communities. Clearly, there are exceptions to these statements. There were individual plants run by Marwari managing agencies which were as progressive and enlightened as non-Marwari companies. A conclusion that some prejudice exists against this rapidly-growing and aggressive business community, not unlike similar prejudices in other countries, is inescapable.

Management in certain industries, through employers' associations, has attempted to change the preëxisting pattern of labor-management relationships and deal constructively with unions. The Labour Investigation Committee noted in 1946:

> Employers in this country, while they have been showing a much greater internal organization for safeguarding their interests, have not so far, probably with the exception of the Bombay Millowners' Association, shown much enthusiasm for having a properly planned and well-coördinated labour policy. Recently the Jute Mills Association, Bengal, has been thinking in terms of such a policy.[9]

These two associations are still in the forefront of efforts to change managerial thinking in the mills and to improve the handling of labor relations. Each has a Labor Relations Officer with high standing in the association, and, in the case of the Indian Jute Mills Association, a staff of labor officers who work in assigned districts with the mill managers, mill labor officers, and union representatives in the settlement of grievances. The value placed on these activities is well expressed by the Chairman of the IJMA at the 1955 annual meeting:

> The casual reader of the press might get the impression that the normal relationship between employer and employee in this country is one of tension and disagreement frequently punctuated by strikes and other evidence of breakdown in industrial harmony. In the jute industry, at least, this is certainly not the case. Employers are sometimes concerned at the amount of time which it is necessary to give to labour questions, but it is time well spent and the figures which we maintain show what a striking improvement there has been in our ability to settle by peaceful negotiation and conciliation the majority of disputes which arise. This industry was in fact the first in India to set up a Labour Relations Department, and I think that everyone will agree that there have been very few of our activities which have given better or more satisfactory return.[10]

The Ahmedabad Millowners Association has an even longer tradition of direct constructive relationships with a labor organization—the Textile Labour Association, which was organized with the assistance of Mahatma Gandhi in 1920. The history of this relationship began with a strike, and there have been several in intervening years. But it is characterized by a genuine attempt on both sides to settle disputes by direct negotiation or private voluntary arbitration, rather than by resort to government adjudication.[11] One other evidence of management's approach in Ahmedabad is found in the establishment of the Ahmedabad Textile Industry's Research Association (ATIRA), which has pioneered in textile research and in studies of organizational and human relations problems in the local industry.[12] It is financed jointly by the mills in Ahmedabad, many of which participate actively in its research and training programs, and by the Government of India. In addition, ATIRA sponsored an all-India management conference in February, 1955, and a second in February, 1956.

Naturally, there is considerable variation of outlook between mill managements even in such a center as Ahmedabad. The managing agents in some firms are authoritarian in their relationships with their subordinates in the management organization, holding information closely, by-passing middle management to give orders directly to supervisors, and blaming labor and labor leaders for their troubles. Others are developing a different philosophy of management, improving their organizational structure by delegating responsibility and authority to junior management for many matters, and seeking agreement with workers and trade union representatives on the difficult problems involved in relationalization.

One observer of the Ahmedabad scene evaluated management's reaction to rising protest in these words:

> Two basic questions arise: first, how fast India will be able to improve working conditions; and second, how this improvement will keep pace with the rising westernization of the workers' minds, their sense of the fact that it is a world in which workers are more and more articulate and demanding, and in the long run likely to get most of what they ask. I speak not at all as an expert. I would offer with some caution only the following point: in the first place, there are huge individual differences among the mill owners in their readiness to modernize, rationalize, reduce noise, dirt, poor illumination, and confusion; their willingness to reduce somewhat the magnitude of their earnings for the workers' welfare; their general sensitivity to the social science approach and their awareness of the terrible payoff which will come if a modern viewpoint toward labor is not rather early developed. There are in Ahmedabad a few mill owners who understand that the tide is rising.[13]

The Role of the Foreign Firm

Management of foreign enterprises in India, principally British and American, cannot be characterized by a single approach or common set of practices, but there is evidence of somewhat more uniformity than within the larger

group of Indian enterprises. One reason is that today the "European firms" (as they are usually called) are forced to operate under the spotlight of attention from government, which stresses rapid "Indianization" of the technical and managerial personnel of these firms. Furthermore, trade unions often single out the foreign management for special attention.

Among the older British firms, especially, there are still "old-timers who came out here twenty or thirty years ago as young men and don't realize what changes have occurred in labor relations back home," as a labor officer of a Calcutta jute mill expressed it. This view was repeated many times in other interviews. The American training officer of an important American firm, for example, emphasized the same point:

> Our biggest trouble in supervisory training is with the old-type American or British executive who doesn't realize how management has changed in the U. S. or Britain, and still proceeds on the basis of pre-Independence stereotypes in India. Much of our training effort, therefore, has to begin at the top level.

These "stereotypes" varied from the view (quoted earlier) that management had to use the stick on Indian workers to get results, to the widely held view of the importance of the "ma-bap" relationship, mentioned earlier in this chapter. "On the tea plantations this was really true," explained the secretary of an employers' association, "for the workers came to the manager with all of the problems, work and personal. But with trade unions this is passing, and some of the old-timers have difficulty in adjusting to the new situation."

Many trade union leaders and government officials stated in interviews that some of the "European" firms were now in the forefront in their willingness to deal with unions of their employees and in their whole approach to labor-management relations. Among these are Standard-Vacuum Oil Company, Lever Brothers, Indian Aluminium Company, Dunlop Rubber Company, Metal Box Company, Bata Shoe Company, and Ludlow Jute Company. Some illustrative quotations will indicate the consensus:[14]

> European firms are more willing to recognize and deal fairly with trade unions than most Indian firms. [Regional INTUC leader]

> Some of the British employers in the coal industry are better to deal with. They are industrialists, whereas many of the Indian employers are just business men who don't appreciate the value of building a lasting relationship with labor or of keeping their agreements. [Coal union official]

> In the majority of Indian tea estates we are treated worse than in the European. The Indian companies have invested recently and don't want to spend money. They are also badly organized and victimization of workers is common. European employers have been more profitable in the past and can be more liberal. [Plantation workers' union official]

> European employers are often better in dealing with unions and workers today than "our own people"[Indian employers] because they know the value of good relationships with labor. [Prominent INTUC leader]

We have found that employers from the U. K. and the U. S. often have better labor relations. They encourage proper trade unions and not political jockeys with political ambitions. [District INTUC president]

In pointing to this change, an Indian industrialist explained it by saying that "since independence, foreign firms are trying to develop better labor policies to keep their standing in India." In most of the fourteen foreign firms interviewed, the change was implemented through (1) increased top management concern for labor relations problems and personnel policies, (2) a high-level personnel or labor officer (frequently an Indian) with an adequate staff to assist with union negotiations, grievances, and personnel problems, and (3) an extensive personnel program which included supervisory training, employee induction and training, and full-scale welfare and recreational programs. Some of the foreign firms were located outside metropolitan areas, where it was necessary to provide housing and other amenities which they would not normally offer to employees in a Western industrialized country. But foreign firms, no less than the enlightened Indian ones, have had to adopt welfare programs which fit the expectations of Indian workers that they will be taken care of by the employer—or by the state.

Some foreign firms are restless with this welfare philosophy. An American business man in India said:

Foreign companies in India have not made any major effort to combat the predominant welfare philosophy, and in fact the British pattern has been to encourage it as is evidenced in the jute industry and the tea and sugar plantations. American companies, coming later on the scene and concentrating primarily in built-up industrial areas, have not had the facilities to follow many welfare practices, and have made a conscientious but none too successful attempt to promote a policy of paying wages to obviate the necessity of major welfare commitments.

The dilemma facing both foreign and Indian private enterprise, in Indian economic development, was posed by two Indian economists:

In recent years increasing responsibilities for labour welfare have been imposed upon private industries, which have resisted this trend on the ground that it has a depressant effect upon the rate of reinvestment of profits. In considering this problem, one must realize that a backward economy undergoing rapid industrialization faces different conditions than do advanced countries. . . . The present climate of social opinion differs from that of 150 years ago. Unless private business realizes that welfare measures are essential to the maintenance of a democratic system in the country, a "mixed" economy will be able to function only with difficulty. The case for private enterprise in undeveloped countries rests upon its willingness to accept a large share of social responsibilities. Labour welfare measures are a condition of public support for private enterprise. The transition would be smoother if enlightened sections of the Indian business community understood more fully the implications of acceptance of a mixed economy in a backward country.[15]

Some foreign firms and some Indian firms understand these implications, and have developed advanced employee welfare programs.[16] But, as we shall

see, fewer have been concerned with the relation of organizational structure to the development of human resources.

Organizational Structure of Management

Although some European firms may represent exceptions along with some Indian firms, the typical structure of company management in India is still highly centralized and personal. This has roots in the nature of the managing agency system, discussed in Chapter II, as well as in the attitudes toward utilization of labor and organization-building summarized above.

At this point it may be well to recall our earlier analysis of the character of the managing agency system, which is the basic decision-making unit in Indian industry. The Indian trading and moneylending castes and communities adopted the managing agency form of organization as a way of maintaining and extending family control of investment in business and industry. Thus they retained in their own hands the major financial decisions affecting the operating companies which the agency controlled.

Even though the private limited company form of organization has increasingly replaced the proprietorship and partnership, the officers of the managing agency are often members of the same family, or of the same caste. Not infrequently, sons follow fathers in positions of responsibility, and this is expected even if the sons may not possess the requisite ability. Staff appointments to other important positions in firms controlled by the managing agency are also frequently made from among the joint family, or within the community or subcaste, to which the principal officers belong.[17]

The managing agency, in turn, controls at least one operating company, and frequently more than one. Some general observations about the organizational structure of these operating companies will help to fill out a picture of the management hierarchy.[18]

In some cases an officer of the managing agency firms may also be the top executive officer of the operating company. This officer may have had special technical training himself, or have acquired a working knowledge of operations sufficient to enable him to be the operating manager, in fact. In these cases, another man designated as "manager" in the operating company may be no more than a glorified head clerk.

More often, however, the mill manager (in the textile industry) or the plant manager (in engineering firms, for example) has direct control of the internal operations of the mill or plant. This type of hired mill manager in the textile industry has been described as follows:

> He arranged the details of the production schedule, given production requirements; the technical heads were responsible to him in the first instance, although he did not appoint or dismiss them; the powers of appointment and discharge in relation to other members of the technical and supervisory cadre were larger, although not final; he acted as the liaison between the managing agents and the

technical and other members of the non-worker group of employees. In respect of workers, his powers of dismissal were the widest and usually final. In many routine and purely technical matters he represented the mill company.[19]

This managerial role is found more often in the larger firms and in situations where the managing agents are physically distant from the operating companies and must therefore delegate more responsibility to the manager on the spot. Regional factors are important here, and companies in larger cities like Bombay are more likely to have professional managers than those in smaller cities like Ahmedabad. Size alone is not the sole explanation, however; Bombay has always been regarded as more cosmopolitan and progressive than most other Indian cities.

Below the operating manager is frequently a group of "technicians." Some of these are line management officials at the second or third level, heading operating departments or divisions such as the weaving or spinning departments in a cotton textile mill, or serving as assistant department heads or supervisors. Others are staff specialists, such as accountants, statisticians, chemists, and labor welfare officers. The use of staff specialists of this type is comparatively new in Indian industry, and the middle management level as a whole is relatively "thin" in many companies. The view expressed in 1947 by Mr. G. L. Mehta, leading Indian industrialist and present ambassador to the United States, is still relevant:

The place of the technician and managerial executive is, in fact, yet to be recognized in the world of Indian industry. Those who have studied Indian industrial organization have noted that there is a gap between the "top men" and the lower rungs of management in many factories and plants. In a large-scale organization, not only are people wanted to formulate policies and give orders but also an intermediate category of persons who would seek to translate such policies in terms of concrete measures and who would try and see that those policies are implemented in practice.[20]

The same conclusion was reached by an English expert invited by the Indian Federation of Chambers of Commerce and Industry to assess developments in India during 1952–53:

There are firms in India which already have very high standards of efficiency but, taking Indian industry as a whole, there is a great need for it to equip itself with proper management cadres, especially in the middle and lower grades of management, and for this purpose to develop good recruitment techniques, proper training methods, means for discovery of talent and promotion policies which regard merit and eliminate favouritism.[21]

The frustrations within the technical group, resulting from a failure by the managing agents to understand these needs, are widespread, as we shall see in a later section.

The first level of supervision in the cotton textile industry, the jute industry, and a number of others is the "jobber" or "mukdam" group. Originally

these were recruiters of labor for the mills, with considerable power to hire and fire and many opportunities for petty graft and favoritism, as we indicated in the discussion of commitment of an industrial labor force. They usually came from the same social level and sometimes even the same community or subcaste as the workers, and they had no formal education. Today their powers are curtailed, largely because of the growth of labor officers with recruitment and disciplinary responsibilities and the development of new intermediate level of supervision. Their position is now anomalous; they cannot advance to the next higher levels of management, and their role is increasingly rejected by the workers.

In the words of one authority:

> The workers treat him (the jobber) as belonging to the camp of the employer and liable to be suspected as such, whereas his acceptance in the opposite camp is strictly limited, and of a low order. This lack of a sense of belonging weakens the faith of the management, and adds to the feelings of defiance in the worker, in relation to the jobber. . . . The jobber, we may then conclude, is the weakest link in the organizational set-up of India's cotton mills.[22]

This characterization may be less applicable outside the cotton textile and jute industries, but effective first-line supervision is a major need in Indian industry. As we shall see, an increasinng number of companies are concerned with supervisory training, and even within the cotton textile industry several Bombay mills are replacing jobbers with technically trained supervisors.

The qualities of an effective supervisor in Indian industry do not appear to differ markedly from those found in an advanced industrial country. For example, a special study of the nature of supervision in a government engineering factory in 1955–56 concluded that "good supervisors, in the opinion of their seniors as well as in the opinion of their workers, generally tend to identify themselves more with the workers than with the company and also look upon their men as human beings rather than as instruments of production only."[23] Yet the good supervisor has unfilled aspirations; his job satisfaction is less than that of the poorer supervisors. "More specifically," the study points out, "he is somewhat dissatisfied with the work he does, and substantially dissatisfied with his income and scope for further training."

Some Consequences of Inadequate Organization. The way in which organizational structure is related to the delegation of authority and responsibility, to communication patterns and to the practice of consultation is illustrated by a special study done in two mills in Ahmedabad by the Ahmedabad Textile Industry's Research Association.[24] In Mill A, authority was highly centralized in the managing agent, and the senior staff felt that they did not have enough authority to work effectively. Many were not clear about their responsibilities, and orders were frequently given by the managing agent directly to the second or third level of supervision, by-passing the mill manager and department heads. Sometimes a jobber received instructions from two different supervisors.

The atmosphere for free communication upward was limited. Jobbers did not go freely to department heads, nor department heads to the managing agent—only to the production manager. There was little formal consultation between superiors and their subordinates. Supervisors and assistants were transferred from one shift to another without a corresponding change of the rest of the work group.

In contrast, Mill B's managing agents delegated considerable authority to the mill manager, who in turn gave a fairly free hand to his department heads. Most members of the management hierarchy were clear about the scope of their responsibility and authority, and were satisfied with the degree delegated to them. The formal channel of communication was generally used by top management in giving instructions or receiving information; there was little or no "by-passing." Yet lower management people felt free in bringing their problems to higher levels. Consultation was practiced not only at the higher levels of management, but at the intermediate level, where department heads held monthly meetings with their assistants and supervisors to discuss departmental problems. Jobbers, supervisors, and assistants were all transferred together from one shift to another systematically, so that there was continuity of the same work group.

What was the result of these differences? In Mill A, subordinate levels of management showed considerable hostility and resentment toward top management, and there was a widespread sense of instability and insecurity. Lower management had little understanding of or identification with top management goals. Despite higher-than-average salary levels for department heads, turnover was high and people were leaving for jobs that were less attractive financially. In Mill B the situation was almost the reverse. Subordinate management staff understood top management policies and goals and on the whole were satisfied with them. There was a sense of stability at all levels, and turnover was very low, despite salaries which were at the average for the industry.

Mill A is probably more typical of the majority of management structures in Indian industry than is Mill B. Certainly there has been a high turnover within the middle management group in the cotton textile industry,[25] as dissatisfied technicians and even mill managers seek other positions through the columns of the trade journals. The bitterness of this group toward the managing agents was revealed in the comments made by a group of technicians in a major Indian textile center late in 1954:[26]

The managing agency system is an hereditary system, and sons take on responsibilities for which they are not adequately prepared. In some cases this is changing, so that technicians can discuss matters more than formerly, but it is a sort of half-baked knowledge which also makes for difficulties. The agent may interfere, and then if things go wrong, he blames the technician.

There is inadequate delegation of responsibility to department heads.

Within the managing agency, two brothers may vie for control; give contradictory or conflicting orders. And this is reflected and sensed all along down the line. There is also conflict between sales and production; and managing agents listen more to sales, which bring in the money.

Managing agents are still interested in quick profits—still speculators. They are not interested in building a business through quality, to make a long-run profit.

Similar views were expressed in interviews with middle management in jute, engineering, steel, and other industries. As long as there is substance to these views in the eyes of middle management in Indian industry, the sense of teamwork which is so important for effective functioning of the management organization will be lacking. The gulf between the middle and the top is still wide in many instances, and this is also true between the first line supervisors (jobbers) and the technician or middle level of management. The gulf is the result of differences in educational background, family connection, and social caste and class, all of which are reflected in the organizational structure. It will not easily be narrowed.[27]

Organizational Changes in Several Firms. A small minority of the fifty firms interviewed during 1954–55 were concerned with these problems of organizational structure, and were attempting to move in the direction suggested by the example of Mill B above. One large textile firm, for example, was devoting considerable top management time to a review of the responsibilities of different levels in the management organization. A proposed reorganization would make the managing agent one of two general managers, with manufacturing and development reporting to him, and sales and finance to the other general manager. But the real problem, one management official explained, was to get the managing agent—general manager "to delegate responsibility; not to keep his hand in everything. He was a master of detail and nobody could take action without consulting him. But now he is delegating more, and lower management can't yet believe he means it."

The new mill manager of another large firm, in the jute industry, had started a program of weekly meetings with operating superintendents and staff specialists. Broad and detailed problems were discussed and responsibility for making decisions was increasingly pushed down the line. The superintendents, in turn, held weekly meetings with the supervisors reporting to them. A staff advisor commented: "The superintendents' group is too inclined to make policy without consulting subordinate levels; it regards itself as a little too omniscient. But we are working toward 'joint consultation' within the whole management group." The older supervisors resisted this method, for under the former manager there were no intermediate levels of management—just the manager and a number of supervisors who carried out orders. With the retirement of older supervisors, however, younger, better educated ones were appointed and the new organizational structure could be introduced.

A third example is the case of a large multi-plant company, an amalgama-

tion of four previously separate managing agencies, which found through the work of an outside consultant that its plant managers and technicians were completely in the dark on the company's vast plans for expansion. In the absence of one top managing director, apparently no one took the responsibility for communication of company-wide plans to the branches. When a new managing director was finally appointed, one of his first moves was to hold information and discussion meetings at central locations throughout India for branch plant management officials.

The Tata Iron and Steel Company has also pioneered in certain organizational changes designed to bring middle and lower management into better communication with top management. Among these are (1) a week-long "Company Information Course" for foremen, in which questions are encouraged and the resident director periodically meets with the foremen to answer their questions; and (2) a Management Consultative Committee of twenty-five elected representatives of foremen, general foremen, and assistant superintendents meeting bi-monthly with the general manager, general superintendent, personnel director, and head of the Management Research Unit.[28] The latter unit was established to make a continuous study and review of company organization structure and management practices.

A final example of improved management organization is found in an important public corporation, which had four managing directors in five years.[29] The previous officials had failed to get the factory into production on schedule, and the 1955 managing director came to the job from four years of administrative experience in another important government industrial enterprise. His major innovation was to improve the channels of communication within the management group. He instituted weekly meetings with the fifteen men reporting to him, and in this group were the operating superintendents, chief chemist, town manager, personnel director and other staff specialists. Company policies and production problems were discussed, and each man was encouraged to bring up his own problems of common interest.

Following this meeting, each of the operating superintendents then met with his subordinates to discuss similar problems. In addition, each month there were four separate meetings on successive Tuesdays: (1) planning; (2) personnel problems; (3) costing; and (4) production problems brought up by superintendents. Different subordinate management officials were invited to each meeting according to their special responsibilities. Between these meetings the managing director kept in contact with his staff by daily tours of the plant, during which immediate problems were raised. The result of these changes was a new sense of participation on the part of the managerial staff, and this helped to explain, in part, the attainment of production goals by the plant in 1955.

These examples suggested the importance of the relationship between organizational structure, communication channels, and the development of

management personnel. It should be noted parenthetically that organizational structure is equally important in public enterprises, not only within the enterprise but also between the enterprise and the government ministry in charge. The need for greater delegation of responsibility to the public enterprises, and less minute control from the center, has been stressed by students of public administration.[30]

Development of Management Personnel

Methods of selecting and training management are important enough to deserve separate treatment in the light of Indian experience. Key managerial positions in Indian private industry are still filled, for the most part, from members of the particular business community to which the managing agents belong; and, as we have seen, preference may even be given to members related to each other through the joint family. The importance of the business community in management selection, and its limitations, are well put by a leading Indian business publication:

> The sectional outlook of the Indian business communities—like the Parsees, Gujerathis and Marwaris—in the choice of managers and partners in enterprise was more relevant to the earlier conditions of ordinary risk-bearing in trading and the initial manufacturing stages. It is no surprise that they have not been able to create a class of the more versatile type of business managers required by modern industry. Thus India has, even with the middle class component in the social structure which has produced enough able lawyers, politicians, administrators, doctors, engineers and teachers, proved unable to face up to this problem successfully.[31]

Charges of nepotism are frequent, particularly on the part of those outside the family or the community who feel frustrated and blocked by lack of opportunity within the management structure. But nepotism does not always result in bad management; for there are some family enterprises in which sons have been sent abroad for special training in engineering and business administration and have returned to become competent managers and innovators, expanding the family businesses into new fields. Two examples stand out among the firms interviewed: one textile firm in South India in which the United States-educated son branched out into the manufacture of textile and printing machinery and the publication of a daily newspaper; and an electrical products firm, in which a similarly educated son developed a small motors and transformer plant. The important distinction within the family-dominated enterprise is this: have the most competent family members been chosen for managerial advancement, and have they been given professional training for these responsibilities? Or is the managerial hierarchy staffed with family or community members of varying degrees of competence, whose only claim to these positions is their family or community membership as such?

Probably more typical of much of Indian private industry is the case of a

textile firm in which two brothers were partners in the managing agency. Each had a son, recently graduated from the local university college of commerce with undistinguished record. The sons joined the fathers in the managing agency during 1954. They were given authority over much more competent, technically trained managers, who resented having to take orders and instructions from these inexperienced and cocky young men.[32] Another example of inadequate selection and training of management is the story told by a Bombay millowner who explained the presence of a young man sitting at a nearby desk in his office. "This is my nephew," he said, "and he is learning the business just the way I did from his grandfather years ago. I sat at the desk he is at now, and I listened to everything the old man did, the people he met, and the problems he discussed with them. This is the way I learned the business, and that's the way he is learning it now from me."

Another aspect of management development in the private sector is in the "Indianization" of the staffs of foreign firms operating in India. One of the criteria for establishment of new foreign enterprises is the extent to which they will train and give employment to Indians. While there is no rigid policy or set of rules, the government of India does encourage the utilization of Indian personnel in the technical and managerial ranks, and requires periodic reports from foreign firms on their progress in this respect. The American oil companies have had a good record in developing Indian personnel increasingly to take over responsible positions. For example, Standard-Vacuum Oil Company reported iin November, 1954, that the number of Indians in key posts in its marketing organization had increased from 3 to 109 since 1942. In that year 107 of the 110 key technical and managerial positions were filled by overseas personnel.[33] Indianization of technical and managerial positions in Standard-Vacuum was over 62 per cent in 1956, as compared to 3 per cent in 1942.[34]

Foreign firms in other industries have a less satisfactory record,[35] but all are faced with the challenge and the opportunity to train Indian nationals for responsible managerial positions. This is also in the financial interest of these companies; for salary levels and allowances for overseas personnel are generally much higher than for Indians in the same positions. The differential is a source of dissatisfaction which tends to be destructive of morale among Indian personnel.

Since there is separation of risk-bearing (in which the family unit figures prominently in private industry) and management in public enterprises, the assumption is sometimes made in India that better, more professional management will be possible in the public sector. There are examples of public corporations with competent top management, but there are also criticisms of some of the managerial appointments that have been made in certain public enterprises. The substance of this criticism was expressed by the retired managing director of one of the most successful government-owned factories:

Too often the Government Ministries have no conception of the nature of industrial management. They put managing directors in charge whose experience is not in industry, but rather in various forms of government administration. The I.C.S. (Indian Civil Service) and I.A.S. (Indian Administrative Service) men are nice enough fellows, but they are not equipped in many cases for industrial management.[36]

As the public sector expands under the projected Second and Third Five-Year Plans, the need for competent managerial personnel at all levels will be just as great as in private industry. During 1954–55 there were proposals for an "Industrial Management Service" for the staffing of public enterprises, comparable with the Indian Administrative Services; and by 1956 a decision was reached to proceed with this. To the extent that the new service will make a distinction between industrial management and the administration of the normal functions of government, it will help to solve the problem which faces the staffing of public enterprises. But the issue has not been clearly resolved.[37]

In the new Industrial Policy statement presented to the Lok Sabha in May, 1956, by Prime Minister Nehru, the importance of competent industrial and technical management for the growing public sector was emphasized:

This program of industrial development will make large demands on the country's resources of technical and managerial personnel. To meet these rapidly growing needs for the expansion of the public sector and for the development of village and small-scale industries, proper managerial and technical cadres in the public services are being established. Steps are also being taken to meet shortages at supervisory levels, to organize apprenticeship schemes of training on a large scale, both in the public and private enterprises, and to extend training facilities in business management in universities and other institutions.[38]

Recognition that the same managerial talents are required for successful public enterprises as for private firms is evident in the growing interest in India in the organizational structure and management practices of such companies as General Motors, Imperial Chemical Industries, and Unilever. As an officer in the Planning Commission frankly admitted in discussing this experience, "Yet, by and large, the (Indian) Government is an amateur in the organization and administration of large-scale industrial and commercial enterprises."[39]

Management Training and the Educational System. One difficulty in developing a professional managerial class in India lies in the nature of the educational system. The leading Indian universities, distinguished as they are for their contributions to other areas of knowledge, have paid little attention to the type of traininng which, in the experience of more advanced industrial nations, develops competent industrial managers. For example, there are relatively few first-rate engineering schools and technological institutes. Furthermore, the imprint of the British emphasis on university training in the humanities and law is strong in the great Indian universities, many of which were founded by the British.[40] This training was useful for those entering the professions, or the government civil service under the British and later in inde-

pendent India. But it does not prepare a man adequately for the complexities of modern industrial management, or for the administrative skills required for building organizations.[41]

In the academic year 1949–50, for example, the last for which complete figures are currently available, the ratio of students in colleges for general education to those in colleges for professional education was 4 to 1. The ratio of institutions was 2 to 1. Colleges for general education had an enrollment of 302,947 students, yet only 620 of these were classified under "research" beyond M.A. or M.Sc. Table 12 gives data on colleges classified as professional institutions.

Table 12. Number of recognized colleges for professional education and enrolled students in 1949–1950

Profession	Number of Colleges	Number of Students
Teacher training	71	5,184
Medical and veterinary	45	13,592
Engineering and technology	29	12,338
Agriculture and forestry	22	3,591
Commerce	21	28,886
Law	20	9,464
Others	75	4,835
Total	283	77,890

Source: *Statistical Abstract, India, 1952-53*, New Series, No. 4, Tables 34 and 38.

The fact that "commerce" students represent over one-third of the total registered in professional colleges requires explanation. Commerce colleges do not provide programs centered on industrial management, and typically do not give students a background which adequately prepares them for modern industry.[42] The "B.Comm." degree in India is not held in particularly high repute. It may also seem strange that a nation striving to industrialize should turn out three-quarters as many lawyers as it does engineers. But this is an improvement over 1947–48, when there were more students in law schools than in engineering institutions. Progress is also being made in the founding of new institutions for technical training, for the actual number of engineering and technical colleges has doubled since 1947.[43]

Recognition of these weaknesses in the present system of higher education led the Government of India to appoint a committee in May, 1950, to study "management education." This was headed by Sir Jehangir Ghandy, then resident director of the Tata Iron and Steel Company. Surveys under the auspices of the committee in the Calcutta region during 1950–51 were discouraging about the prospects of getting the coöperation of most managing agents in releasing junior management personnel for special postgraduate short courses.

Nevertheless, one was started in February, 1953, at the Indian Institute of Technology, a government-supported institution at Kharagpur, West Bengal. A Department of Management Studies (later called Industrial and Business Administration) had earlier been established there with the assistance of a British management engineer and educator under the auspices of the Colombo Plan. The first short course for "General Management" attracted forty senior men; and this was later followed by a one-week Production Management course in 1953, a year-long postgraduate course in Industrial Engineering and Management with eight students, beginning in January, 1954, and a two-week residential study course in Works Management in January, 1955.[44] Loss of key staff members and other difficulties later threatened disruption of this residential program for management.

In the meantime, more ambitious plans for postgraduate training programs in management were being developed under the auspices of the central Ministry of Education, with the advice of an All-India Council of Technical Education, composed of representatives of state governments, universities, industry and commerce, various government ministries, and professional associations. A Board of Management Studies, headed by Sir Jehangir Ghandy, was given the specific responsibility of approving postgraduate full-time or part-time courses in Business Management at University Schools of Economics, and similar courses in Industrial Administration at Schools of Technology.[45] Another committee was appointed to investigate the possibility of establishing an Administrative Staff College, patterned after the British one, and by 1956 plans were completed for a college in Hyderabad. The significant fact here is that the central government was coördinating and even dominated these efforts, in large part because the financial resources were to come from public funds. A promising start was finally made in the fall of 1955.[46]

Management and Supervisory Training. Relatively few private or public Indian enterprises have instituted systematic management and supervisory training programs designed to develop more competent managers within the ranks. A notable exception is the Tata group of firms, which started an annual three-day Management Conference in 1955 for key management officers from various Tata companies. Papers were given by participants, company directors met with the group, and the conferees concluded with specific proposals for improving the managerial organization within their companies.[47] During 1956 a Tata Staff College was established to provide four-week residential training for small groups of selected managerial personnel drawn from Tata enterprises. The first group discussed in detail two topics: "the difficulties of organizational inter-relationships and means of overcoming them," and "the management of the individual." Speaking to the Second Tata Management Conference, Mr. J. R. D. Tata, the chairman of Tata Industries, expressed the guiding philosophy in these efforts:

Today in judging management I certainly attach the greatest importance to the capacity that has been shown by a particular individual or group of individuals to train men under them. However efficient a manager may be in doing the work himself, I always feel that the man who is not only capable of doing the work, but who has shown propensity and enthusiasm in training men under him even to do the work that he himself does, is a more valuable member of management. In expanding industries and companies, the careful and successful training of understudies and of men to take your place does not mean that your usefulness will be diminished but, on the contrary, that you will free yourself for opportunities to undertake higher tasks in management.[48]

Another Indian firm interested in management training is the United Commercial Bank, which has been training about twenty junior officers a year for six months' periods.[49] Other examples are some of the foreign firms in India which have brought over supervisory and management training programs already developed in their home countries. Standard-Vacuum Oil Company, for example, has a full-time training director who has successfully used training programs in "Conference Leadership" and "Basics of Supervision" with management and supervisory personnel. The latter program was also translated into Hindi and given to first-level terminal supervisors. Some changes were made in the content of these programs to fit Indian conditions, particularly the examples used, but the essential framework was unchanged. In the judgment of the training supervisor, "supervisory problems are almost identical with those in the United States and the same skills are needed. People respond to the same kind of treatment everywhere, and Indian workers are no exception."

The experience in India with TWI (Training-Within-Industry) programs, developed first in the United States during the war and later extended abroad by the International Labor Organization, confirms the essential truth in this training officer's observation. This experience, discussed below, casts doubt on the stereotype of Indian workers that some managements seem to harbor.

The experience of two other foreign enterprises, one American and one British, is instructive on experience with supervisory training. The American firm recruits new supervisors by taking the best technical graduates and giving them two years of manual labor in different departments (which weeds out a lot of applicants who object to this training period). Following this, the trainees have various conferences in handling grievances, safety procedures, production processes, and so on. The British firm introduced supervisory training conferences only after there was top management discussion and agreement on the importance of the human factor in supervision. New management trainees are now selected from the better university graduates largely on the basis of personality and ability to deal with people rather than specific technical training, which can be given to the new man on the job.

More widespread interest in supervisory training developed as a result of the Training-Within-Industry program introduced first in Ahmedabad in September, 1953, by a British expert sent by the International Labour Organization at the request of the government of India. Twenty-two of sixty-eight mills agreed to participate in the program, and within a year some 2000 supervisors were exposed to Job Methods Training, Job Relations Training, and (in fewer cases) Job Instructor Training. This was done by company-designated training officers, who had earlier been given the training methodology by the ILO expert under the auspices of the Ahmedabad Textile Industry's Research Institute.[50]

An active TWI Association was formed in Ahmedabad, and there was great enthusiasm among those participating in the program, particuarly at the junior management level. But an evaluation meeting during November, 1954, brought out the fact that in many cases top management had not understood the implications of supervisory training for its own behavior toward subordinates in the organization.[51] Instead, a frequent attitude reported was: "We have given approval to TWI, appointed some training officers, so now show us the results." There were exceptions, of course, and in these companies top management got interested in the program and actively supported the concepts by word and by action. Some who were skeptical at first subsequently became the most enthusiastic TWI boosters.

TWI programs were also introduced in Baroda, Bombay, New Delhi, Bangalore, Jamshedpur and Nagpur during 1954–56 through the efforts of two ILO specialists, but not on as extensive a scale as in Ahmedabad. Altogether, eleven TWI projects were completed by June 30, 1956, involving 2548 groups and 20,346 supervisors in the ten-hour courses in Job Instruction, Job Methods, and Job Relations.[52] Plans were under way for a National TWI Centre, and the initial effort seems to have had the effect of awakening many Indian firms to the need for more systematic training in supervisory skills and for rethinking the relationships between different levels in the company organization. Supervisory training subsequently went beyond TWI programs in a number of these firms, according to the ILO expert.

It is fair to say, however, that a great many Indian managements still remained unconvinced or unaware of the value of in-plant supervisory and management training programs, partly because the TWI experience has been limited by lack of staff. Skepticism was found even in some of the public enterprises. For example, the managing director of one large public corporation held the view that "good supervisors are born with the necessary skills; they don't acquire them, so I'm skeptical of the benefit we would get from supervisory training." His training officer said later that their "Training Center" concentrated on trade skills, not supervisory skills, and added: "No proper approach has ever been adopted; it's haphazard."

Two other organized efforts to develop more professional interest in man-

agement problems during 1954–55 deserve mention.[58] The Ahmedabad Textile Industry's Research Institute pioneered in holding a three-day Management Conference early in 1955, and this was repeated in 1956. Management representatives from a number of firms outside Ahmedabad attended, and similar interest was shown in an Executive Development Program which ATIRA introduced in January, 1956. This was based largely on case materials developed within India.

Local management associations were started in Bombay, Bangalore and New Delhi during 1953–54, and in the first two cities particularly, regular monthly meetings for the discussion of management and labor relations problems were held. These associations were to become local chapters in a new Indian Management Association, organized with the assistance of government in New Delhi. But delays were encountered in getting an acceptable constitution, and some skepticism was expressed in the local groups about government sponsorship in the absence of grass-roots interest. The organized professional Indian management movement had not yet got off the ground in most centers during 1954–55. The Calcutta Management Association was finally established in 1956, and additional associations were founded in Hyderabad, Madras, Coimbatore and other South India cities.

There are, of course, established professional associations in certain management specialties such as accounting and in personnel management and labor welfare. The latter are especially active, holding annual conferences for discussion of personnel and labor relations problems. The Indian Institute of Personnel Management, with headquarters in Calcutta, has a country-wide membership and publishes a journal, *Industrial Relations;* while the All-India Council of Labour and Welfare Officers confines its activities largely to organizing annual conferences in which national and state government labor officers participate. Both associations illustrate the great growth in the personnel and labor welfare function in Indian management, which deserves separate discussion in the next chapter.

CHAPTER VII

Labor-Management Relations at the Plant Level

Managerial attitudes, organization and development, which reflect in part the response of management to the labor problems of industrialization, help to explain the character of labor-management relations at the plant level. The organizational role of the personnel or labor welfare officer is our first concern in this chapter, for it highlights both the problems and the possibilities of more effective utilization of human resources in Indian industry. Following this discussion, we shall turn to more specific aspects of handling labor-management relations at the plant level. These include negotiations with unions, leading in some cases to written agreements; discussions with works committees; and settling grievances.

The Role of the Personnel or Labor Welfare Officer

The Factories Act of 1948 required the appointment of a labor welfare officer in every firm of 500 or more employees.[1] This was an attempt to extend to all manufacturing industry a managerial function which had earlier been developed by some of the more progressive firms and employer associations. The Bombay Millowners Association, for example, had a labor officer as early as 1934, and many member mills appointed labor officers before statutory requirement. The Indian Jute Mills Association started a labor office in 1937, and several managing agencies in the jute industry appointed labor officers as early as 1941. But the term "labor welfare" suggests the difference between the concept embodied in the law, and the personnel (or labor) officer appointed on management initiative as a part of the managerial staff.

Responsibilities for labor welfare officers were spelled out in special "rules" issued by the state government under the Factories Act of 1948.[2] For example, they were expected to see that the provisions of the act relating to labor welfare and working conditions were observed by management, that harmonious relations between labor and management were established, and that grievances of workers were settled promptly. New appointees to these positions, furthermore, were to be selected by management from those who had earlier received special training at approved labor welfare office training centers, such as the Tata Institute of Social Science at Bombay, the Xavier Labour Relations Institute at Jamshedpur, the All-India Institute of Social Welfare and

Business Management in Calcutta, or centers run by state governments, as in Bombay.[3] The role of the labor welfare officer, therefore, was structured by government rules; and his training was prescribed in a manner not found in advanced industrial countries. Despite this apparently enhanced status, however, many labor welfare officers during interviews in 1954–55 expressed frustrations which high-lighted their dilemma.[4]

On the one hand, they are supposed to keep on good terms with workers and to interpret workers' problems to management; and, on the other, they are often expected by management to be the "axe men" in disciplining and discharging offending workers.[5] Or, they are expected to organize and supervise the welfare activities which the firm provides for workers, and also to appear before labor tribunals as management's spokesmen in opposing demands by union representatives on behalf of the firm's workers. Yet few said that they were consulted by top management in formulating company labor policies or before taking actions which create new labor problems.

Some labor welfare officers are driven by this dilemma to the conclusion that they ought to be appointed by government and partly or wholly paid by government in order to give them independent status. But this is probably a minority view; most labor welfare officers recognize that they would have less influence with top management in private enterprises if they were paid by government because they would not have the trust of management and would not be admitted to management policy discussions.

Another consequence of the dilemma is a view of the personnel function in management which may be peculiar to the Indian scene. In the words of the personnel officer of an American firm in India:

> There is a fundamental difference between thinking in India and in the United States concerning the function of the Labor Officer. In my opinion, the Indian theory of the function of the Labor Officer is that he is a kind of "third force" or independent liaison officer between the conflicting groups of Management and Labour. In the U. S. the Industrial Relations Officer is advisory or staff to line management—he is definitely identified with Management and has no neutral status. It is his duty to advise Management as well as employees on any phase of industrial relations policy or procedure of the Company for which he works. He exercises his function at all management and staff levels.[6]

The difference between the American concept of a personnel officer as a staff expert advising and assisting the line management in handling personnel and labor relations and the Indian "third force" concept is further sharpened in this analysis of the Indian labor or labor welfare officer by an American:

> Although employed by and answerable to management, the labor officer is supposed to occupy a middle ground between workers and management and to interpret each to the other. He is thought of as performing something of a social work function and much of the academic training designed for him has this orientation.[7]

The "third force" concept is appealing to those who feel either that top management does not give them enough support or that identification with management weakens their position with workers and the trade unions. This is a reflection, of course, of the low esteem which even many company labor welfare officers have of top management. "Not more than 1 per cent of the employers in India understand the relationships between good labor relations and higher production," was the collective view of one group of labor welfare officers in an open meeting. Another group said: "Some managements use labor officers to carry out decisions which have already been made and give them no leeway to negotiate or mediate." One embittered labor welfare officer in the coal industry said that "we are expected to legalize illegal actions or get out." The idea that the labor officer should have some leeway to work out his own solution to a labor-management conflict is the essence of the "third force" concept, which is implicit in the rules specified under the Factories Act for labor welfare officers. This concept was also prominent in a 1956 symposium conducted by a branch of the Indian Institute of Personnel Management. The participants concluded that collective bargaining should be used to settle disputes, and that "the role of the personnel officer in this connection should be that of a conciliator."[8]

Nevertheless, there is a growing recognition in some Indian firms and in European firms operating in India that the staff role for the personnel administrator or even labor welfare officer is the most effective one.[9] In a number of cotton textile mills in Bombay, for example, the labor officer is in direct contact with the managing agents, who listen to his advice before taking disciplinary action, or before taking a position on a major grievance or demand raised by the union. The status and influence of the labor officer, more frequently called the Chief Personnel Officer, was even higher in most of the British and American firms interviewed. There was a carry-over of the organizational structure for personnel administration found in the home countries of these firms. Similarly, in three public corporations, the role of the personnel officer was clearly that of a high status advisory and service officer. The personnel manager of the government-owned Sindri Fertilizer Factory, for example, wrote in the company newspaper:

> It should be obvious . . . that members of any Personnel Department, if they are to fulfill their role effectively—can only be guided by a spirit of service and mission. The concept of authority must be foreign to those who believe in personnel principles and practices. They should accept that their authority can at best be only a reflection of the confidence that they can create in the minds of all as regards the soundness of the advice they render.[10]

In this firm the managing director meets daily with the personnel manager to discuss union grievances and any problems involved in securing uniformity in handling labor relations problems in the line organization. Line staff re-

lations have been improved through a series of meetings with Department heads on their personnel problems.

Handling Labor-Management Relations

The dilemma confronting the labor welfare or personnel officer in Indian industry is also reflected in the handling of labor-management relations. There is no dominant pattern of relationships, partly because of variations in management attitudes toward dealing with trade unions and partly because of rival unions and the absence of the strong majority unions in most plants or industries. Nevertheless, systematic labor-management relationships can be found in three forms: (1) negotiations between employers and unions representing their workers, leading in some cases to written agreements but more often to proceeding before an industrial tribunal; (2) works committees at the plant or shop level; and (3) settlement of grievances through formal procedures. The significance of each of these, with examples from recent experience, will be discussed in the following sections.

It is important to stress, however, that these limited and more or less formal relationships with labor organizations in India are conducted within the framework of an extensive set of rules and procedures embodied in various central government and state labor relations laws. The pioneer piece of legislation, bringing the government into the labor-management relationship directly, was the Bombay Industrial Disputes Act of 1938, which provided for compulsory conciliation of disputes, recognition of "representative" trade unions by employers, and the approval by the Bombay Commissioner of Labour of plant rules (called "Standing Orders") formulated by the employer.[11]

The principle of government intervention in labor-management relations was extended during the second World War by an amendment to the Bombay act enabling the government to refer almost any dispute to a court of arbitration, and the central government achieved the same powers to declare strikes illegal through promulgation of Rule 81A of the Defence of India Act. This wartime legislation set the pattern for the two postwar industrial dispute settlement acts: the Bombay Industrial Relations Act of 1946 and the central government's Industrial Disputes Act of 1947. The Bombay law modified and extended the 1938 act by strengthening the requirement of compulsory recognition of a "representative union" and other categories of unions,[12] providing for union representation at hearings before the labor commissioner on approval or modification of the employer's "Standing Orders," requiring the establishment of joint works committees in each plant, and providing for referral of unsettled disputes over these or other matters to labor courts for binding awards.[13] Thus, collective bargaining in the sense of direct dealings between management and unions without the intervention of a third party (the government) was made difficult—unless

both management and a dominant union really preferred direct relationships.

The Industrial Disputes Act of 1947, like the Bombay law, provided for limitation of the right to strike and reference of disputes to conciliation or industrial tribunals.[14] Even if the government does not refer a dispute to a tribunal, either party may request reference and the government is bound to refer "if it is satisfied that the persons applying represent the majority of each party. . . ."[15] Provision for appeal of tribunal decisions to newly-established appellate tribunals came in a 1950 amendment, and the Bombay provisions on "Standing Orders" were included for all India in the Industrial Employment (Standing Orders) Act of 1946. Finally, the 1947 act also provided for the establishment of works committees in plants under central government jurisdiction and empowered state government to require such committees in forms employing 100 or more workers.

This, then, very briefly is the background for the discussion of patterns of handling labor-management relations in Indian industry today.

Negotiations with Unions. Collective bargaining, or, more accurately, collective relations with unions, tends to be industry-wide in a particular locality in such industries as cotton textiles, jute, and engineering. The law of industrial relations favors this type of bargaining. For example, the Bombay Millowners Association deals with the Rashtriya Mill Mazdoor Sangh, which is the INTUC union with "representative" status under the Bombay Industrial Relations Act of 1947.[16] Until 1956 there was, however, no signed collective agreement between these two parties; major issues were referred to the Industrial Tribunal for decision, and after 1950 these decisions were frequently taken to the Appellate Tribunal with consequent delays.[17] The labor office of the Millowners Association represents member mills at every stage of a dispute with the union after the mill management has been unable to settle it. In 1956 the Bombay Millowners Association and the INTUC union signed a five-year agreement for determination of "bonus," similar to the earlier one in Ahmedabad, as discussed below.

In the jute industry in Calcutta there is no single dominant union, and the Indian Jute Mills Association does not officially recognize any of the several competing unions: INTUC, Socialist, or Communist. But its labor officers have informal relations with representatives of these unions in the different mill areas as worker grievances are brought up for discussion and settlement. The value which the IJMA places on these informal relations with union representatives has been cited earlier. Another major function of the IJMA labor office is that of representing member mills in cases before industrial tribunals. Basic wages and dearness allowance were increased by a Special Bench of the Labor Appellate Tribunal in June, 1956.

The most striking example of collective relations between an industry association in a local area and a strong union, however, is the long experience of the Ahmedabad Millowners Association and the Textile Labour Associa-

tion, referred to earlier in this chapter and in the preceding one. Except for a breakdown during 1938–52 and a period of difficulty in 1953–55, these parties have had a voluntary arbitration system for settlement of all disputes since 1920, when Gandhi first encouraged the arbitration of the strike which followed the formation of the union and its initial wage demands. The arbitration agreement, to be sure, is procedural; there is no agreement on substantive issues as such. But it is a voluntary signed agreement between two responsible parties,[18] and it has been supplemented by specific agreements providing for the introduction of increased workloads under certain conditions. These latter supplementary agreements are substantive, since they cover the specific circumstances under which any mill may introduce higher weaving or spinning work assignments. In 1955 the TLA and the Millowners also reached an agreement on the matter of year-end bonuses.[19] The continuing nature of direct collective bargaining in Ahmedabad was indicated by the demand of the TLA in November, 1956, that the Mills increase basic wages by 25 per cent.[20]

Direct negotiations between individual employers and unions are still rare in India, but they are found under two conditions: (1) when the employer is genuinely interested in developing constructive relations with a union representing his employees, and (2) when such a union exists without serious threats from rival unions. These two conditions, it may be noted, are not unrelated, for in several of the instances reported below, the employer encouraged and nurtured a new union to a point where it represented a majority of the firm's employees.

Some examples from the interviews will illustrate the nature of individual company-union collective bargaining relationships in India today:

A British company recognized a newly-formed union in 1946, and signed an agreement with it covering standing orders, grievance procedure, year-end bonus and other matters. As the manager explained, "We had a tradition of negotiating with the unions in the U.K. and we wanted to do the same here." The union subsequently affiliated with the INTUC, and the president of the union became a member of the INTUC national executive. The union now represents 90 per cent of the workers, collects dues on company premises immediately after workers are paid, and has 20 elected representatives who serve as shop stewards (in addition to the six elected officers). There is a joint piecework committee, to which unsettled disputes over rates are referred, and several union representatives have received training in time-study methods. The union president spends about two days a week at the plant, since he is an "outsider" active in other unions also, but he has complete and easy access to the plant manager and other officials. There have been no cases referred to industrial tribunals, and the original agreement has been modified in annual negotiations. There are unresolved problems such as re-

striction of output in one section of the plant, but the management is moving slowly because the union president "might lose control of the union if the Communists are given a good talking point."

Another British company insisted at the outset when two unions were formed that it would deal with the one which had the largest membership certified by the Bombay Registrar of Unions. This resulted, however, in two rivals—an intracompany union and an HMS (Socialist) union uniting to form a joint negotiating committee. After tribunal decisions on the 1950 and 1951 bonuses, the company and the union negotiated a "package" on the 1952 and 1953 bonus amounts, and this pattern continued. The chief personnel officer of the company frequently held informal meetings with the union negotiating committee, apart from contract discussions, to discuss ideas for proposed changes in policy or programs. He explained his approach:

> I tell them that I've been thinking over a problem and may take some action, but that I'd like to get their reactions and suggestions. This is participation, but there is too little of it in Indian industry. Don't let any labour officer or employer say that these things can't be done in India because of the illiteracy of the Indian worker or the irresponsible union leaders. These are just alibis for the failure of labour officers to be effective in selling their ideas to top management, or of management's failure to make a genuine effort to build good relations. The Indian worker, who is often blamed, is the least to blame for the present conditions.

An Indian-owned and managed engineering firm, with an outstanding reputation for progressive management, has had an agreement with a Communist union representing 80 per cent of its employees. This followed a strike in 1953, and the basis for the present relationship is the insistence of the management that the union follow the Soviet Labor Code in which the responsibility of workers' unions for good discipline, observance of production standards, and low absenteeism is stressed. Management believes that it is better "to sit around the table and discuss plant problems with this union than to refuse to recognize it." There is also a works committee, comprised of ten elected worker representatives, which meets once a week for discussion of grievances, but this was first established in 1945 and is separate from the union. Appeal to the union is the final step in the grievance procedure; but, according to management, no cases have gone beyond the works committee level. This case illustrates the separation which is found in some firms between the union and the works committee, and their relations to the grievance procedure.

In a European firm in the same region, the Communists are in a majority in the union executive, but non-Communists hold the top positions. Following three strikes in 1946, the union was recognized and an agreement concluded. An advisor to the company was subsequently made a full-time officer to handle labor relations, and he serves both as chairman of the company negotiating committee and as chairman of the works committee (which has

union representatives on it). The managing director of the company also spends about half of his time in negotitations and in works committee meetings to discuss grievances; but the responsibility for company decisions is in the hands of the full-time labor relations officer. As the managing director explained, "Because he takes personal interest in labor matters and spends his full time on them, we have had little trouble in reaching agreements or in implementing them." There have been no tribunal cases since 1947. Labor peace in this firm has its costs, however, for some line management people were restive under the unusual delegation of responsibility to a staff officer. He also was not entirely convinced of line management's good faith, and was concerned about the future of the union. "I have to nourish it," he explained, "and even after all these years it hesitates to take responsibility for saying 'no' to weak cases. I could break the union any time I wanted to."

An American company with branches in several Indian cities had begun to negotiate long-term agreements in 1954 and 1955 with non-Communist unions, representing either its clerical or labor employees, and in at least one case with a Communist union. Terms of these agreements included an annual bonus related to the levels prescribed by earlier tribunal awards, working hours, lunch breaks, a slight increase in base rates, and other similar terms of employment. The real objective of management here was to avoid costly and time-consuming appearances before tribunals, and evidently the unions also preferred voluntary agreements. By early 1956, three-year agreements were concluded in all of the company's Indian plants and offices.

The Indian Aluminium Company, affiliate of the Aluminium Company of Canada, negotiated two collective bargaining agreements with an INTUC union when a new managing director came in 1949. There had been strikes under the previous management, and he was determined to change the relationship, bringing a competent industrial relations director to the company a year later. One of the two written agreements provided for a monthly production bonus scheme and an annual productivity bonus, and terms were being renegotiated in 1955. The other agreement covering the major works of the company, ran for five years and contained a number of clauses similar in some respects to an American collective bargaining agreement. Among these were (1) a list of management's rights; (2) a grievance procedure; (3) joint pledge to avoid unfair labor practices; (4) specification of production standards; (5) conditions under which employees may be transferred by management; (6) payment of one month's basic wage or salary as an advance on the annual productivity bonus, or in addition to it "if peaceful conditions, spirit of whole-hearted coöperation and good relations are maintained throughout the year and the stipulated output for the year is obtained;" (7) recruitment of eight new workers from among refugees and among present employees' "near relatives"; (8) establishment of a joint personnel relations committee and a joint production committee; (9) acceptance of a

wage structure developed by a management engineering firm; (10) a no-strike, no-lockout clause; and (11) withdrawal of certain disputes pending before the Labour Appellate Tribunal. This agreement expired in March, 1956, and a second five-year agreement was signed on September 1, 1956. Like the first agreement, this is a remarkable document of thirty-seven printed pages, similar in scope and content to many union-management agreements in the United States.[21]

Both the managing director and the personnel manager believed that these agreements had improved relationships and avoided strikes and slowdowns.[22] The union was regarded as strong and responsible. It claimed 90 per cent of the 1200 workers as members, and the company provided facilities for dues collection and bulletin board notices. Only one "outsider" was a member of the union executive; the others were company employees. Subsequently, the management of the Indian Aluminium Company has attempted to negotiate similar agreements with unions in its other plants in various parts of India. On December 3, 1956, a five-year agreement was reached with the Muri Aluminium Factory Workers Union at the Muri Works in the Ranchi district of Bihar state. The report of the personnel manager is illuminating:

> Here we had to deal with a union different in many respects from the one in Belur (near Calcutta). Nevertheless, we are convinced from our own experience that, given the proper climate, it is possible to negotiate such agreements with unions in India though they differ from one another in ideology, outlook and other matters. The Muri agreement, as the one in Belur, has the same pattern with a "No strike-No lockout" clause and provision for fair incentive bonus. Here also the union declares that profit sharing bonus is not conducive to the advancement of the interests of labour, management or industry.[23]

An important public enterprise, the Sindri Fertilizer Factory, reached an agreement in June, 1954, with the Fertilizer Factory Workers' Union, affiliated with the INTUC and representing many of the firm's 7000 employees. This provided for: (1) collection of dues near the place of payment of wages; (2) a grievance procedure with specific steps up to the managing director; and (3) the right of the union to send a representative to "every enquiry affecting a worker." The personnel manager held weekly meetings with the union officers to discuss outstanding problems and grievances, and a few cases went to the managing director. All except one disagreement had been settled up to mid-1955, and this was referred to a state labor department official for arbitration.

The Tata Iron and Steel Company in Jamshedpur has had one of the best union-management relationships in Indian industry, beginning with recognition of the Tata Workers Union in the twenties. There was a stormy initial period, but stability in the union came after the war with the presidency of Mr. Michael John, former employee of the company and president

of the INTUC in 1953. The Tata management has been concerned about the need for higher productivity in the mills and also about the continued stability of the union in the face of rival threats. A series of agreements covering wages and incentive schemes was reached after the war, and a new path-breaking three-year agreement was signed in January, 1956.[24] Among the provisions new to labor agreements in India were: (1) joint determination to explore ways of progressively associating employees with management at various levels; (2) agreement in principle to maintenance of union membership and checkoff of dues; (3) union recognition of the right of the company to introduce new methods and equipment and to fix the number of men required, subject to binding arbitration if there is union disagreement after a trial period; (4) a company pledge of no retrenchment as a result of rationalization; (5) revision of the wage structure, particularly between mill and town employees; and (6) construction of additional housing and hospital space for company employees.[25]

A supplemental agreement, providing for "workers' participation in management," was signed by the Tata Iron and Steel Company and the Union in August 1956, effective by October 1, 1956. The preamble expresses the hope that the agreement will help to satisfy the workers' urge for self-expression and, at the same time, promote increased productivity. A three-tiered system of joint councils is established. At the base are joint departmental councils, one for each department, and above these are a joint works council for the entire works and a joint town council dealing with matters relating to the company's town, medical, health and education departments which administer these services in Jamshedpur. At the top of these is a joint consultative council of management. While all of the councils are advisory, the agreement was hailed by Mr. Michael John, president of the Tata Workers' Union, as a "major advance towards the national objective of a socialistic pattern of society. . . . The workers of Jamshedpur are the first in India to give concrete shape to the concept of workers' participation in management."[26] But Sir Jehangir Ghandy, director-in-charge of the company, said that the agreement avoided the extreme of "co-determination" in Germany and is fully in keeping with our middle-of-the-way philosophy of life."[27]

Our summary indicates that collective bargaining agreements in individual firms are more frequent among foreign than among Indian companies. This squares with the statements of Indian trade union leaders quoted earlier in the chapter. The Tata management and a few others, however, are clear exceptions to this generalization, and the same could be said of a few public enterprises, such as Sindri. There is also some collective bargaining by the Central Government Employing Ministries, such as Posts and Telegraph, Defense, and Railways.[28] More recently, an agreement was signed between the Bombay State Transport Corporation and the State Transport Workers' Union, covering nearly 20,000 workers and recognizing the union

as the sole collective bargaining agent.[29] This was characterized as a "landmark in collective bargaining in the public sector . . . which has hitherto been neglected."[30] Wage and salary classifications were established for different grades of labor, free uniforms were provided, earned leave and paid holidays were specified, and wage or salary advances were to be given prior to certain religious holidays.

In the absence of formal collective relations with bona fide unions, however, many employers deal with works committees on matters which would normally be handled by a local union.

Experience with Works Committees. We have already noted the legal requirement for the establishment of works committees, as in the Bombay Industrial Relations Act (1946) and the Industrial Disputes Act of 1947. According to the latter act, the committees are consultative; "they are to promote measures for securing and preserving unity and good relations between the employer and the workmen and to that end to comment upon matters of their common interest or concern and endeavor to compose any material difference of opinion in respect of such matters."[31]

Workers' representatives are to be appointed in consultation with a trade union, if any exists. But this practice is not always observed and friction results, as in one important plant where the state government insisted upon open elections for works committee members instead of union-appointed members. A rival faction within the union was able to capture the works committee in 1954, and repudiate the working arrangements which had been reached earlier by the management and the former works committee. In Bombay state, this is avoided by giving representative unions the right to nominate employee members on the works committee.

The spread of works committees under this legislation has not been rapid, despite earlier reports.[32] A special tabulation of works committees in plants in undertakings coming under the jurisdiction of the central government legislation showed that there were only 657 such committees in December 1954,[33] and 367 of these were in coal mines. The total number of committees in undertakings under central and state government jurisdiction was 2095 for the year 1953–54.[34]

These data seem to corroborate the widespread opinion, at least in management circles, that the committees have been ineffective. As one spokesman at the management conference put it, "Many firms have either given up trying or continue to have them on sufferance." Part of the difficulty is the confusion over the proper role of works committees; and this is evident from the different purposes for which works committees have been used in Indian industry.

In a few cases works committees deal with actual production problems. In a machine tool plant, for example, one meeting of the committee in 1954 dealt with quality problems and bottlenecks in the assembly department, the

need for a quality control system, and the difficulties in getting government approval for import of parts necessary to keep production schedules moving. Grievances were not discussed in this meeting, for management had good relations with an HMS engineering union. The union representatives on the committee were young, alert, and better educated than the average Indian worker. A similar experience was reported by a large jute mill, where the management discussed reallocation of production and its impact on the work force with the works committee, and had a separate joint Training Advisory Committee to develop criteria for the selection of trainees and methods of training for skilled jobs. A final example is the Advisory Development and Production Committee established in several departments of Tata Iron and Steel Company, to discuss departmental costs and how they might be reduced through avoidance of waste, damage to equipment, and so on.

A second and more frequent use for works committees is in negotiating outstanding differences between management and labor, in the absence of established union-management relations and sometimes in place of them. A Bombay company, for example, refused to recognize a Communist union following go-slow and violence, and began negotiating with a works committee. Since 1953 the year-end bonus has been negotiated without going to an industrial tribunal, and other subjects on which agreement has been reached through the works committee included grade wage scales, new leave rules, and changes in the standing orders. However, at one committee meeting of this company, several requests from the workers' side were to be "referred to the manager for action." Much of the meeting was taken up with reading the manager's written comments on questions raised by worker representatives at the last meeting, action on applications by individual workers for grants from the plant welfare fund to meet emergency expenses due to sickness, discussion of individual complaints from members about the water cooler, poor ventilation, and other problems.

A second example of negotiations with a works committee was the case of a large textile firm which refused to continue negotiating year-end bonus with a union whose president led it out of the INTUC and into a Communist union. The 1953–54 bonus amount was then discussed with the works committee, and an agreement was reached late in 1954. Periodic meetings of the works committee also discussed worker grievances, but on some questions the committee was only advisory, or was so regarded by top management. A lower management representative on the committee explained:

> Since recommendations are not binding on management, the company representatives on the committee feel, why oppose worker suggestions among the people we have to deal with every day? So we agree to many worker proposals, knowing that management will turn them down—but we don't get the blame.

In another plant the works committee was authorized by its constitution to deal with problems of discipline, method of payment of wages, distribution

of working hours and holidays, questions of physical welfare, ways and means of increasing efficiency, settlement of grievances, and elimination of defective work and waste. The minutes of a February 1955 meeting showed that the chairman (the company works manager) started with a review of production and sales for the month, then took up problems of safety, mobile canteen in the shop, fortnightly payment of wages instead of monthly, cleanliness of factory premises, and misuse of water closets.

Discussion and settlement of grievances is the third, and most frequent, activity of works committees. This is evident from the examples cited earlier. It is not unusual for the works committee to hear grievances for the first time, brought up by worker representatives in the absence of some specific step-by-step grievance procedure. In one large Bombay cotton textile mill, for example, the management attitude was to "allow workers to express themselves in these meetings; bring out their full grievances." Sample complaints at one monthly meeting included: (1) earnings had dropped because warp beams were poor; (2) experienced weavers were being by-passed by supervisors in job assignments; (3) a drilling machine in the mechanical department was out of order. Presumably these complaints could have gone to the supervisors, department heads, labor officer, or mill manager; but they were first brought up in the woks committee, where the worker representatives were appointed by the representative INTUC union. Nonetheless, management in this mill regarded the works committee as "good, because it airs all grievances before they get too serious."

At this point, it may be helpful to summarize the preceding discussion by suggesting several categories of labor-management relationships at the plant level, involving either unions or works committees or both:

(1) Some managements deal with or negotiate agreements with unions representing their employees, and there is no separate works committee despite the statutory requirement. We have seen that the spread of works committees throughout Indian industry is by no means complete.
(2) Other managements may deal with unions, frequently in connection with cases before industrial tribunals involving part or all of the industry in a locality. But in their plants, these same managements may also deal with works committees on plant welfare problems and individual grievances. In these cases, the works council may be (a) controlled by the dominant union, (b) fought over by rival unions, or (c) nurtured by the employer in preference to an outside union acting as a rival to the union.
(3) In the absence of recognized or strong unions, many managements deal only with works committees at the plant level, and in some cases they negotiate oral and written agreements covering wages and working conditions with these committees.

The works committee may also be a later step in a more formal grievance procedure, as we shall see. In fact, the chapter on labor in *The First Five-Year Plan* specifically states that works committees should be "the culminating step in the grievance machinery."[35]

Grievance Procedures and Settlement of Grievances. Formal grievance procedures, with well-defined steps to be followed, are fairly rare in Indian industry, even among the Indian plants of foreign firms. The most frequent procedure is a highly compressed one: the worker goes with his complaint to his jobber or supervisor, and, failing to get a satisfactory answer, goes directly to the labor or labor welfare officer. Discussion and settlement of grievances is, as we saw earlier in the chapter, one of the major duties of the labor or labor welfare officer in most firms. Some are forced to be the first and final step in the procedure; for, as one explained, "When workers come directly to me with a complaint, and I find that they haven't even seen their supervisor about it, they tell me that he won't listen; and if I don't hear it, nobody will." Occasionally, in a firm characterized by a benevolent paternalism in the top management, the managing agent will allow individual workers to come directly to him to air their grievances and seek redress. As in the case of the labor officer, this encourages short-circuiting of lower levels of management, but may permit hearing of grievances that would otherwise not be expressed to anyone.

The most successful area-wide grievance procedure is found in Ahmedabad, where the Textile Labor Association states in its *Annual Report:* "It is the primary function of a trade union to endeavor to redress the grievances of its members."[36] Here the union clearly took the initiative in establishing grievance machinery. Through a system of elected shop representatives and full-time union "inspectors," grievances are handled within the individual mills, and if not settled there, are taken up by the officers of TLA with mill managements or with the Millowners Association. The conciliation and arbitration machinery mentioned earlier in Chapter IV is the final stage in this procedure. In contrast, grievances in a jute industry around Calcutta are settled more or less informally through the initiative of the labor department of the Indian Jute Mills Association. Labor officers in various districts meet with union representatives (though there is no recognized union) and with workers about complaints and grievances, and then attempt to reach a settlement in subsequent consultation with mill management officials.

A few of the firms interviewed had formal procedures, sometimes announced unilaterally in the absence of any recognized union, or developed jointly with a union. In one government-owned plant, for example, where the management refused to recognize a union dominated by "outsiders," the grievance procedure included the following steps: (1) worker to foreman; (2) worker to superintendent; (3) worker to department head or works manager, and finally (4) worker to personnel manager, acting for the managing director. There was also a works committee in this plant, and grievances involving more than one worker were brought up in these meetings. According to one management representative, "The works committee is not popular with the union because either it is regarded as a stooge of management or it arro-

gates to itself subjects which the union feels it should discuss with management."

Two large privately-owned firms, one Indian and the other European, had grievance procedures involving joint committees which included union representatives. Both companies considered their labor-management relations excellent, although there was some evidence in the first that the power given to the joint committees to reverse grievance settlements made by the lower line management was a source of much discontent in managerial ranks. The grievance procedure in this firm included the following steps:

(1) The worker brings his complaint to the plant personnel officer, who discusses it with the foreman and superintendent. The decision is made by the superintendent, although the personnel officer may transmit it to the worker and his union steward.
(2) If dissatisfied, the worker and the union representative go to the general superintendent or the deputy director of personnel. They take up the problem with the full-time general secretary of the union.
(3) Unsettled grievances then go to plant works committees, which have four management representatives and four union representatives elected by the union executive committee. These plant committees have the power to investigate the facts of the case and try to reach a decision. If the decision is unanimous, it is usually accepted by both the union and management. The committees meet weekly.
(4) A central works committee, composed of four representatives of top management and four top officers of the union, meets weekly to handle grievances on which the plant works committees have split. Unanimous decisions are binding.
(5) Final authority to decide a grievance rests with the managing agent, who, however, gets few cases, since the great majority are decided at the joint committee level.

Most of the grievances which came before the joint committees in this company during 1954 were over disciplinary action and promotions. For example, at a meeting of one of the committees in November, 1954, there was unanimous agreement to reduce or commute four of six appealed disciplinary decisions of lower management. At another, a committee voted unanimously to retain the written warning given to a millwright who had "refused to obey orders and behaved insolently," but it failed to reach agreement on several other disciplinary actions, which were then referred to the general committee for decision. This committee frequently reached decisions unholding earlier management action; but, as one member explained, "A modicum of cases has to be conceded by management representatives in order to prevent the union representatives from walking out."

In the other firm a similar procedure had been set up in 1952, terminating in two Mill Labor Advisory Committees and one top Central Advisory Committee. The full-time paid officer of the union (an "outsider") served on the top committee with three elected union representatives from different depart-

ments, and four representatives were appointed by management. The mill committees were comprised entirely of inside union representatives and management appointees. During the first year, 143 grievances were taken up at the department level, between supervisors and elected union representatives, and 88 decisions were termed "favorable to workers."[37] These involved, in order of frequency, working conditions, leave, seniority, wages, work load, punishment, transfer, promotion, unfair treatment by supervisory staff, working clothes, and others. Only 15 of the departmental decisions unfavorable to workers were appealed to the mill committees. But 36 additional cases were brought directly to the committees, as they involved dismissals in which the mill manager rather than department heads had made the decision.

The decisions in the mill committee were "advisory" to top management, which took action favorable to workers in 16 of the 51 cases. But only 11 were appealed by the union to the Central Labour Advisory Committee, which decided five against workers. This decision, however, was really the decision of management members of the committee, following discussion in the top committee, and subsequently communicated to the union. For example, the minutes of one meeting of the central committee in 1954 showed that the outside union representative had brought up five grievances, four of which involved individual promotions and a fifth wage rates on a particular job. Management representatives on the committee raised numerous objections to the union's demands, and subsequently the secretary of the committee (a management representative) notified the union representatives in writing of the "decisions of management" on the grievances—all of which were unfavorable to the union's position.[38]

The higher proportion of settlements favorable to workers at the departmental level may have been the result of conscious management policy to encourage use of the procedure as an "alternative to lightning strikes in sections of departments on account of petty grievances, real or imaginary," in the words of one management spokesman. He explained further that

> at times, workers' representatives do bring in cases which have no merit but in order to keep the scheme going satisfactorily, I feel that occasionally we should be prepared to depart from rigid adherence to rules and regulations without in any way compromising principles and make a few concessions at least to make the workers feel that the departmental representatives are doing some good to them. Otherwise, these departmental representatives will lose their hold on the workers on which the success of the scheme largely depends. So long as the workers have faith only in their elected representatives, we must see that the elected representatives are able to keep the confidence of the workers. This is in the interests of the management as well as the workers.

Both examples of joint committees at the final stage of the grievance procedure, therefore, indicate an approach in which management appears consciously to desire the building up of a workable union-management relation-

ship, even at the cost of concessions which depart from a strict application of rules or involve reversal of lower managerial decisions. The strength of the unions in these two cases, however, was enough to force management to make this choice instead of running the risk of short strikes or a major shutdown.

In the absence of union strength, the direct approach to the labor officer or the plant manager is the usual grievance "procedure" and the types of grievances brought are often personal and in the nature of "petitions" to management. An analysis of 200 complaints brought to the labor officer of a firm of 3,000 employees between May and July 1953, illustrates the kinds of problems which individual workers had in this company:

	Per Cent
Medical advice and treatment	13
Housing accommodations in company colony	12
Admission to state insurance hospitals	9
Retirement	8
Granting or refusal of leaves	8
Financial aid	7
Shortage of water in company housing	6
Lack of work (for part-time workers)	6
Employment of relatives	4
Repairs of quarters in company houses	3
Cattle nuisance in company housing	2
Transfers from one department to another	1
Miscellaneous	21

The works committee in this firm was also a forum for airing of grievances, and some of those brought initially to the labor officer also reached the committee. There was no recognized union, however, and management's approach to labor relations was best characterized as benevolent paternalism. Under these circumstances, which are more prevalent in Indian industry than the two cases discussed above, the grievance procedure is informal and often highly personal.

An exception to this pattern is the positive role played by the union in Ahmedabad in the handling and processing of grievances. In the Textile Labour Association there are five "group heads" who handle complaints involving the sixty-five mills. It is a policy to put two persons to work together, whether an industrial worker as group head, with a graduate assistant, or *vice versa*. Next to the group head are various inspectors, one for every two or three mills, whose principal function is to handle complaints. In addition to these persons attached to the union office, there are also for each plant elected shop stewards (*pratinidhis*) who also handle grievances. Of course, where these efforts fail, the "outside" general secretaries step in, and the voluntary machinery of the 1952 Agreement may be set in motion. Precise statistics of the degree of plant-level settlement, unaided by union intervention, are not available. However, it is interesting to note that for 1952–53, of 17,975

complaints, only 155 were referred to the Conciliation Board;[39] for 1953–54, only 404 cases (including those pending from the previous year) were referred, of a total of 16,521.[40] Whatever these figures may mean, it is clear that direct settlement plays a major part in the industrial relations pattern in Ahmedabad. Despite its varied welfare activities described in Chapter IV, the TLA states: "It is the primary function of a trade union to endeavor to redress the grievances of its members."[41]

Problems in Labor-Management Relations

Some of the difficulties facing Indian management in developing systematic and constructive labor-management relationships have been indicated in this and the preceding chapter, and can now be summarized and supplemented with additional material from the interviews.

Managerial attitudes in many cases still have strong overtones of authoritarianism and paternalism; unions represent an invasion of managerial rights, and the presence of "outsiders" in the union executive is especially resented. Important exceptions to this generalization, however, are found in the Ahmedabad and Bombay cotton textile industries, in the Tata Iron and Steel Company, and in a number of other individual Indian and foreign firms and some public enterprises. Managerial attitudes toward unions in India are changing, but the relative weakness of unions means that change will probably be slow. The absence of this pressure and of other pressures such as labor shortages, large company size, and professional management association, accounts for the predominant attitudes of Indian management.

These managerial attitudes are reinforced by the existence of rival unions claiming to represent various groups of employees in a particular firm or industry. As we have seen in the discussion of the Indian labor movement, rival unions are often affiliated with political parties, and the managerial reaction is understandably critical of the shifting affiliation of union leaders. A frequent experience reported by a number of firms was movement of a key outside union leader from one party to another, taking with him the union members he claimed to represent and making possible the development of a rival faction attached to the original party. Some managements have taken a firm stand for negotiating only with a unified union group, but the government employing ministries seem to have been more successful in this than private employers.

Faced with these difficulties, a number of managements have favored direct negotiations with a works committee, or with a union confined to the particular plant and headed by the firm's employees. Their approach and policies are designed to nurture and strengthen this labor-management relationship. Union officers are given time off for handling grievances or union business; management stands ready to talk with these union representatives at any time in order to build up their prestige and discourage bringing in "out-

siders." Even in some firms with bona-fide unions, management makes concessions to the union leadership in the handling of grievances, as we have seen, in order to maintain a systematic procedure and avoid direct action. Perhaps this approach is no different from management's effort to develop constructive labor-management relations in any other country; but it is reinforced in India by the desire to avoid more radical forms of union activity.

The availability of compulsory adjudication through the state acts and the Industrial Disputes Act of 1947 means that unions can take unsatisfied demands to a tribunal and force the employer to participate in protracted hearings. While employers widely report that this discourages collective bargaining, it is not always certain that they would benefit from an abandonment of compulsory adjudication or that more collective bargaining would result. The labor officer of an important employers' association asserted that compulsory adjudication was "absolutely necessary in the present state of rival unions and weak unions. There would be complete chaos without it." When employers and unions have negotiated agreements directly, as in the cases reported above, they have often done so to avoid the delays and the hazards that are involved in lengthy tribunal hearings and awards. This aspect of Indian labor-management relations will be discussed more fully in the following chapter, but its relevance to employer policies needs emphasis here.

In the present state of labor-management suspicion, a well-intentioned management which attempts to develop constructive relations with a union runs a risk of weakening the union and encouraging a rival union to come to the fore. One of the most progressive and enlightened managements in India negotiated an agreement with a Socialist union, and proceeded immediately to settle all outstanding differences with it. Concessions were made by management on a number of points, and the outside union president was invited to participate in discussions on management problems in meeting competition from other companies in the industry. Two months later the union membership voted this president out of office and elected a Communist leadership. The disillusioned manager's explanation was that "the workers thought that because things were so peaceful, the union leadership must have 'sold out' to management or have been bribed. I was naive; I should not have given in so easily."

In view of these difficulties, it is perhaps all the more remarkable that there are cases of lasting union-management relationships comparable with the experience in more advanced industrial countries. These are still the exceptions in Indian industry; they give promise of becoming more general as industrialization proceeds and as unions and government develop to put more pressures on management. But the character of union-management relations in the next five, ten, or twenty years will be importantly shaped by the role of government, to which we turn in the next chapter.

CHAPTER VIII

The Role of Government

The pattern of labor-management relations in India has increasingly been structured by government. The difficulties in developing a committed industrial labor force, the rivalries and weaknesses of the Indian trade union movement, the failure of many Indian and foreign employers to deal fairly with workers or constructively with trade unions, and the resultant labor discontent and strife have encouraged government intervention in order to contain, channel, and redirect incipient and actual labor protest. Since independence, planning objectives for rapid economic development have been given first priority; and the pattern of labor-management relations has been expected increasingly to conform to these objectives. While there are opposition parties, the Congress Party (often called the "Party of Independence") has been in power since independence in 1947; and the 1957 elections gave it another six-year mandate.

Government was not always so active in guiding labor-management relations in India. Before independence, or at least before the war, the role of government was passive, as we shall see in a brief examination of labor legislation prior to 1947. But, faced with the problems of a new nation and postwar labor unrest, government became an active intervener with the passage of a number of new laws, beginning with the Industrial Disputes Act of 1947. We shall review the major steps in the intervention process, and then turn to a fuller discussion of such problems as compulsory adjudication *versus* collective bargaining, wage disputes under adjudication, handling rival unions and protecting union growth, rationalization and unemployment, and effective utilization of foreign technical assistance programs. These are problems which have required increased attention from government in its role as active intervener in structuring labor-management relations.

Government as Passive Regulator: Before 1947

We shall not attempt to make an exhaustive compilation of the progress of Indian labor legislation.[1] Rather, our major objective is to focus attention on the limited role of government in dealing with labor-management relations before the second World War. The earliest legislation was not really labor legislation, but legislation expressive of a foreign government's concern

with the maintenance of order and security. In this category belonged the Workmen's Breach of Contract Act of 1859 and the Employers' and Workmen's Disputes Act of 1860.[2]

Soon, with the beginnings of Indian industrialization, several voices were raised in behalf of protective labor legislation. Among the strongest influences were the Lancashire and other British interests which faced the competition of manufacturing centered in India.[3] Factory Commissions were appointed (mostly in Bombay) during the eighties and nineties; and, as a result of their deliberations and recommendations, several laws were passed protecting woman and child labor. The first comprehensive regulation of adult male labor was the Factory Act of 1911, limiting the working day of textile factories to twelve hours.

Further progress was suspended until after the first World War, when labor legislation received fresh impetus from various economic and political pressures.[4] An important factor in the development of Indian labor legislation was India's membership in the International Labour Organization.[5] Important laws passed during the twenties were: the Indian Factories Act, 1922; the Indian Mines Act, 1923; the Indian Workmen's Compensation Act; the Indian Trade Unions Act, 1926; and the Trade Disputes Act, 1929. The last-named act prohibited lightning strikes, and provided for the establishment of *ad hoc* conciliation boards.

The appointment of the Royal Commission on Labour in India, which reported in 1931, represented a more fundamental inquiry into the problems of Indian industrial labor. But its significance for labor reform was blunted because of the business depression and unsettled political conditions. The principal labor enactments of the British Indian Government during this period were: the Indian Railways Act, 1930; the Tea Districts Emigrant Labour Act, 1932; the amendment to the Workmen's Compensation Act in 1933; the amendment to the Indian Factories Act in 1934; the amendment to the Indian Mines Act in 1935; and the Payment of Wages Act of 1936. The 1934 Factories Act reduced working hours in "perennial factories" to fifty-four a week, and prohibited completely the night work of women as contrary to the social custom in India. The Payment of Wages Act of 1936 represented the first move to protect Indian industrial labor from numerous chiselings in their earnings by their employers. Special mention may be made of a regional enactment, the Bombay Disputes Conciliation Act in 1934. This provided for the appointment of a Government labor officer to look after the interests of workers and to promote better relations between employers and employees. A Conciliation Board, with the commissioner of labor as the ex-officio chief conciliator, was established; and it was made illegal to obstruct, or picket against, conciliation proceedings.

Government's labor policy during the major part of the period from 1919 to 1940 was that of a passive regulator of labor in industry. All legislative and

governmental intervention was designed essentially to achieve two ends: (1) to ensure labor the minimum of protective legislation against the more flagrant abuses of the industrial environment; and (2) to ensure that labor-management frictions did not overtly disturb the peace and security of the state. In the first category belonged most of the protective legislation already referred to, and in the second category the Trade Disputes Act of 1929 and perhaps even the Bombay Trade Disputes Conciliation Act. The current detailed attempts to regulate working conditions, define shop rules, and determine the pattern of labor-management relations by comprehensive state machinery for conciliation and arbitration had no parallel in those days. Indeed, as an important government-appointed committee, the Labour Investigation Committee remarked in 1946:

> Unfortunately, it is to be feared that the State in India, all these years, has done very little besides merely passing laws and seeking to enforce them through various agencies. Except in recent years, it has stood aloof from any active work in the field of labour, mainly on the ground of lack of funds and also on the doubtful theory that the State cannot afford to spend on any particular class or section of the population.[6]

This "doubtful theory" was also challenged earlier by the Indian National Congress, the largest party in the country. In 1929 Jawaharlal Nehru, as president of the Indian National Congress, argued:

> The Congress, it is said, must hold the balance fairly between capital and labour. . . .
>
> But the balance has been and is terribly weighted on one side. The only way to right it is to do away with the domination of any one class over another.[7]

The All-India Congress Committee adopted in 1929 a resolution to the effect that

> the great poverty and misery of the Indian people are due, not only to foreign exploitation in India but also to the economic structure of society. . . . In order, therefore, to remove this poverty . . . it is essential to make revolutionary changes in the present economic and social structure of society and to remove the gross inequalities.[8]

The Karachi "fundamental rights" resolution, as amplified at Bombay in 1931, stated in part:

> The State shall safeguard the interests of industrial workers and shall secure for them, by suitable legislation and in other ways, a living wage, healthy conditions of work, limited hours of labour, suitable machinery for the settlement of disputes between employers and workmen, and protection against the economic consequences of old age, sickness, and unemployment.
>
> Peasants and workers shall have the right to form unions to protect their interest.[9]

Congress policy was further clarified in the succeeding years. It was first made clear that the Congress was opposed to "loose talk" along the lines of

confiscation and class war, which were declared to be "contrary to the Congress creed of non-violence."[10] It was also declared that the Congress "contemplates a healthier relationship between capital and labour."[11] The Congress Election Manifesto of 1936 guaranteed "the right of workers to form unions and to strike for the protection of their interests," but also limited the pledge of reforms only "as far as economic conditions in the country permit."[12]

There followed a brief interlude when Congress actually exercised power in 1937–39. We have already seen in Chapter IV the main outlines of official policy and indications for the future. The Bombay Industrial Disputes Act of 1938 (in part undoubtedly an extension of the Bombay Trade Disputes Conciliation Act of 1934) and the various enquiry committees appointed by the Congress definitely signaled that in an independent India, under the rule of the Congress party, the government would play a much more active role in industrial relations.[13] The restrictions on the right to strike in the Bombay Act and the emphasis on compulsory and comprehensive arbitration of industrial disputes similarly heralded an era when industrial grievances would be settled through comprehensive state machinery rather than through collective bargaining of the parties involved.

The Impact of the Second World War

But Congress stayed in power for only a short while; for the second World War intervened and the different Congress provincial administrations resigned in protest against the British Indian government's wartime policy. Wartime exigencies and considerations of postwar development, however, actually carried the country further along the road to compulsory arbitration and greater intervention of the state in the "structuring" of industrial relations.

Developments during the war under the auspices of the British Indian administration may be briefly reviewed. In 1941 the Bombay Act of 1938 was amended empowering the provincial government to refer any dispute to compulsory adjudication by an Industrial Court if, in the government view, the continuation of a dispute was likely to lead to a breach of the peace, or to result in serious hardships to the community, or likely seriously to affect the position of the industry and thereby curtail the prospects of employment.[14] The government of India, by a series of regulations promulgated under the Defence of India Act, empowered itself to forbid strikes or lockouts, and further to alter working and employment conditions and wages paid to the industrial workers.[15] Earlier labor standards were relaxed, to permit underground work by women (in the mines) and increases in working hours.

Several positive steps were also initiated by the British Indian government, which began technical training programs, and toward the end of the war established the nucleus of a national employment exchange service, at first with only the limited objective of resettling demobilized personnel.[16] To facili-

tate the development of a broad based and acceptable labor policy, a national tripartite machinery (the Indian Labour Conference and the Standing Labour Committee) was established as a forum for debates on labor policy in which representatives of government, industry, and labor participated.[17] Subsequent developments in the field of labor legislation concerning health insurance, trade union protection and industrial disputes regulations may be traced to the deliberations in these forums. An important offshoot of the tripartite machinery was the appointment of the Labour Investigation Committee (referred to as the Rege Committee, after the name of the chairman), which recommended in its 1946 Report:

> If "maximum good of the maximum number" is to be achieved, the maximum number in India, as anywhere else, consists of the labouring classes; and, therefore, if the common man is to get his due, a frontal attack on the probems at issue will have to be made with the State in the vanguard of such a movement.[18]

As we can see, official attitude had changed in the direction of a more active role for the government even before independence. Independence hastened the process, and so radically altered the tone and content of governmental policy as to usher in a new phase in the development of industrial relations in India.

Government as Active Intervener: After 1947

When independence came to India in 1946–47, conditions on the labor front were extremely unsatisfactory. As we have already noted in Chapter I, real earnings of industrial workers had declined from an index of 109 in 1940 to 73 in 1946. Labor organizations were very militant, and this was partly due to the removal of restraints that had moderated Communist policy—reflected through the AITUC—during the war. The total of workers involved in industrial disputes reached a new high, as Table 13 indicates.

Industrial production dropped substantially from the wartime peak of 1944. Additional problems were also presented by inflationary pressures and by bottlenecks in transportation, in foreign exchange, and in the critical area of food supplies. The partition of the country imposed another serious strain on its economy. It was under such trying circumstances that the labor policy and outlook of the newly established Congress administration evolved.

In 1946 the Working Committee of the Indian National Congress had recommended that Congressmen work in close coöperation with and accept the guidance of the Hindusthan Mazdoor Sevak Sangh—started originally in 1938 "with a view to giving wider application to the Gandhian principles in the field of labour."[19] In another resolution the Working Committee urged government and employers:

> to take early steps to satisfy the legitimate needs and aspirations of the working class and to remove every cause of genuine discontent by arranging for an impartial examination of the conditions and complaints of the employees and by

Table 13. Industrial disputes in India, 1921–1947[a]

Year	Number of disputes	Number of workers involved	Number of working days lost
1921	396	600,351	6,984,426
1922	278	435,434	3,972,727
1923	213	301,044	5,051,704
1924	133	312,462	8,730,918
1925	134	270,423	12,578,129
1926	128	186,811	1,097,478
1927	129	131,655	2,019,970
1928	203	506,851	31,647,404
1929	141	532,016	12,165,691
1930	148	196,301	2,261,731
1931	166	203,008	2,408,123
1932	118	128,099	1,922,437
1933	146	164,938	2,168,961
1934	159	220,808	4,775,559
1935	145	114,217	973,457
1936	157	169,029	2,358,062
1937	379	647,801	8,982,795
1938	399	401,075	9,198,708
1939	406	409,189	4,992,795
1940	322	452,539	7,577,281
1941	359	291,054	3,330,503
1942	694	772,653	5,779,965
1943	716	525,088	2,342,287
1944	658	550,015	3,447,306
1945	820	747,530	4,054,499
1946	1,629	1,961,948	12,717,762
1947	1,811	1,840,784	16,562,666

[a]Comparable data since 1947 are presented in Table 16.

Source: For 1921-1937, International Labour Office, *Industrial Labour in India* [Studies and Reports, Series A (Industrial Relations), No. 41] (Geneva, 1938), p. 138; for 1938 and 1939, *Indian Labour Problems*, by A. N. Agarwala, ed. (London, 1947), p. 215; for 1939-1947, *Indian Labour Gazette*, 8:215, No. 3 (September 1950).

prompt settlement of points of disagreement by process of conciliation and arbitration.[20]

The committee further noted that "the undesirable features of the labour situation are due in part to the efforts of certain individuals . . . to exploit the ignorance of the workers" and pointed out:

avoidable strikes cannot have the backing of public opinion, and in view of the dire need of the country for more goods and services, hasty or ill-conceived stoppages and the refusal to take advantage of the available means of settlement by negotiation, conciliation and arbitration, constitute a distinct disservice to the community and the working class itself. . . .

This in brief constituted the Congress' testament for labor. As we have already seen, Congress and government dissatisfaction with the Communist-led AITUC led to the formation of the INTUC as a "central organization of labour" more in accord with the objectives of the Congress for labor.

The outstanding features of Congress' official policy during the initial years of administration have already been reviewed in Chapter IV. The Industrial Disputes Act of 1947 continued the restrictive aspects of wartime labor policy. But the government was committed to a greater role as arbiter of social justice. The Five-Year Labour Programme announced in 1947, and the Industrial Truce Resolution of 1947, representing the mutual decisions of representatives of labor, management, and government, defined the goals of social policy. Other important enactments were the Industrial Policy Statement of 1948, accepting the principle of associating representatives of labor in the consideration of problems of industrial production; and the Limitation of Dividends Act of 1948, as the counterpart of a policy of wage control. All of these, together with the appointment of two important committees on profit sharing and on fair wages, were indicative of the government's determination to hold the balance between labor and capital in its efforts to rehabilitate the country's economy. The rationale behind government policy was explained as follows:

> The new labour policy of the Government of India is thus designed to steer clear of all ideological and class conflicts and keep the two arms of production—labour and capital—contented. Its main object is to foster mutual respect among employers and workers as well as the realization that they are equal partners in a joint enterprise and that by serving the country they serve their interests best.[21]

Major Labor Legislation after 1947. The more important legislative enactments may now be briefly described. The Industrial Disputes Act of 1947[22] was, as we have seen in Chapter IV, enacted over the bitter opposition of labor representatives in the Central Legislative Assembly. It empowered the government to refer any "dispute" or "difference" to adjudication by industrial tribunals. Strikes were forbidden during the pendency of conciliation or arbitration proceedings, and during the period when an award was in force. The act further provided for the establishment of works committees in all industrial establishments employing one hundred workers or more.

An important regional act, the Bombay Industrial Relations Act, deserves special mention. Although it provided for compulsory conciliation and adjudication of industrial disputes, the procedures were more elaborate. In particular, it forbade any alterations in the conditions of employment without a "notice of change" to be given the union concerned and the government. The Bombay Act provided further for different categories of unions: (1) a "registered" union, which would be a union registered under the all-India Act, registered separately under the Bombay Act; (2) the "primary" union—that is, a registered union with 15 per cent membership in any undertaking; (3) a "qualified" union, a registered union claiming 5 per cent membership of employees in an industry; and (4) a "representative" union, a registered union claiming 15 per cent membership of employees in an industry.

There is also a further classification, the "approved" union, which undertakes the following obligations: (a) to submit every dispute to arbitration, if

settlement is not reached;[23] (b) not to resort to strike unless all the procedures provided for in the Bombay Act are exhausted and unless a majority vote of the members by ballot is taken in favor of the strike; (c) not to resort to or sanction any stoppage which is illegal under the Bombay Act. In return, the Bombay Act grants the approved union the following privileges: (a) to collect union dues on the premises where wages are paid; (b) to put up notices on the premises of the undertaking where members are employed; and (c) to hold discussions, for the purpose of preventing or settling an industrial dispute, with members of the union and employers' representatives, and also to inspect an undertaking for the same purpose. Further, the approved union is entitled to legal aid at government expense in any determination of the legality of a stoppage, or of an important question of law or fact.

Some special features of the Bombay Act should be stressed. It states clearly that "no employee shall be allowed to appear or act in any proceeding under this Act except through the representative of the employees." Similarly, works committees under the act can be established only in concerns where there is a representative union or a registered union with at least 15 per cent membership. Also, the worker members of the works committee shall be nominated by the union.

Another special institution provided in the Bombay Act is the government labor welfare officer, really a continuation of the authority first established in the 1934 Bombay Act. The labor welfare officer is statutorily authorized and required to: (a) "watch the interests of employees and promote harmonious relations between employers and employees;" (b) "investigate the grievances of employees and represent to employers such grievances and make recommendations to them. . . ." He is also empowered to appear in any proceedings under this act. He may neither so appear nor investigate grievances where there is an approved union, except at the latter's request.

The procedures and regulations embodied in the Bombay and all-India acts constitute in essence the industrial relations law which has guided the government's approach to industrial disputes settlement in the years since independence.[24] In 1950 the Industrial Disputes (Appellate Tribunal) Act was passed establishing a Labour Appellate Tribunal to ensure uniformity and to provide for an appellate authority over numerous, often uncoördinated decisions of different industrial tribunals throughout the country.

The Industrial Disputes Act itself was amended in 1953, following reports of rising unemployment and retrenchment in industry. The amendment provided for gratuities to those laid off on the basis of one half-month's basic wages plus dearness allowance for a maximum period of forty-five days in a year. In cases of retrenchment, the compensation was to be fifteen days' average pay for every year of completed service.

The other salient features of the labor code established since independence deserve brief comment. The Factories Act of 1948 introduced for the first time

the forty-eight hour week, abolished the distinction between "perennial" and "seasonal" factories, and required all industrial establishments employing 500 or more workers to appoint "labour welfare officers;" employers were also required to provide canteens, lunchrooms, and "creches" (day nurseries for the children of working mothers). The act further established a weekly day of rest, double pay for overtime work, and paid annual holidays.

Similar requirements were also included in the Mineworkers (hours of work, leave, hygiene, safety) Consolidation Act of 1952. The Plantations Labour Act of 1951 regulated for the first time working and employment conditions in the tea, rubber, and cinchona plantations. The act established a fifty-four hour week for adults, and a forty-hour week for children and young persons. Welfare facilities required included the provision of schools and recreation facilities. The Dock Workers (Regulation of Employment) Act of 1948 was again the first of its kind, empowering the central government, in the case of major ports, to frame schemes to ensure regularity of employment to the dock workers.

A comprehensive measure to regulate job relations within the plant was the Industrial Employment (Standing Orders) Act of 1946—borrowing the concept of "Standing Orders" originally incorporated in the Bombay 1938 Act. The act required the firms employing one hundred or more workers to frame standing orders which defined terms of employment, including discipline. Standing orders were to be submitted to the government for certification, and, once certified, could not be changed unilaterally.

New legislation in the field of social security should also be mentioned. The Employees' State Insurance Act, passed in 1948, covered all "perennial" (nonseasonal) factories employing twenty or more persons. It was a contributory scheme, drawing funds from employers and employees as well as from the state and central governments. Medical assistance, sickness and maternity benefits, in addition to workmen's compensation (as in the 1923 Act) were provided.[25] The Coal Mines Provident Fund and Bonus Schemes Act, 1948, also a contributory scheme, entitled every coal miner to a bonus at one third of his earnings, provided he had fulfilled a minimum attendance qualification. The Employees Provident Fund Act, 1952, also a contributory scheme, provided for lump-sum retirement benefits to the industrial worker or to his dependents.[26]

This all-inclusive code of labor and social legislation, largely expanded and developed in the years since independence, was clearly designed to provide some of the benefits which workers in more advanced industrial countries enjoyed and, at the same time, to control and contain the possibility of further labor strife. But doubts began to emerge whether a country like India, in the early stages of planned economic and industrial development, could afford to move too rapidly in this direction. These concerns found expression in the First and Second Five-Year Plans.

Labor Policies of the First and Second Five-Year Plans. Considerations of planned economic development were assigned an important place in the shaping of government labor policy in the plans. The general approach may be summed up best in the following words of the First Plan, a final draft of which was made public in December, 1952:

On the side of labour, there should be a keen realisation of the fact that in an undeveloped economy it cannot build for itself and the community a better life except on the firm foundations of a higher level of productivity to which it has itself to make a substantial contribution. The role of labour in promoting better standards of living for the community involves acceptance of greater regularity in attendance, disciplined behaviour and meticulous care in discharge of duties. To ensure this, much greater attention has to be paid to the spread of literacy and the healthy development of trade unions so that workers are not exposed to exploitation and can act with greater sense of responsibility.[27]

This concern with the requirements of a developing economy was further evident in the discussion on most of the substantive issues such as wages, social security, rationalization and productivity, protective labor legislation, and the regulation of industrial disputes. A very clear statement of official philosophy along these lines is to be found in the section dealing with industrial relations policy:

Economic progress is . . . bound up with industrial peace. Industrial relations are, therefore . . . a vital concern of the community. . . .

In normal times and in ordinary cases, whether right to strike or lockout should be circumscribed is an open question. An economy organised for planned production and distribution, aiming at the realisation of social justice and the welfare of the masses, can function only in an atmosphere of industrial peace. India is moving in this direction. It is also at present passing through a period of economic and political emergency. Taking the period of the next few years, the regulation of industrial relations in the country has to be based on these two considerations and it is incumbent on the State to arm itself with legal powers to refer disputes for settlement by arbitration or adjudication, on failure of efforts to reach an agreement by other means. . . . The restrictive aspects of any existing or future labour legislation must be judged in the light of these considerations.[28]

The labor section of the First Plan also stressed the importance attached by the state to direct settlement. Labour and management were exhorted to conceive of their relationship "as a partnership in a constructive endeavour." It was emphasized that "the representatives of employers and trade unions should be associated at every step in the implementation of the Plan."[29] In a special section devoted to public enterprises, the First Plan proposed:

(1) The public sector "should set the pace and serve as models" in respect of wages, working conditions and welfare amenities;
(2) The board of directors of public undertakings should be persons possessed of a sympathetic appreciation of labour problems;
(3) The benefits of all labour laws applicable to private undertakings should be

made available to workers of public undertakings, and as a rule exemptions from such labour legislation should not be granted;
(4) There should be progressive participation of labour in the running of the "many matters of the undertaking" so that the workers "feel that in practice, as well as in theory, they are partners in the undertaking;"
(5) There should be encouragement of healthy unionism, and there should be no restrictions on industrial and commercial employees exercising their trade union rights like any other employees;
(6) Agreements should be entered into "for increasing output and reducing cost, combating absenteeism and checking offences against discipline."

On wage increases, the plan stated:

On the side of wages, any upward movement at this juncture will further jeopardise the economic stability of the country if it is reflected in costs of production and consequently raises the price of the product. For workers too, such gains will prove illusory because in all likelihood they will soon be cancelled by a rise in the general price level, and in the long run the volume of employment may be adversely affected. Such an increase in wages should, therefore, be avoided. Workers can be expected to agree to such a course only if restrictions are also placed on the distribution of profits. . . . Any steps to restrict wage increases should, therefore, be preceded by similar restrictions on the distribution of profits. Subject to this, wage increases should be granted under the following circumstances:
(i) To remove anomalies or where the existing rates are abnormally low;
(ii) To restore the pre-war real wage, as a first step towards the living wage, through increased productivity resulting from rationalisation and the renewal or modernisation of plant.[30]

With respect to social security, the First Plan merely enumerated measures already undertaken by the state without suggesting any major alteration. On protective labor legislation, the plan referred to existing legislation as "sufficient for the purpose" of improving working conditions "in order to get the best out of a worker in the matter of production."[31] The plan concluded: "The emphasis in the next five years should, therefore, be on the administrative measures needed for the implementation of such legislation."

Special attention was also devoted to improving the quality and distribution of manpower in industry, and to raising the levels of productivity. The policy statement in the First Plan called for improvements in the methods of recruitment and technical and vocational training of labor. It was felt that the services rendered by the government-operated employment exchange organizations should be considerably expanded. Increasing utilization of national and international experts (including the experts provided by the ILO) and greater attention to "training-within-industry" programs were recommended. On the controversial question of rationalization, the plan recommended the adoption of certain safeguards, as we shall discuss in more detail later in this chapter.

Encouragement of Tripartite and Bipartite Consultation. In concluding this review of labor policy in the First Plan, special mention must be made

of the plan's conception of the role of trade unions and employers' associations in a planned economy:

> The trade unions and the employers' associations can play a positive and important role in the execution of plans. . . . For the successful implementation of the plans in India, cooperation from trade unions and employers is absolutely essential . . . the representatives of employers and trade unions should be associated at every step in the implementation of the Plan.[32]

Various steps have been taken by the government to encourage the participation of representatives of labor and management in the formulation and implementation of labor policy. The tripartite machinery at the center, comprising the Indian Labour Conference and the Standing Labour Committee, has already been mentioned in the review of government policy during the second World War. In 1954 direct national bipartite consultation was encouraged, with the revival of the Joint Consultative Board. Those represented on the board included, besides employer representatives, officials of the Hind Mazdoor Sabha, and the Indian National Trade Union Congress. G. L. Nanda, Cabinet Minister for Planning and a veteran Ahmedabad TLA leader, acted as chairman of the board in his personal capacity. More recently, in connection with the Second Plan, a Labour Panel has been established as an advisory body to the Planning Commission. The body is fully representative, and is composed of delegates from all the four labor federations, the different employers' federations, and the ministries principally concerned.

Labor representation has also been provided for in the implementation and administration of legislative policy. The Industries (Development and Regulation) Act of 1951 (including an amendment in 1953) affords the most notable instance of the kind. Labor representation is provided for both in the Central Advisory Council of Industries and in the Development Councils appointed for the different industries. Labor representatives have also been associated on the directorates of the various public enterprises and on the statutory authorities created for the implementation of various enactments. All these represent a persistent and widespread use of the technique of tripartite consultation in industry and in the formulation of official policy.[33]

The statement of labor policy as outlined in the First Plan is continued in most basic essentials in the Second Plan. There have been some modifications, reflecting pressures that the government had had to contend with and resistance to changes suggested in the First Plan. The problems confronting the government in its role as "intervener" in labor-management relations will be dealt with in later sections of this chapter.

Compulsory Adjudication and Collective Bargaining

The compulsory adjudication system is, as we have seen in the preceding review, the cornerstone of labor dispute settlement procedures in India. The

tripartite Labor Panel of the Planning Commission reëxamined in 1956 possible modifications of the system in the light of criticisms. But compulsory adjudication survived one effort to reverse the trend toward government intervention; and it seems likely to survive others. A review of the earlier effort and the reasons for its failure is instructive.

When V. V. Giri, a union leader with long experience in the railway industry, succeeded Jagjivan Ram as Minister of Labor in New Delhi in 1952, he became an articulate spokesman for the view that voluntary negotiation between the parties was generally preferable to taking a dispute before a tribunal for decision. He held, further, that the availability of compulsory adjudication discouraged genuine collective bargaining.[34] This view became known as the "Giri approach" and received wide publicity and discussion in India during 1952–53.

There was a favorable response from some employer groups, though not all, but the four labor federations were opposed. Even the Communist-dominated All-India Trade Union Congress, which had consistently attacked the compulsory adjudication system, urged freedom for workers to strike or to take a case to a tribunal.[35] More effective opposition to the "Giri approach" developed in the dominant trade union federation (INTUC) and in the state labor ministries, particularly. Between the twelfth session of the Indian Labour Conference in October, 1952, and the Labour Ministers Conference in February, 1953, Mr. Giri was forced to recognize this opposition; and subsequently he withdrew his earlier proposals for substantial change of the compulsory adjudication machinery in accord with the majority view, even though his personal views had not changed.[36] His later resignation in August, 1954, came over government modification of an Appellate Tribunal award in a dispute involving salaries for bank employees.[37] He was succeeded by Khandubhai Desai, former general secretary of the Textile Labour Association in Ahmedabad and former president of the INTUC. Mr. Desai has clearly indicated his preference for retaining the essentials of the compulsory adjudication system.[38]

The reasons for opposition to the "Giri approach" and support of the compulsory adjudication system were elaborated in many interviews with government officials, employers, and trade union leaders in India during 1954–55. They can be summarized as follows:

(1) India faces many difficult problems in rapid industrialization under her Five-Year plans, and she cannot tolerate work stoppages which would interfere with the achievement of her production goals.
(2) If strikes were permitted to occur in important industries or sectors, this would play into the hands of the Communist trade unions, which are adept at manipulating grievances and capitalizing on discontent.
(3) Trade unions are generally too weak and workers lack sufficient resources to survive long strikes. So, if compulsory adjudication were not available, workers and their unions would be at the mercy of employers, most of whom

would refuse to deal with unions or make any concessions voluntarily.

(4) The labor ministries in the various states want to keep a firm hand on the labor situation and avoid trouble. Their present power to refer disputes to adjudication gives them a substantial measure of control which they would lose under a system which permitted work stoppages on a large scale.

(5) The government has an obligation to all the people, and if the parties cannot reach an agreement voluntarily, it is better to let an impartial third party decide what is right than to permit management and labor to decide the issue by a test of strength. A decision imposed by one party on another through brute strength is immoral.

Some quotations from the interviews will illustrate these views and bring out the strong feelings involved:[39]

I am against a trial of strength. Today it is capital which may be unjust, but are you sure that tomorrow, if labor wins and is strong, it will do the just thing? And we have no guarantee that labor and capital will not combine at the expense of the nation. Between labor and capital, of course I am on the side of labor; but the nation's interests must be superior to those of labor. For these reasons, I still prefer adjudication to strikes. [Labor minister of important industrial state.]

If your object is to build a powerful trade union movement and encourage collective bargaining, you might favor less resort to compulsory adjudication. But if your objective is economic development and political stability, then you must have a measure of discipline. Perhaps in twenty years, when we can afford strikes, we can afford to try free collective bargaining. [Member of the civil service.]

Collective bargaining is almost a repugnant idea to me. The "right to strike" and the "right to hire and fire" all meant more before the adult franchise and the democratic welfare state developed. But today in twentieth-century India, we must think in terms of the "right to work" and the duties and responsibilities of management and labour to the public welfare, represented by the consumer. Therefore, the state must retain the power to prevent mere strength of either management or labor determining the conditions of employment, including wages. Work stoppages, which are part of the Western concept of collective bargaining, are costly, and India can't afford them now when it needs more production desperately. So the state must intervene in almost every dispute except the minor ones.[40] [Central government official.]

Since direct settlement has not been fruitful, we find the need for a friendly third party, who has a thankless task, however. There was voluntary arbitration under the Mysore Labour Act, 1941, but it did not work because neither employers nor labour would ever agree. Now there is too much suspicion, and neither has sufficient respect for each other. [High state government official.]

The Giri approach was not only premature, but it misread the whole trend in India of planned economic development. The liberal democratic outlook which characterizes the handling of labor relations in advanced industrial countries in the West cannot be applied without qualification to an industrially-underdeveloped country. [Prominent Indian economist associated with five-year plans.]

Compulsory adjudication is the only workable solution so long as the leadership of the trade unions of India is allowed to remain a free-for-all scramble of persons using trade union activities to further their own political and personal ambitions.

We would prefer voluntary negotiations but, in the present unbridled competition for leadership of the workers, practically every voluntary or negotiated improvement has been promptly followed by much more extravagant demands. So compulsory adjudication now offers the only machinery which, by the independent establishment of fair working conditions and wages gives employers some hope of at least a little period of some certainty about production costs, and by establishment of these standards, some hope of resuming the voluntary negotiation method of settling future disputes when both workers and employers have such standards to guide them as to what is desirable and what is practical. [Leading employers' association official.]

While many employers and employer spokesmen favored the Giri approach, I was more cautious. Looking at the broad picture, I felt that collective bargaining was premature in India because of the strong possibility that industrial strife would encourage Communist unions, and that strikes would disrupt our production goals under the Five-Year Plan. [Secretary of an employers' federation.]

Compulsory adjudication is necessary because trade unions are not strong enough to bargain with employers. Except in Ahmedabad, no union really has sufficient staff to prepare data and present cases to tribunals. Unions are even now at a disadvantage with employers before Tribunals, although lawyers are entering the unions. Without compulsory arbitration, unions would be even worse off than they are now. [Government official.]

Tribunals are absolutely necessary for protecting weaker unions. We don't need them where unions are strong, but most unions in India aren't strong. Giri had been out of touch with the real trade union movement so long that he didn't know what was happening outside of railroads. [Regional INTUC union leader.]

I have urged abolition of the Appellate Tribunal because of added expense and delays, but I feel that Industrial Tribunals are necessary to get justice for workers who are still too weak. [HMS union official.]

Unions are strong enough to forego compulsory adjudication only in a few industries like textiles, cement, and railways. But in others, workers can't afford to strike because employers are much stronger. Are these workers to remain at the mercy of employers? There must be machinery to give justice if the employer denies it and there must be compulsion. When a strike can easily be broken by hiring new employees now unemployed, adjudication is our only hope. [Local INTUC union officer.]

A succinct summary of the government's attitude toward compulsory adjudication was presented by Shantilal Shah, Labor Minister of Bombay State and Indian Government delegate to the June, 1955, Conference of the International Labor Organization, in his speech to the conference:

In an economy where development is planned to achieve a definite target under regulation of the State, it would obviously be impracticable to leave the vital field of labour-management relations entirely to chance. Labour-management relations has been a subject of debate in India for the last few years. We have come to the conclusion that, though every encouragement should be given to collective bargaining and voluntary settlement of disputes, the State should be prepared to intervene whenever the voluntary machinery fails to work. We believe that the best

way of resolving labour-management differences which are not solved by mutual negotiations is not a trial of strength by strikes and lockouts but by an award by an impartial body. Besides, during the Plan period, our country cannot afford loss of production consequent on labour-management disputes which can be solved by other methods. That is why the law on the subject in my country provides for compulsory adjudication when the process of negotiation, conciliation and voluntary arbitration fails. The success of voluntary negotiation and collective bargaining presupposes the existence of a united trade-union movement and an enlightened outlook on the part of the employer elements, which it has taken the advanced countries of the West long years to develop. An underdeveloped economy moving forward to achieve a planned target cannot afford the hazards involved in leaving labour-management relations beyond the pale of State action. We propose to profit by the experience of the Western world in the earlier stages of industrialization and avoid as far as possible the malaise that it created. We have planned our development, and regulation of labour-management relations is also a part of our Plan. I need hardly emphasize that in our planning we have scrupulously avoided regimentation and tried to combine the principle of freedom with that of social direction.[41]

Proposals for Change

To be sure, the emphasis which Mr. Giri put on voluntary negotiation and agreement, and his criticism of compulsory adjudication as discouraging to collective bargaining, still find sympathetic agreement in India. Some managements point out that so long as unions can take a case to compulsory adjudication, there is no incentive to negotiated agreements.[42] And some union leaders, particularly among the socialist unions, are critical of the effect of compulsory adjudication in weakening or hampering the growth of strong, independent trade unions.[43] These leaders also charge that in making referrals to adjudications, some of the state labor ministry officials or conciliators tend to favor INTUC unions as opposed to unions affiliated with other political parties. This charge is just as vehemently denied by INTUC officials, by some state labor ministers, and by the union labor minister.[44]

But all union groups have united in criticizing the delays which accompany the adjudication process and especially the availability of the Appellate Tribunal, which (it is charged) has frequently reversed or modified lower tribunal decisions which were more favorable to labor.[45] Employers have also been critical of the delays but have looked upon the Appellate Tribunal as bringing some semblance of consistency and uniformity to the body of decisions flowing from the lower tribunals.

Nevertheless, the central government was sympathetic to the protest of the unions, and presented a bill to amend the Industrial Disputes Act (1947) in September, 1955. This was subsequently passed by the Lok Sabha on July 24, 1956. In the "Statement of Objects and Reasons" accompanying the bill, Khandubhai K. Desai, the Labour Minister, summarized one of the changes as follows:

There is a large volume of criticisms that appeals filed before the Appellate Tribunal take a long time for disposal and involve a great deal of expenditure which the workers cannot afford. It is proposed to repeal the Industrial Disputes (Appellate Tribunal) Act, 1950, and at the same time, to substitute the present system of original tribunals, manned by personnel of appropriate qualifications. References to the National Tribunals will be made by the Central Government and they will cover disputes which are of such a nature that establishments situated in more than one State are likely to be interested in, or affected by, the disputes.[46]

The three-tier system included, in addition to the national tribunals, a system of labor courts to pass on standing orders and disputes over them, discharge or dismissal of employees, and other disciplinary action; and industrial tribunals to hear disputes over wages, allowances, hours, leaves, bonus, wage classification, rationalization, and so on—except when these were of national importance and would be referred directly to the national tribunals.[47]

Another change incorporated in the new Industrial Disputes (Amendment and Miscellaneous Provisions) Act was designed to meet strong employer opposition to Section 33 of the Industrial Disputes Act, 1947. This prohibited any disciplinary action being taken against workers during the pendancy of conciliation or a dispute before a tribunal, even though the misconduct might be wholly unconnected with the particular dispute, unless express written permission were given by the conciliator or tribunal judge. Employers contended with good reason that the delays in taking disciplinary action under this provision were disastrous for maintenance of good discipline within the plant or establishment. The change provided that the employer could take the necessary disciplinary action against workers in offenses not connected with a pending dispute, but "where the action taken involves discharge or dismissal, he will have to pay the workman one month's wages and simultaneously file an application before the authority before which the proceeding is pending, for its approval of the action taken."[48] It is perhaps indicative of the difficulty under which employers operate that a proposal such as this, generally approved by labor and management representatives on the Joint Consultative Board as early as 1954 and widely agreed as necessary, was not enacted into law until July, 1956, and even then was not immediately put into effect.

Other criticisms of the system of settling labor disputes have centered upon the inadequacy of existing conciliation services and the tendency of some state labor ministries to refer disputes too readily to adjudication. As a group of company labor officers expressed this view:

Many cases now go to young, inexperienced conciliation commissioners who don't know how to mediate. They get both parties together in the same room and ask each to state its position which just makes the situation worse. If we suggest separate meetings, they say, "We don't have time." They are just rubber stamps and often refer cases directly to adjudication.

Other instances were cited by employers of inexperienced or biased conciliators holding joint meetings, listening to the union's demands and then turning to the employers present and commenting, "These sound reasonable to me. What are your objections?" In some of the state labor dispute settling agencies there have been cases where the "conciliator" and the "adjudicator" were the same person—sometimes a recent university graduate—with rather arbitrary powers.

On the other hand, one of the most successful former chief conciliators for the central government explained his technique as fact finding and trying to understand each party's position in separate meetings, then making recommendations if a mutual settlement did not emerge. He summarized his final comment to the parties in these words: "I will be happy if you accept my recommendations, but I will be even happier if you reject them, for then you will not feel a settlement has been imposed and if I am right you will learn through a strike or other difficulties that you should have followed the suggestion, and after that you will be better able to settle your own problems."[49] This man added that "adjudication has made a mockery of conciliation; conciliation must recommend or reject reference to adjudication, so all effort is pointed in that direction and not in bringing agreement."

Another former state labor commissioner, now the personnel officer of a large private firm, stated that, despite the discouraging effect of compulsory adjudication, "the improvement of conciliation services is the single most important thing which could be done to assist the development of direct collective bargaining. Many conciliators intervene too early, and they lack the training and experience which is necessary for effective assistance." This same view was expressed in a resolution passed by the Third All-India Conference of Labour and Welfare Officers late in 1955, part of which stated:

> Conciliation proceedings should be preceded as far as possible by a preliminary investigation by the Conciliation Officer for equipping himself with the full facts of the case and generally preparing the ground for a proper approach to conciliation. Conciliation should be undertaken only if every possible avenue of the internal machinery for the settlement of a dispute has been tried before.
>
> The Conciliation Officer's report should be factual as far as possible and not contain any recommendation on the question of reference of the dispute to a Tribunal.
>
> Should the case be referred to a Tribunal, the report of the Conciliation Officer should not be passed on to it.
>
> Before assuming full responsibilities as a Conciliation Officer, he should undergo suitable training which should include practical work as an understudy to a full-fledged Conciliation Officer for a reasonable period.[50]

Even though much remained to be done to improve conciliation services, there were encouraging reports in 1955 that the labor ministers in several important industrial states were scrutinizing more carefully than before the

cases proposed for adjudication and refusing to refer them when the employer's offer appeared to be genuine and reasonable. In one state the chief labor commissioner even stated that "there will be no collective bargaining if disputes are readily referred to Tribunals. A strike or lockout threat helps bring agreement, and I say this knowing that it is not the New Delhi view."[51]

The official central government view, however, is that conciliation proceedings are highly effective. The union labor minister reported in July 1956 that in the central sphere 75 per cent of the cases referred to conciliation machinery during 1955 were settled, although in the state sphere the comparable figure was only 44 per cent.[52]

The Record of Dispute Settlement

Statistical evidence to validate these claims is difficult to get, and what is available is still more difficult to evaluate. For example, if labor and management do reach agreement, the written document is frequently initialed and approved by the state labor commissioner, and this case then may be reported as "settled through conciliation." Furthermore, the reports from some industrial states, where the reputation for good conciliation services is relatively low, claim a higher percentage of disputes settled through adjudication than in other states, where employers say that references to adjudication are scrutinized more carefully.

Data supplied by the labor ministries of the states of West Bengal and Bombay are illustrative of the claims and the difficulties of evaluation. In Table 14 we see that the percentage of disputes settled through conciliation in West Bengal was as high as 72 per cent in 1951; yet the number of cases referred to adjudication in that year was considerably less than 28 per cent of the total. Table 15 shows that the percentage of cases settled by conciliation in the same years in Bombay State was much lower than in West Bengal; but this does not accurately measure the difference in the quality of the conciliation services in these two states—in fact, the circumstantial evidence

Table 14. Disputes settled through conciliation and adjudication in West Bengal State, 1948–1953

Year	Number of disputes	Per cent settled	Number referred to adjudication	Number of awards made
1948	3177	56.2	192	161
1949	3366	54.2	123	115
1950	2904	63.5	160	172
1951	3062	72.5	141	124
1952	3158	56.9	235	200
1953	3813	63.7	293	243

Source: Labour Ministry, West Bengal, 1955.

and reported impressions are the reverse. Furthermore, while the number of disputes and the number referred to adjudication have been on the increase in West Bengal, the reverse has been occurring in Bombay; and this is confirmed by other reports.

Table 15. Disputes settled through conciliation in Bombay State, 1947–48 to July 1954

Year (fiscal)	Under Bombay Industrial Relations Act, 1946		Under Central Industrial Disputes Act, 1947		
	Number of disputes	Per cent settled	Number of disputes	Per cent settled	Number referred to Adjudication
1947–48	417	11.5	449	41.6	(not available)
1948–49	534	21.1	750	39.4	134
1949–50	1142	30.3	1077	28.7	195
1950–51	1132	28.9	1168	24.1	226
1951–52	784	26.7	1006	23.9	241
1952–53	859	24.1	1077	22.8	174
1953–54	613	19.4	1299	27.2	153
Jan.–June 1954	441	23.6	615	13.3	105

Source: Labour Ministry, Bombay State, 1954. Since Bombay has a separate Industrial Relations Act applying to certain industries, data are reported separately above. No data for cases referred to adjudication under the state act were supplied. Obviously, not all the disputes which were not settled by conciliation were referred to adjudication. There were part settlements in some, but most were dropped or closed, according to the fuller report supplied. Some disputes were minor, involving individual workers; others were industry-wide in one area. No distinction is made between these in the official data.

On an all-India basis the record of man-days lost through industrial disputes shows an improvement since the postwar years of 1946 and 1947. Table 16 illustrates this trend, with the 1950 total an exception because of the long Bombay textile strike in that year. Undoubtedly the decline in man-days lost is explained in substantial part by the availability of compulsory adjudication and the pressure used by government to refer important cases to adjudication if strikes are threatened.[53]

While conciliation and adjudication may reduce the number of overt disputes, the basic causes of conflict between labor and management are not thereby removed. As one student of Indian labor problems has put it:

> Thus the main defect in industrial relations in this country is the lack of co-operation at the lowest level, i.e., between an individual employer and his employees. In the absence of this co-operation, industrial peace cannot be achieved, in spite of full co-operation at the higher levels and adoption of various methods such as conciliation and arbitration.[54]

There is no statistical classification of the types of issues involved in disputes under adjudication, but some indication can be seen in the tabulation of industrial disputes according to the demands presented by unions. Table 17 shows quite clearly that disputes involving wages, allowances and bonus comprise the largest percentage in most recent years, with "personnel"

Table 16. Industrial disputes in India, 1947–1956

Year	Number of disputes	Number of workers involved	Number of working days lost
1947	1811	1,840,784	16,562,666
1948	1259	1,059,120	7,837,173
1949	920	685,457	6,600,595
1950	814	719,883	12,806,714
1951	1071	691,321	3,818,928
1952	963	809,242	3,336,961
1953	772	466,607	3,382,608
1954	840	477,138	3,372,630
1955	1166	527,767	5,697,848
1956	1258	7,095,960	722,334

Source: *Indian Labour Gazette*, 14:266, 753 (September 1956 and March 1957),

issues taking a second place. These include disciplinary cases and retrenchment due to mill closures. Disputes over leaves and hours are somewhat less frequent, and "other causes" include disputes over lack of amenities, quantity or quality of food, and so on.[55]

The relative importance of disputes over wages, allowances and bonus is great enough to justify further discussion, especially since government through the adjudication system has taken an increasingly important role in the settlement of these disputes. We turn to this problem in the next chapter.

Table 17. Industrial disputes according to demands, 1939–1953[a] (in per cent)

Year	Number of stoppages	Type of demand (per cent of total)					
		Wages and allowances	Bonus	Personnel	Leave and hours	Other	Not known
1939	406	57.3	0.5	18.2	2.9	21.1	0
1940	322	62.7	2.8	16.8	3.1	14.6	0
1941	359	60.7	2.5	15.3	4.2	17.3	0
1942	694	51.9	11.3	9.1	1.0	26.7	0
1943	716	47.8	7.7	7.4	1.9	35.2	0
1944	658	56.5	7.6	12.5	5.3	17.9	0
1945	820	43.4	13.4	17.7	6.8	18.0	0.7
1946	1629	37.1	4.9	17.2	8.0	32.8	0
1947	1811	31.7	10.8	19.3	5.2	32.1	0.9
1948	1259	30.5	9.0	28.8	8.7	22.1	0.9
1949	920	30.1	5.7	23.6	9.1	25.5	6.0
1950	814	27.4	9.0	22.8	8.2	28.5	4.1
1951	1071	28.1	6.5	28.1	7.9	25.2	4.2
1952	963	29.4	9.8	33.8	7.5	16.4	3.1
1953	772	26.0	9.9	35.8	4.5	18.4	5.4

[a]Disputes involving less than ten workers are not included here. Figures for 1939-49 are from S. D. Punekar, *Industrial Peace in India*, pp. 41-42; for 1950 and 1951, from *The Indian Labour Year Book, 1951-52*, Government of India, (Delhi, 1954), p. 168; for 1952 and 1953 from *The Indian Labour Year Book, 1953-54*, p. 160.

CHAPTER IX

Problems of Government Labor Policy

As we have seen in Chapter I, levels of industrial wages in India are low, and not until 1952 did real wages return to their prewar 1939 levels. It is not surprising, therefore, that disputes over wages have been frequent and that the compulsory adjudication system has been almost flooded with these disputes, particularly over year-end "bonus."[1] The process of wage determination through compulsory adjudication has involved principally (a) the basic wage, (b) the amount of bonus, and (c) dearness allowance (for changes in the cost of living since 1939). We shall examine each briefly in this section.[2]

Wage Disputes under Adjudication

The basic wage, usually paid monthly to industrial workers in India, has been established by Industrial Tribunals and the Labour Appellate Tribunal according to the principles summarized in the 1949 Report of the Fair Wages Committee, appointed by the government of India. The lower limit (of basic wage plus dearness allowance) is the "minimum wage" which provides "not merely for the bare sustenance of life but for the preservation of the efficiency of the worker by providing some measure of education, medical requirements and amenities."[3] This is presumably ordered, regardless of the alleged capacity of the firm or industry to pay; but, as we shall see later, subsequent cost of living increases have not been fully matched. The upper limit is the "living wage," representing "a standard of living which provides not merely for a bare physical subsistence but for the maintenance of health and decency, a measure of frugal comfort and some insurance against the more important misfortunes." Between these limits, a "fair wage" is ordered according to ability to pay and the prevailing rates of wages in the same or similar industry or locality with the latter given more importance. "Capacity to pay" is determined with reference to the industry as a whole, and in an early case (Buckingham and Carnatic Mills, 1951) the Labour Appellate Tribunal denied labor's contention that this more profitable firm should pay higher wages than other units in the same industry. Frequent demands for revision of basic wages are discouraged, and claims growing out of profits made in a particular

year are usually denied. In other words, changes in wage incomes have come in bonus and dearness allowance, rather than in basic wages.

The amount of annual year-end bonus is generally related to profits. The nature of bonus as a part of the wage structure is indicated by the key 1950 decision of the Labour Appellate Tribunal in the 1949 bonus dispute between the Bombay Millowners Association and the Rashtriya Mill Mazdoor Sangh (INTUC), Bombay:

Bonus is cash payment made to employees in addition to wages. It cannot any longer be regarded as an *ex-gratia* payment, for it has been recognized that a claim for bonus, if refused, gives rise to an industrial dispute, which has to be settled by a duly constituted Industrial Court or Tribunal . . . Where the goal of living wages has been attained, bonus, like profit-sharing, would represent the cash incentive to greater efficiency and production. We cannot, therefore, accept the broad contention that a claim to bonus is not admissible where wages have (as in the case before us) been standardized at a figure lower than what is said to be the living wage. Where the industry has the capacity to pay, and has been so stabilised that its capacity to pay may be counted upon continuously, payment of "living wage" is desirable; but where the industry had not that capacity or its capacity varies or is expected to vary from year to year, so that the industry cannot afford to pay "living wages," bonus must be looked upon as the temporary satisfaction, wholly or in part, of the needs of the employee.[4]

This same decision went on to spell out the principles governing the amount of bonus to be awarded in a particular case. These may be summarized as follows:

(1) A normal depreciation allowance "for rehabilitation, replacement, and modernisation of machinery" is the first charge on gross profits. The usual allowance is based on what the tax authorities have permitted for corporate income tax purposes.
(2) A fair return on paid-up capital (6 per cent) and on reserves employed as working capital (2 per cent) should be the next charge.
(3) Only if there is a residue after these deductions should bonus be paid to employees. If a particular firm has losses, although the industry as a whole in the region shows profits, no bonus is to be awarded to employees in the losing firms.
(4) The amount of bonus depends on "the relative prosperity of the concern during the year under review," as revealed in the "residuary surplus" after the above deductions; and on "the need of labour at existing wages" as revealed by the gap between the wages paid and the "living wage."

Two years later, in another bonus dispute in the textile industry, the Labour Appellate Tribunal emphasized the "social justice" considerations which motivated its earlier decision:

That decision is broad based on principles of social justice. By that decision we lifted bonus out of the category of gratuity and gave a right to the workmen to claim bonus if the trading results of the year in question resulted in profits out of which a surplus was available for bonus. As against the wages earned by labour, we allowed a fair return to capital, which normally is 6 per cent. We provided

for rehabilitation of plant and machinery as a prior charge in addition to statutory depreciation, for there could be no employment unless workable machinery was in existence, and we held that labour was entitled as of right to a share of the available surplus, by way of bonus for the year so long as a living wage had not been attained. The scheme of our formula was to do social justice; our full bench was moved by a desire to give a fair deal to labour, and the resultant formula was the best that we could devise in the circumstances to do justice to the parties.[5]

While in later cases, where ability to pay was not disputed, the tribunals have awarded higher bonuses than usual, most awards have been related to the bonus amounts already paid elsewhere in the industry or in the locality. "Care has also been taken," one Labour Appellate Tribunal award declared, "to see that the bonus which is given is not so excessive that it creates fresh problems in the vicinities, that it upsets emoluments all around or that it creates industrial discontent and the possible emergence of a privileged class.[6]

When the recession in cotton textiles in 1953–54 brought losses in some mills, these were exempt from paying bonus under the formula outlined above. Labor's reaction was critical, as we have seen in Chapter IV; and there were demands that profits of firms in an industry in a particular area be pooled, and bonus be distributed to all workers regardless of individual mill profits or losses.[7] The bonus issue remains a continuing source of dispute, and the INTUC has raised doubts about the validity of the losses claimed by certain employers.[8] It has also urged that basic wages be raised, to avoid recurrent disputes over bonus, and that dearness allowance be merged with basic wages.[9]

Employers, on the other hand, have opposed these proposals, although deploring the continuing disputes over bonus.[10] Some have made a successful effort to offer bonus amounts sufficient to induce unions to accept them rather than take their chances through the delayed procedures of compulsory adjudication. One of the most hopeful signs, although still a small one, is the increasing number of agreements between individual firms and unions on the bonus question. These include both Indian and European firms, and they reported during 1954–55 that the consistency of Labour Appellate and Industrial Tribunal decisions on bonus in earlier disputes had helped to establish the limits within which voluntary agreement could be reached more speedily in current disputes. This view, it must be admitted, was not shared by national trade union leaders, who had urged abolition of the Labour Appellate Tribunal.[11]

After difficulties in the application of the voluntary arbitration machinery in Ahmedabad in 1954, the Textile Labour Association and the Millowners Association reached agreement in June, 1955, on "principles, procedure and method" for granting of bonus for the five years, 1953–57, in the case of each individual member mill. The claim for bonus could be made when a mill had an available surplus of profits after providing for all prior charges accord-

ing to the 1950 Labour Appellate Tribunal formula, and in this case the bonus would be no less than 4.8 per cent of basic wages and no more than 25 per cent. But if more were possible, this could be set aside in a bonus reserve for future lean years. Similarly, if the amount available under the formula were less than the required minimum of 4.8 per cent in one year, the difference could be offset against any larger amount payable in a subsequent year. Finally, a mill which has no available surplus or has made a loss "will, as a special case, for creating goodwill among its workers and for continuing peace in the industry but without creating a precedent, pay to its employees a minimum bonus" of 4.8 per cent of basic wages earned during the year, to be offset against future year's bonuses.[12] Determination of the amount of bonus was to be made by the TLA and the Millowners Association jointly, from published balance sheets and other data supplied by the mills; and, failing agreement, reference could be made to the president of the Labour Appellate Tribunal or to an umpire from a panel established by a separate arbitration agreement signed also in June, 1955.

Agreements on bonus in individual cases have been aided by skillful conciliation efforts of some state labor ministers, or their refusal to refer exorbitant union demands to adjudication. For example, in one important industrial state a high official of the labor ministry explained: "Several times when genuine offers are made by employers, we tell them, 'If you will implement the offer made during conciliation, we will not send this case to adjudication.'" But the active role which government officials can play in forcing agreement is illustrated by this further comment: "There is another way we handle this problem. Suppose three months' bonus is offered at first and the union demands seven. We look into the data and conclude that four months' bonus is fair, and we say, 'If you will offer four months', there will be no adjudication.'"

While some employers and some trade unionists would like to see the annual controversies over bonus eliminated by raising the basic wage,[13] this seems unlikely in India in the foreseeable future for several reasons: (1) the practice of a lump-sum payment to employees when the firm is profitable is too strongly ingrained in the industrial relations habits of employers and workers to be abandoned easily,[14] and (2) bonus decisions through compulsory adjudication give the Indian government some means of controlling the wage level and structure in a planned economy. There is the further fact that the Indian wage structure is complicated by the addition not only of bonus, but also dearness allowance, to basic wages. Through its control of dearness allowance the tribunal system also helps to control the rise in real wages.

Dearness allowance was introduced into the Indian wage structure during the war to neutralize in part the rise in the cost of living as prices rose rapidly. Full neutralization was not permitted, however, on the theory that wage earners like other groups must share in the burden of inflation. Tribunals have up-

held the principle that full neutralization is not possible, but there has not been any agreement on the percentage of neutralization to be recommended. "This varies with adjudicators and is worked out after making allowance for factors like basic wage, the financial capacity of the industry, the practice prevalent in the industry or in the locality, the extent of rise in the cost of living, etc. Within this broad framework, each case is decided on its merits, with the result that at times the rates of dearness allowance vary between centre and centre and between different industries in the same centre, and occasionally even between different units of the same industry in a centre."[15] Table 18 shows the wide range of variation to be found.

Table 18. Dearness allowance in selected industries and areas

Industry and area	Date	Dearness allowance	
		Rupees	Per cent of basic wage
Cotton			
Bombay City	Sept. 1954	66/2	220
Ahmedabad	Sept. 1954	64/9	231
West Bengal	Sept. 1954	30/0	149
Hyderabad	Sept. 1954	26/0	100
Jute			
West Bengal	Dec. 1953	37/6	144
Kanpur	Dec. 1953	49/4	410
Dockyards			
Bombay (Unit 2)		61/12	237
Bombay (Unit 4)		40/0	133
West Bengal (Unit 5)	1952	31/0	74
Cement			
Banjari	Dec. 1953	22/0	116
Chaibasa	Dec. 1953	26/0	100
Chemical			
Bihar	April 1953	35/0	166
Bombay (II)	April 1953	66/10	213

Source: *Indian Labour Yearbook, 1953-54*, pp. 176-186.

The relative importance of dearness allowance in the wage structure has led many unions to demand that all or part of the dearness allowance be merged with basic wages. Merger would leave the workers' earnings in a more secure position in the event of a fall in the price level. Furthermore, where pension and other gratuities have been tied to basic wages, the workers would receive higher benefits. Thus far the Industrial Tribunals have stood steadfast against any merger.[16]

The absence of accurate wage data by industries in India has recently led the government of India to undertake a wage census in forty-four industrially important centers on a sample basis. At the same time, the government announced its intention of establishing wage boards for the cement, electrical,

mechanical and general engineering products, textiles, and plantation industries, to set new minimum basic wages in these industries.[17] Mr. Khandubhai Desai, the then Union Minister of Labor and former INTUC president as well as general secretary of TLA, explained the purpose of these boards at the Fortieth Foundation Day of the TLA in Ahmedabad, when the union's demand for a substantial wage increase was reiterated:

> The Wage Boards will examine how to allocate increased production to workers and national investment. Even if the workers had not demanded a wage raise, the Government would have taken up the problem for the simple reason that the increased production had to be used for promoting the general welfare of the people at large.[18]

Mr. Desai told the workers, according to the press report, that "their demand for wage rise would be carefully examined and there was no need to conduct an agitation for it." Mr. G. L. Nanda, Union Planning Minister and former TLA general secretary, also supported the "reasonable demand for a fair deal and living wage to labour."

The Representative Union Problem

Disputes over wages, bonus, and other matters might be easier to settle directly between employers and unions if there were one majority or representative union with which an employer or employer-association could negotiate. But, as we have seen in Chapters IV and V, a multiplicity of small and rival unions plagues labor-management relations in India. A method of determining the representative union exists in Bombay under state legislation, as we have noted earlier in Chapter VIII. But the Industrial Disputes Act of 1947, which still applies to certain industries in states with their own disputes legislation and to all industries in those states (like West Begal) without any separate law, has no provision for determining the most representative union among competing unions. There have been proposals to amend the 1947 Act in 1950 and again in 1954;[19] but the 1956 Industrial Disputes (Amendment and Miscellaneous Provisions) Act contains no provision on this question. In fact, the union labor minister expressed opposition to the principle of compulsory recognition of trade unions when he replied to debate on the bill in July, 1956.[20]

The reluctance of the central government to proceed with legislation along the lines of the Bombay Act is explained by officials in New Delhi on the grounds that unions in India generally (possibly outside of Bombay state) are weak and unstable, and almost any test devised by law to determine a representative union is difficult to meet. Furthermore, one observer explained, "Determining the representative union would require elaborate governmental machinery and run the risk of victory by Communist unions. Of course, it is more difficult for the employer to bargain collectively when he doesn't know which union to deal with, but when government is not sure what will happen

if it tries something new, it is cautious and tends to leave things alone."[21] Another reason for governmental caution is that there is no general agreement on how to determine a "representative union."

The draft outline of the Second Five-Year Plan states that the "present trade union legislation needs to be revised with the object of . . . giving unions statutory recognition under certain conditions," but the manner in which this might be done is not further spelled out.[22] The Labour Panel of the Planning Commission was reported to have reached agreement in February 1956, that "a condition for recognition of a representative union should be at least one-third of the membership of the total number of workers,"[23] presumably as determined by a check of membership rolls. But central government legislation on this question is still lacking.

The Bombay procedure involves inspection of union membership lists (presumably current dues-paying members) by the Registrar of Trade Unions, and certification of the "representative union" on the basis of this inspection. Charges have been made that the registrar tends to favor INTUC unions as opposed to others,[24] and certainly one of the most frequent objections to a secret ballot procedure for determining the representative union is that the Communists would win elections by extravagant promises and irresponsible attacks on rival unions.[25] Some quotations from the interviews illustrate the conviction with which this view is held:

> The Indian worker is easily subject to whim, and is usually swayed by the labor leader who can make the most extravagant demands and promises. In a secret ballot the Communists would be more likely to win, therefore. [Deputy state labor commissioner]

> We might be willing to try a secret ballot experimentally, but the danger is that the Communists will win by extremism. A secret ballot assumes a certain level of education. The comparison with general political elections is not valid because there are no corrective forces available to offset extravagant claims. [State labor minister]

> If you had a secret ballot, the vote would not be on trade union issues but on Communist issues, political issues, etc. And the power of demagogic appeal is greater in trade union issues than in political parties where national leaders are the vote getters. [INTUC union officer]

Those who favor the secret ballot for determining the representative union include some leaders of HMS unions. One charged that the membership list check is "a legal fiction and leads to a large number of abuses. The so-called 15 per cent union forces its will on the other 85 per cent." But he favored protection of minority union bargaining rights. Another argued that "the union with whom the employer signs the contract should be a union which is accepted by workers with a 75 per cent majority through a secret ballot vote." These views are the exception, however; most government officials, many employers, and certainly nearly all INTUC union leaders (who benefit

from the present system) oppose the secret ballot and favor the Bombay system if they favor any.[26]

An alternative procedure which is reported to have had some success in determining the representative union is the extralegal one developed in 1951 in the state of Bihar through the bipartite Labour Advisory Board. The details of the procedure are worth noting, for they indicate the difficulties involved in a conscientious effort to deal with the problems of union recognition and rival unions:[27]

(1) Any number of unions can be registered in a plant, but before registering a new one, the Registrar of Trade Unions examines carefully the claims of the one claiming registration. (Under the Trade Union Act, 1926, any union representing seven members can be registered.)
(2) The employer must recognize at least one of the registered unions, and in granting this recognition he must take care that he recognizes the one most representative of the workmen. The employer should deal only with the recognized union on questions affecting all workers, such as bonus, hours, leaves, etc., but he should be willing to hear individual grievances presented on behalf of its members by minority or rival unions.
(3) When there is a dispute about the representative character of unions for purposes of recognition, the Labour Commissioner will try to determine the representative character after taking into consideration the membership and such other evidence as may be produced before him.
(4) Voting by secret ballot will be taken only in extreme cases, and as a last resort. Voting, if necessary, will be restricted only to members of the registered unions and the rival union should secure at least 75 per cent of the vote of all member workmen before it can dislodge the existing recognized union. Casual and temporary employees of less than twelve months' continuous service are excluded from voting.
(5) Recognition granted to the most representative union, as a result of a vote, is not to be disturbed for one year.

While there is general agreement that some method should be developed to select a representative union when two or more are competing, some present and former government officials seem to favor trade union "unity" as the answer. Employing ministers, for example, have insisted that rival unions combine and join in one bargaining group for collective relations with the ministry, as in the case of Posts and Telegraph. This view was also expressed by a former high official dealing with labor matters in the government of India:

I don't favor the secret ballot or the determination of the representative union. When there are rival unions facing a management, my prescription is: Bring them together and urge them to unite for collective bargaining fairly and openly with management. I am opposed to any form of compulsion, including the denial of rights to minority unions.

Trade union unity between the INTUC and the Socialist Unions may be possible in particular industries or areas, as we have seen in Chapter IV, but

unity with Communist-dominated AITUC unions is not generally welcomed either by the INTUC or the Socialist unions. As a real solution to the problem of the representative union, this does not seem very promising at this stage in Indian industrial relations.

Protecting and Encouraging Union Growth

Government is also confronted with the problem of protecting and encouraging the growth of the trade union movement in India, in line with professed aims, but not letting it get out of hand. We have seen in Chapter IV that important government officials and Congressmen were present at the formation of the INTUC, and we have noted charges from non-INTUC unions that state labor ministry officials have favored INTUC unions in references to adjudication and in the determination of the representative union. These latter charges are difficult to evaluate factually, but there is certainly a widespread belief in India that the INTUC unions receive more encouragement from government than do other unions.[28]

In the 1947 Amendment to the Trade Union Act of 1926 the central government further provided for protection and encouragement of union growth through a list of five employer "unfair labor practices" almost identical in wording to those in the National Labor Relations (Wagner) Act of 1935 in the United States. However, as we have seen, this provision was never implemented, and no official explanation has ever been given. Unofficially, it is reported that the reasons were that civil servants were not expressly exempted so that the protections would have applied to unions of government employees (which the government did not want), and further that enforcement would have required an elaborate governmental machinery which did not exist. Subsequently, no effort has been made to implement this provision or to enact an amended version, and it may be presumed that this method of protecting and encouraging union growth is not favored by the government of India.[29] A revealing interview comment from a government official indicates the clash of objectives and also which are regarded as paramount:

> If your object is to build up a powerful trade union movement, then you would protect unions through "unfair labor practice" procedures, select majority unions by secret ballot, and all the other methods tried in the United States. But if your main objective is rapid economic development in a planned economy, you wouldn't do these things. You must have a measure of discipline. Perhaps in twenty years, when we can afford strikes, we can afford to try free collective bargaining.

In two respects, however, the government has concerned itself with protection and development of strong trade union leadership. First, union officials presumably have been protected against "victimization" by employers under Section 33 of the Industrial Disputes Act, which places severe limits on the ability of employers to discipline or discharge any worker so long as a labor dispute is pending before an Industrial Tribunal.[30] The 1956 Amend-

ment Act, modifying this section in cases not directly connected with a pending dispute, specifically exempts "protected workmen" who are defined as officers of registered trade unions.[31]

Second, the government has also been concerned about reducing the domination of "outsiders" in the leadership of trade unions—a characteristic of Indian unions which we have noted earlier. The Trade Union Act of 1926 specifies that not less than one-half of the members of the trade union executive shall be employed in the industry, but this does not prevent the outsiders from holding the leading offices.[32] As we saw in Chapter V, comparatively few "insiders" who have come up through the ranks of the particular firm or industry are able to handle trade union matters effectively. Dependence on outsiders, therefore, seems likely to survive for a considerable time, despite various suggestions to legislate on this matter.[33] Up to 1956, the government had done little to assist or finance training facilities for developing trade union leaders from the ranks. This possibility, however, was explored in 1957 by a team of labor education specialists recruited for a survey in India by the Ford Foundation, at the request of the government. The existing programs, which scarcely meet the need if inside leadership is to develop, are confined to the limited programs of the Textile Labour Association in Ahmedabad, an INTUC school in Indore, the Tata Workers Union and the Xavier Labour Relations Institute in Jamshedpur, and the Asian Trade Union College, sponsored by the International Confederation of Free Trade Unions, in Calcutta.[34] More recently, the INTUC has set up an educational division, for the training of trade union leaders, under the general direction of G. D. Ambekar, former president of INTUC.

Adequate financial support for carrying on legitimate trade union activities is lacking in most Indian unions, as we have seen, because of the failure of Indian workers to pay membership dues regularly or even to maintain membership interest except at times of crisis. This is, of course, not confined to Indian trade unions, but in some other countries compulsory union membership has been given governmental blessing, and the checkoff of union dues has been legal. Since the passage of the Payment of Wages Act in 1936, however, the legality of checkoff of union dues has been in doubt and is probably unlawful. Despite some agitation by a few union leaders to permit the checkoff,[35] nothing has been done.

From this review of government's role in the protection and encouragement of trade unions, as well as in the determination of the representative union, it is difficult to conclude that a strong, independent union movement, similar to those in the United States, Great Britain or Scandinavia, is among the top priorities in government's present labor policy. This is understandable, for there is little general agreement within government or outside about the best ways to build such a labor movement. Apart from the kind of governmental protection and encouragement to the formation of unions which the

United States government provided in the thirties, and apart from the support of worker education programs, perhaps there is little that government can do to encourage union growth in India. Some observers have suggested abandoning compulsory adjudication so that unions will rely on their own resources for their gains, and be forced to develop internal strength. This is the view of former Minister of Labor Giri, as we have seen, but at present most of the major labor federations oppose the abandonment of compulsory adjudication.

Finally, while the point is never specifically made by responsible governmental officials, the implication is clear in government labor policy that strikes and lockouts are unnecessary in a planned economy, where government is looking after the just interests of the workers as well as other groups in society. In other words, a government concerned with rapid economic development considers it essential to have some control over the "protest" represented by strong, independent trade unions. This control objective tends to take first priority, in line with planning goals.

Rationalization and Unemployment

Another problem for government as intervener in labor-management relations is the effort of Indian management, particularly in the cotton textile and jute industries, to increase workloads and introduce more modern, automatic machinery as part of a cost-reduction program. Rationalization of machinery and equipment, with its threat of labor displacement, is a major issue of labor protest, as we have seen in Chapter V. The Socialist and Communist labor federations have opposed any further rationalization, and even the INTUC has been forced to urge a total ban until employment increases in other areas and sectors sufficient to absorb displaced workers.

Here, then, is the dilemma facing the government. On the one hand, organized labor and individual workers are opposed to rationalization which would immediately add to the large volume of existing urban unemployment.[36] On the other hand, at least some cabinet ministers recognize the validity in management's contention that modernization is necessary if export markets (particularly important in jute, and to a lesser extent in cotton textiles) are to be retained. The postwar competition of modernized Japanese, Hong Kong and Pakistan cotton textile industries and the newer Pakistan jute industry is cutting into these export markets.

The First Five-Year Plan proposed a number of "safeguards" to "facilitate the progress of rationalization," such as standardization of workloads and working conditions, stopping new hiring so that displaced workers can be absorbed, maintaining workers during a retraining period for other jobs, and sharing the gains from rationalization with workers affected.[37] These safeguards were followed by a number of progressive employers in their rationalization programs before April 1954, when growing unemployment and union

objections led the government to deny further requests for installation of automatic looms. Protection of the handloom industry, which is labor-intensive and provides employment in the villages, against competition of mill-produced cloth, is also involved in the government's decision. This is evident in the Second Five-Year Plan, which permits some expansion of mill production, particularly for export markets, but envisages a much greater expansion of the handloom industry as part of the household and hand industries which are expected to provide additional employment in the next ten years.[38]

The dilemma is not easily resolved.[39] In established industries employing large numbers of workers, such as cotton textiles and jute, it is difficult to introduce automatic machinery which is labor-saving unless there is planned expansion within the firm (preferably) or within the industry in the locality. The "safeguards" suggested in the First Five-Year Plan are reasonable. The alternative is the strong possibility of labor protest erupting into strikes which would be politically unstabilizing and economically costly. As noted in Chapter V, this has already happened during 1955 and 1956 in the cotton textile industries in Kanpur and Nagpur.

Even with the best intentions, however, private employers have considerably less freedom to work out the labor problems of rationalization than did their predecessors in the older industrial nations at an earlier stage of economic development. The role of the state is necessarily larger in industrialization than it was then, and the existence of the adult franchise means that political pressures from unemployment and urban discontent must be reckoned with. The price of political stability in India today may well be some slowing down of the pace of modernization in the older established industries. New industries, of course, can more easily adopt modern techniques since there is no presently-employed labor to be displaced and to protest.[40]

Effective Utilization of External Technical Assistance

The active role of government in labor-management relations in India is further emphasized by the increasing number of external technical assistance programs which it has requested from the International Labour Organization, the United States Technical Coöperation Mission,[41] and private groups such as the Ford Foundation. Officially, each of these programs is requested by the government of India, but actually the availability of certain programs is made known and there is a certain amount of "selling" particular programs by the external groups.

Two problems in the utilization of technical assistance in India are suggested by the following interview comments:

So many technical assistance experts and teams come over that we cannot absorb all they have to offer. Some come for too short periods, and do a whirlwind tour of India. Many do not have enough background on Indian problems when they

come, and seem to be selling a technique or a solution which may work well in an advanced industrial country but has to be modified here. [Employer association official]

There is inadequate planning in the Government for the use of these experts we bring here. The X Ministry was supposed to arrange a program for Mr. Y (an American management engineer) but he has been cooling his heels in New Delhi. There is too much of a tendency to make an urgent request for help, and have nothing for the man to do when he gets here. [High official of one of the technical assistance groups]

Despite these difficulties and criticisms, however, the impact of technical assistance programs in the labor and management areas since 1953 has been substantial. A brief summary of these will indicate their scope:

1. *International Labor Organization programs*

   A. The first Productivity Mission (December, 1952—May, 1954) was intended to "show how productivity and the earnings of workers in Indian textile and engineering industries can be raised by the application, in selected plants, of modern techniques of work-study and plant organization, and, in addition, where appropriate, by the introduction of suitable systems of payment by results." This Mission stirred up a hornet's nest in the textile industries of Bombay and Ahmedabad where unemployment had increased, and workers and unions were opposed to the Mission's proposals as a consequence. It was more successful in some of the expanding firms in the Calcutta engineering industry. "The principal outcome of the work of the first I.L.O. mission to India was that the Government decided in December 1953, after a careful appraisal of the work accomplished, to request the I.L.O. to provide technical assistance in the establishment of a national productivity centre. . . ."

   B. The Second Productivity Mission (September, 1954, to mid-1956) succeeded in establishing the national productivity center; however, it spent nearly a year finding a local area in which labor and management would coöperate in trying out a community-wide productivity project with an "educational" objective. A program involving a management seminar, a refresher course in industrial engineering, an introductory course in foremanship, a labor representatives seminar, and a work study course was finally inaugurated in Baroda (north of Bombay) in May, 1955. Similar programs were also extended to the engineering industry in Bombay, and in other plants in other sections of India. In the words of the present director of these programs, "Although the response from industry is good, the 'let's wait and see' attitude still persists among many. . . . The lack of a basic and progressive modern management background has proved a deterrent to the application of high productivity techniques."[42]

   C. Supervisory training through the Training Within Industry program of the ILO began on a large scale in Ahmedabad, where 22 mills utilized the services of an ILO expert on TWI methods in conjunction with the Ahmedabad Textile Industry's Research Association. Some 600 supervisors were trained in job methods, job relations, and job instruction during the first year, 1953–54, and a permanent TWI Association was formed to carry

on the work after the ILO expert left. Similar programs were started in a large cement firm in Bombay, and subsequently in other centers. The Asian Field Office of the ILO in Bangalore had spread the TWI concept before 1953, but real progress came only after full-time TWI experts arrived in India in 1953 and 1954. This program was clearly one of the most successful carried out by ILO in India, and its impact on management thinking and organizational structure in the firms involved was substantial, as our field survey in 1954–55 brought out. The obstacles posed by insufficiently enlightened management is stressed by the I.L.O. in their recent analysis of the effectiveness of their productivity missions. They deplore the fact ". . . that many managements are not sufficiently convinced of the value of the productivity techniques being demonstrated and taught, in relation to other aspects of the business . . ." and conclude that "the only remedy is management education. . . ."

D. The ILO Manpower Division has also sent several other experts at the request of the government of India. These included specialists in employment information and occupational classification, as a result of a government investigation of the public employment service; and a vocational training expert to survey the government's Central Training Institute for Instructors.

2. *United States Technical Coöperation Mission programs (ICA) (also known as "Point Four")*

The first "Point Four" agreement between the United States and India was made in January 1952. However, many of these programs have been related to India's economic development plans, and not specifically to labor-management relations. During 1956, for example, the Mission signed sixteen separate agreements with the government of India, amounting to nearly $3,000,000. Examples of current and recent programs affecting labor-management relations are:

A. Labor-management-government teams sent to the United States for special training and extended tours of American industry, unions, and universities. The first team arrived in 1953, and another came in 1954. Three trade union leaders were sent to the Harvard Trade Union Program during the latter part of 1955.

B. Assistance in building a Central Labour Institute in Bombay.[43] Ground was broken in October, 1954, and the Institute was expected to be formally opened by mid-1957. The National Productivity Center and the TWI Center, both developed under ILO auspices, will be housed in the building, which will also have sections on industrial hygiene; training of personnel for labor departments of state and central governments; occupational physiology; industrial psychology, safety, health and welfare; and labor information.[44]

C. Industrial health and safety programs. These include a 1952 study by representatives of the United States Department of Labor to demonstrate methods of dust control to prevent silicosis in industry; a 1954 project known as "thermal environment" designed to determine safety standards of heat and humidity for textile workers, in coöperation with the Ahmedabad Textile Industry's Research Association; and a request by the Indian government for the services of an American industrial safety expert to initiate programs on local, state, and national levels.

D. A training program at the Indian Institute of Technology for supervisors and superintendents of foundries. While this program is largely technical, it has included emphasis on safety measures, good housekeeping, and other aspects of an efficiently-managed foundry. An American expert inaugurated this program in 1954, but it was discontinued in 1956.

E. Foreman training for factories in the public sector, with particular emphasis on industrial relations. The government of India requested this in 1955–56, but the implementation was delayed by a United States budget cut. The first foremen arrived in the United States in January, 1957, and eventually foremen in the private sector will be included in the program. An earlier pilot program during 1954–55 provided for the training of ten Indian foremen in United States industry for one year.

F. A vocational training program, which provided United States training for nine instructors from the Indian vocational training system during 1954–55, grants totalling $1,250,000 for equipping industrial training centers with United States machine tools and equipment, the assignment of master mechanics or specialists from the United States to assist in training Indian instructors, and a top-notch Trades Training Adviser on all aspects of vocational education. The last two were delayed, however, by lack of funds.

G. Assistance to Central and State Labor Ministries. Study tours in the United States have been financed for specialists such as employment councillors, labor statisticians, and state labor ministry officials.

H. A program during 1955–56 in which two American management engineers were to "work with management engineers and consultants throughout India on a program of management training," according to the statement issued by TCM. This involved an unsuccessful effort to find an Indian firm willing to coöperate in a demonstration of what management consultants could accomplish, and to train Indian counterpart consultants. A management study was conducted in a government plant, Hindustan Aircraft in Bangalore.

I. A team of six industrial engineers, assigned in 1954 to make special studies on request in industrial plants for improvement of management and production techniques. Assignments were made by the Indian government, and employers using their services were charged fees. Fellowships were given for training a man in industrial psychology in 1954 and a man in job evaluation in 1955.

J. Libraries of books on industrial management and industrial relations, presented in 1954 to such organizations as the Bombay Management Association, the Bangalore Management Association, and the Ahmedabad Textile Industry's Research Association. The government of India requested forty-four additional sets to be placed in unions, colleges, and other institutions.

K. A postponed project for the initiation of a workers' education program. Qualified Indian specialists were to be sent to the United States to study programs conducted by American unions. Lack of funds and other factors delayed the start of this project, although the Ministry of Labor is reported to favor its implementation. (In the meantime, a union leadership training program has had the support of the Ford Foundation, as noted below.)

3. *Ford Foundation programs*

Much of the Ford Foundation's work in India initially was in the Community Development Programs in the villages, and subsequently in making a survey of the small-scale industries and how they could be made more efficient. Recently, the Foundation has undertaken or considered the following programs:

A. Provision of a manpower specialist to assist the Ministry of Commerce and Industry in setting up a Manpower Directorate which would have responsibility for over-all national planning of a manpower program for the national development effort. Subsequently, two Indians are to be trained in this country for later administration of the Directorate.

B. Assistance to the School of Economics and Sociology at the University of Bombay, in developing its post-graduate program in business management. Two American professors were in Bombay during 1956–57 for this purpose.

C. A trade union leadership training program to assist Indian unions in developing more effective leadership within the ranks of trade union members. The Ministry of Labour of the Government of India requested this program, and an American professor and a trade union education director, together with two British and Swedish trade union leaders, went to India for two months in January 1957, to advise on this program. Their report, made in March 1957, contained twelve recommendations for an expanded program.

D. A training program under which 200 young Indian steel engineers will receive a year's training in production and management methods in several steel companies in the United States, as preparation for technical and managerial positions in the government-owned steel plants which are now being built. This program, announced March 29, 1957, involves the American Iron and Steel Institute, the United Steel Workers of America, and the Tata Iron and Steel Company, where the trainees will get an orientation course before going to the United States. Related instruction in management, economics and human relations will be provided in a number of American technological institutes and engineering universities, with the Carnegie Institute of Technology in Pittsburgh coordinating these efforts.

This brief summary is enough to indicate that some of these programs have made real contributions to Indian needs, particularly in supervisory training TWI), vocational training, and manpower analysis. Others, such as the ILO Productivity Missions, have run into difficulties growing out of the surplus labor nature of the Indian economy and the errors in the first team's approach to this difficult problem.

By and large, the ILO and the Ford Foundation programs seem to have been somewhat more effective than the United States government's TCM programs in industrial management and labor.[45] The latter have covered a wide range of programs, some more important than others, and a few of the really significant ones, delayed or cut financially by Washington headquarters staff remote from the field. These experiences do not offer convincing evidence that technical assistance from the United States in managerial know-

how and labor-management relations has been as helpful to India as it could be.[46] While the Russians are just beginning, their assistance may be more effective because it seems to be concentrated on a few important and dramatic programs, such as one of the new steel mills and a technological institute in Bombay.[47]

The recipient country, however, also has obligations, and there have been instances of competent experts from abroad "cooling their heels" in New Delhi or elsewhere because the necessary advance preparations had not been made to utilize the technical assistance most effectively. The quotations at the outset of this section still highlight the difficulties involved in technical assistance programs affecting labor in India. They are often too scattered and uncoördinated; even the best ones could accomplish more if the demand for their services were more adequately demonstrated and developed in advance of their arrival in India. Against this criticism must be put the argument that "rather than miss an opportunity entirely, it might be worth while to start from scratch in the underdeveloped country, playing by ear but moving along in the right direction," as one former TCM official said.

In the last two chapters we have surveyed the role of government in India as, first, passive regulator of the labor-management relationship before World War II and Independence, and, after 1947, as active intervener. The major legislative enactments since that date place government squarely in control of the directions which labor-management relations may take in India. Imperatives of planning, as outlined in the First and Second Five Year Plans, convince responsible government officials that employers and unions cannot be left free to work out their own problems, sometimes at the expense of the community. Free trade unions and free collective bargaining, in the American sense, cannot be permitted to exist in India at this juncture in its economic development, in this view.

Thus, government has established an elaborate machinery for compulsory arbitration of labor disputes; has developed standards through this machinery for settling the annual wage controversies centered upon the "bonus" related to the profits of the firm or industry; has avoided establishing procedures for selecting a majority union by secret ballot, but has developed methods of designating a "representative union," and has intervened on behalf of labor in the controversy over rationalization of machinery and equipment in Indian industry. All of this is in addition to an extensive program of social insurance which may be beyond the apparent capacity of Indian industry to bear, but which seems politically necessary as the expectations of Indian industrial workers are aroused and their allegiance must be preserved by the party in power. Finally, as we have seen in the last section, government is the agent through which most foreign technical assistance must funnel, and here again its role is that of intervener in labor-management relations.

CHAPTER X

Conclusions and Implications

Our analysis of labor problems in the industrialization of India has now brought us back to our starting point. We began with a statement of the goals of economic development as outlined by the government in the five-year plans, examined the growth of industry and entrepreneurship in India, then analyzed the development and commitment of an industrial labor force, the growth and development of labor organizations, the managerial response to labor problems and the nature of labor-management relations at the plant level. Finally, in the last chapter we have considered in detail the crucial role of government in structuring labor-management relations. Thus, in the Indian context, government is of critical importance. What the state does or does not do is vital in the development of any society; but its special role in an industrially underdeveloped country like India needs particular emphasis.

In this final chapter, we shall first note the distinctive features which help to explain the direction and character of Indian labor problems. Next, we shall outline the tasks facing management and labor, indicating some of the implications of the policy-making role of government, and make some recommendations.

Distinctive Features in the Indian Setting

Not all the following points are unique to the Indian experience, but they are distinctive enough to single out for special mention. Parallels and contrasts with other countries in similar stages of economic development will occur to readers familiar with their process of economic development in relation to labor problems elsewhere:

The Indian people, through their government, desire rapid economic development, and this takes place in a context of recently-won independence from a colonial power and the nationalist sentiments which that struggle engendered. The goal is the elimination of poverty and unemployment, and the attainment of higher standards of living, without surrendering individual freedoms to an all-powerful state. The initiative for the present economic development effort is with the government, and the resources are largely internal.

Rapid population growth, as economic development initially reduces death rates, is a central fact facing economic planners in India. More employment, therefore, becomes a goal in itself in a nation already confronted with millions of unemployed and underemployed adult citizens whose plight challenges political stability of government.

Although numerically and relatively small, the industrial labor force in India today is growing in importance with industrialization and has been the special concern of leaders of the Indian Congress Party and of the government. Mr. Nehru once served as president of the labor federation, Congress Party officials played a leading role in the formation of the Indian National Trade Union Congress, and three former leading trade union officials have been ministers in the central cabinet,[1] including the present Minister of Planning and Labor, G. L. Nanda.

The heritage of almost two hundred years of British rule, ending in 1947, was not only a strong and successful nationalist movement, but also (a) a trained Indian elite represented by the Indian Civil Service which provides a government administration unique in industrially underdeveloped countries; (b) an educational system which helped to produce this elite and has left a common core of knowledge and a language of the elite (English) in a subcontinent of many linguistic, religious, and racial groups; (c) an English legal system which has helped to preserve individual rights; and (d) a managing agency system of business entrepreneurship and management. This heritage left by the English has blended well, in many respects, with the strong features of Hindu life and culture.

The managing agency system has been adopted by the growing and now dominant Indian business groups, which found that it was suited to the particular obligations of the joint or undivided family, as well as the obligations of the special business communities, and the concentration of enterprise which these entailed.

The presence of the speculative and trading element in Indian business has impeded the growth of stable, long-run enterprises, although it is declining. Some speculation was probably necessary in the initial growing stage when new industrial empires were being built in the absence of government initiative, but this is less true today. Fortunately, there is a growing number of vigorous, responsible private enterprises.

The excesses of Indian business in the past account, in part, for the anti-business sentiment among intellectuals and government officials; the lower place of business management in the Indian scale of honorable occupations is also responsible for this sentiment. India seeks a "socialistic pattern of society," but this is not a dogmatic or doctrinaire program, and the private sector has an important role in the government-initiated economic development plans.

Mahatma Gandhi's emphasis on the values of a self-sufficient village econ-

omy and his condemnation of the evils of industrialism and urbanism have had some influence in causing government to protect handicraft and village industries at the expense of modern industry; but the present government has clearly chosen industrialization as the road to reducing the poverty and unemployment of India's millions. The Gandhian way of life, like the joint family, the caste system, the otherworldly and ascetic aspects of Hindu religion, is being modified by the pressures of industrial development. The cultural setting is not an inflexible barrier; it bends and even accommodates to the new logics. Even India's villages, where 83 per cent of the population still lives, are apparently changing age-old patterns of life under the impact of government-sponsored Community Development Programs.[2]

Nevertheless, the strong family ties to their villages make many Indian industrial workers only partially committed to urban employment. A stable labor force is growing in those centers where adequate housing and other facilities are made available by employers, and where group solidarities develop to take the place of the social security system represented by the joint family in the village social structure.

The struggle for national independence gave initial direction and character to the Indian labor movement, which at first was simply an arm of the nationalist movement. The "outsiders" who came to positions of trade union leadership were, in some cases, nationalist leaders. Perhaps some of the nonviolent tactics of Indian unions and workers today are a carry-over from this period of nationalist agitation. The hunger strike is a peculiarly Indian device.

The influence of Gandhi on the formation and direction of the Ahmedabad Textile Labor Association was very great, and this union, in turn, has influenced the formation and character of the Indian National Trade Union Congress. The acceptance of compulsory adjudication by TLA and INTUC grows out of the Gandhian philosophy that if two parties cannot agree, an impartial third party should decide what is right and just, rather than deciding the issue by a test of strength. This philosophy happens also to fit the needs of a central government seeking to prevent industrial disputes from impeding economic development plans and goals.

The structure of the Indian authority system, perhaps springing from the idea of paternalism in the joint family, has facilitated centralization of authority in organizations, including business organizations. Superior-subordinate relations in Indian industry, as well as in many other facets of Indian life, are often characterized by authoritarian order-giving and subservience to superiors. There is very little challenge of constituted authority from below and even very little communication upward. Exceptions to this generalization can easily be made, as in the case of worker indiscipline and occasional outbursts of violence, but within management and administrative ranks this is true more often than not.

National pride and aspirations put pressures on foreign firms in India for rapid "Indianization" of their staffs, including managerial staffs. Foreign firms are also under special pressure to adopt more generous personnel policies as a price for continued survival and prosperity in the Indian environment.

Government has found it increasingly necessary, since independence in 1947, to intervene in the structuring of the labor-management relationship. The overriding importance of economic development objectives, the concern for left-wing and Communist capture of labor protest, and the shortcomings of managerial attitudes and policies toward utilization of labor have all combined to bring government into the control of labor-management relations to a degree unthinkable in most Western countries today. Government has assumed the rule-making function often left to labor and management in the West, although there are some interesting and growing examples of direct collective bargaining without government intervention.

Government has also been under pressure in India to provide a measure of social and economic gains early in the industrialization process, and therefore to adopt many of the standards of the more advanced industrial countries. Continued mass political support in a democracy demands these concessions of the governing party, but the conflict between this objective and that of rapid economic development through capital formation at the expense of present consumption is evident.

Tasks Facing Management and Labor

In the following comments directed to management, we shall proceed on the assumption that employers in every industrial country have the primary opportunity and responsibility for developing a stable industrial labor force, utilizing human resources effectively, and structuring initially the nature of the labor-management relationship. Labor organizations have a similar opportunity, but to the extent that the recruitment and direction of the labor force is the essence of the managerial responsibility, private or public, the initiative rests with management.

The approach of many managements in India in utilizing human resources and in dealing with labor problems is still characterized by authoritarianism and paternalism. Changes are occurring under the impact of an increasingly articulate labor movement and a government which supports (as governments in most democratic countries have) the aspirations of industrial labor. But general labor shortages, which have put the most effective pressures on managements in other countries, will be long in coming in India, where underemployment and unemployment still persist in significant magnitudes.

There are important exceptions to this prevailing pattern of management ideology and approaches in utilizing labor. In almost every industrial region in India, firms can be found which have in common a top management that

believes in the importance of building an effective managerial organization and in developing workable relationships with employees and trade union representatives. Among these exceptions are a number of foreign firms, but the significant thing is that Indian managements have also demonstrated the advantages to be gained from building an effective managerial organization to utilize human resources at all levels. This approach is badly needed in private and public enterprise management as Indian industrialization proceeds, and failure of management to keep pace in this respect will impede industrial development.

One of the most important steps in building an effective managerial organization in Indian enterprises is to provide greater opportunities for middle management to participate in important managerial decisions and have access to higher managerial positions. Too many enterprises are highly centralized, with even minor decisions made by the managing agents. If these top managers would delegate more responsibility to junior executives, they would find this an effective method of management training and development.

Nepotism in promotions to higher managerial positions is all too frequent. It may be argued that this is relatively "costless" in an industrially underdeveloped economy where managerial skills are scarce and sons and relatives of the wealthy get most of the advanced training. But this overlooks the loss of managerial talent which may have developed under other conditions among those with comparable educational training, who do not happen to be related to the top managers or members of their caste or business community. Recognition of the value of professionally trained management (regardless of family and other connections) is growing, but not fast enough. In the same manner, foreign firms need constantly to increase the opportunities for Indians to take managerial responsibilities, beyond the requirements suggested by government.

More managements are recognizing the value of postgraduate training programs for selected groups of middle management, and the few programs which have started in Indian universities deserve greater top management interest and support. Successful managers should be willing to share their experience with younger managers by serving as conference leaders for these programs. Top management also needs to give more attention to in-plant supervisory training programs, such as the Training-Within-Industry program, which got off to a good start in 1953-55.

Professional management associations, such as those in Bombay, Bangalore, and Calcutta, merit greater support from the leaders of Indian industry. Junior managerial officials may benefit from the exchange of experiences with their associates in other companies, or from the more formal training programs initiated by local associations; but they need to be encouraged and supported in these efforts by company managing directors and managing agents.

Paternalism, as expressed through extensive employee welfare activities,

is required of Indian employers not only by law but by the necessity of developing a stable, committed industrial labor force. Many Indian and foreign employers are justly proud of the housing, child care centers, employee canteens and stores which they provide for their workers, but these employers are probably in the minority. Much more needs to be done by employers (or, if not by them, then by the state) to provide the "social overhead" of housing and other urban amenities which are needed as villagers come to the cities for industrial employment. The eventual worker resentment of paternalism can be tempered, as it has in some Indian firms, by conscious employer efforts to enlist worker participation in the administration of welfare activities, through works committees or union representatives.

But the commitment of an industrial labor force requires more than providing material benefits. It means building an employer-employee relationship in which employees find that work helps them achieve some of their aspirations as individual human beings. The work environment which offers these opportunities includes many of the ingredients of a modern personnel administration program. These may not wholly apply to an industrially underdeveloped country, but the successful experience of a number of foreign companies in India with personnel approaches and policies similar to those used in more advanced industrial countries suggests that the amount of transferability is substantial. The supervisory-employee relationship is crucial here. People at work tend to respond to fair, consistent treatment in the same way in most industrial societies, and Indian workers are no exception, despite all the differences in culture and social structure. Employers in India who justify authoritarian and inadequate personnel policies on the grounds that "Indian workers are different" fly in the face of contrary experience elsewhere in the country. Research studies which emphasize the importance of the "employee centered" supervisor in Indian industry should not be ignored by Indian employers.

The appointment of a labor officer, or the labor welfare officer required by law, is no substitute for developing the ability of the line management to deal with employer-employee relations. Furthermore, the status of the labor officer needs clarification in Indian industry. The legal requirement tends to put him in an anomalous position—a sort of third force between management and labor, often trusted by neither. Some firms have appointed personnel or labor officers, comparable with those in Western industrial nations, who advise and assist the line management in handling labor problems, but do not attempt to relieve them of the entire responsibility for getting results through people. When managements treat labor officers solely as agents for administering discipline, handling grievances, and performing other "unpleasant tasks," they have failed to understand their own responsibilities as managers.

While Indian labor is still plentiful in numbers, it is no longer cheap.

Indiscipline and poor performance, partly the consequence of inadequate managerial policies, and legal requirements which limit managerial flexibility in utilizing labor, make labor costs higher than hourly or monthly wage comparisons with other countries would indicate. This is a growing economic pressure on management to utilize labor more effectively as is the growing strength of organized labor supported by the state. Furthermore, management policies that may have been politically adequate in the nineteenth century in other developing countries are politically explosive in the mid-twentieth. Industrial labor is now more articulate, has powerful political friends competing for its allegiance, and is ready to protest politically any short-sighted and selfish managerial practices.

Management in India, nevertheless, is faced with more difficulties in utilizing labor and dealing with labor organizations than is management in most Western industrial nations. In addition to the problems of a partially-committed industrial labor force, and the legal requirements imposed by the state, management is confronted with rival unions claiming to represent various groups of employees in a particular firm or industry. Some managements have developed direct negotiations with a Works Committee, or with a union confined to the particular plant and headed by the firm's employees. Their approach is designed to nurture and strengthen this type of labor-management relationship. Even in some firms with "outside" unions, managements have succeeded in establishing workable collective bargaining relationships by insisting on dealing with the most representative union and then negotiating a labor agreement directly. This small but growing number of examples deserves careful study and more experimentation by Indian employers—at least if they seek an alternative to complete state intervention and structuring of labor-management relations.

In addition to the Textile Labour Association in Ahmedabad, a remarkable union which has responsible relationships with an employers' association, there are a number of strong, effective regional and plantwide unions. In each case, attention is given to effective processing of workers' grievances and to various union welfare activities which help to build membership loyalty to the union and real union strength. Many of these unions are found in companies where the management consciously attempts to develop good labor-management relations, and their experience deserves greater study and emulation by other unions.

The majority of Indian unions, however, are relatively weak in terms of a stable, dues paying membership, and are confronted with rival unions whose leaders may promise greater gains to workers in the attempt to draw them away from another union. The tendency of Indian workers to switch union affiliations is notorious; but, with one or two exceptions, union leaders do not see the advantages to stable unionism of a system of dues checkoff, maintenance of membership or union shop clauses.

Trade unions in India suffer from the lack of capable "insiders" in the movement, that is, men and women who have worked in the firm or industry, know its problems, and understand the workers in it. Until these develop—and this will take considerable time—"outsiders" will clearly be necessary to give leadership direction and support. In the meantime, with the support of government, Indian unions should increase their efforts to develop leadership training programs, as the TLA has done in Ahmedabad and the Tata Workers Union in Jamshedpur.

The dominant Indian labor federation (INTUC) is confronted with the dilemma of being so closely identified with the Congress party and with India economic planning goals that it may lose membership support to rival federations which are often critical of the present government. INTUC unions need to pay increasing attention to problems of workers at the plant level, as the Textile Labor Association in Ahmedabad has done, rather than to depend on compulsory adjudication and labor legislation for the satisfaction of workers' needs. Possibly the existence of rival labor federations, which complicate the employers' problems in dealing with unions, serves to keep the INTUC more independent of and critical of government than it otherwise would be.[3]

This dilemma, however, illustrates the role which a labor movement plays in an industrially underdeveloped country seeking to achieve fairly rapid industrialization. When economic development proceeded more slowly under private enterprise initiative, as in many Western countries during the nineteenth and early twentieth centuries, the labor movement developed as a response to industrialization and as a protest movement with varying degrees of freedom to use direct economic action to achieve its goals. But when government is forced to take more of the initiative for economic development in underdeveloped countries today, the labor movement tends to be regarded (by government officials and by some trade union leaders) as an instrument of economic development in the interests of the whole nation, rather than as a class group. The danger here, of course, is that the labor movement may become a "labor front," as in totalitarian countries.[4] So long as India remains dedicated to economic development by democratic means, this danger must be borne in mind by trade union leaders and government officials alike.

"Worker participation in management" is one of the major current goals of the INTUC, supported by the state and central labor ministers. This grows in part out of the dissatisfaction with the operation of works committees and in part out of the belief that it will lead toward the goal of a "socialist pattern of society." If "participation in management" means joint sharing of decision making at all levels, the consequences of such a system on effective management have not been understood, and clearly Indian union leaders and workers will not be prepared for this type of responsi-

bility for a long time. Furthermore, even in advanced industrial countries in the West, this type of joint responsibility has not developed, apart from nationalized industries and possibly those affected by codetermination—and nationalization is even losing its attraction as a goal.[5] But if "participation" means greater consultation between management and labor, then unions and workers will clearly benefit, as well as management. The importance of adequate preparation for joint consultation of this type cannot be overstressed; unions need to develop training programs for members of these committees as unions in Sweden, for example, have done so effectively. "Worker participation in management" in this sense is not achieved by directive or by legislation. If Indian unions and workers believe that it is, disillusionment is inevitable. And if management wishes to avoid the consequences of legislation and this disillusionment, it should take the initiative in demonstrating that joint consultation is possible.

Trade unions in India, as in most industrial countries, continue to press for a "fair wage" or a "living wage," and oppose the introduction of labor-saving machinery where this will immediately add to the existing unemployment. In achieving these objectives, however, the unions rely heavily upon government, for direct collective bargaining with employers on these matters is still fairly infrequent. This is another indication of the importance of the role of government in structuring labor-management relations in India.

The Role of Government: Some Policy Implications

Before the second World War and independence in 1947, government was primarily a passive regulator of labor-management relations. To be sure, important labor legislation was passed under British rule, and two government investigating commissions suggested needed changes. But, for the most part, the labor problems of industrialization had not become so acute that direct intervention was considered necessary on the scale that subsequently developed.

The emergency resulting from the second World War and independence brought government directly into the settlement of labor disputes and the necessity of structuring labor-management relations. The postwar wave of strikes and the overriding goals of the First Five-Year Plan forced the new government of India to seek an "Industrial Truce Resolution" and to implement this with compulsory adjudication through the Industrial Disputes Act of 1947. Several states, notably Bombay, increased the intervention of government at the state level. Other national laws provided for the establishment of "standing orders" (terms of employment approved by government), appointment of labor welfare officers, regulation of other conditions of employment, provision of medical and sickness benefits, and old-age pensions. The labor sections of the First and Second Five-Year Plans spelled out gov-

ernment's concern with labor and labor problems in the context of economic planning and development.

Compulsory adjudication remains the cornerstone of labor dispute settlement in India, and is likely to continue so for the near future, at least. During 1952–53, under Labor Minister Giri, an attempt was made to reduce and limit its applicability so that stronger, independent unions and collective bargaining would be encouraged. This attempt failed because it was opposed by important elements in the central and state governments which wanted to retain some measure of control over labor relations, by most of the labor federations, and by some employers and employer groups. Compulsory adjudication remains a "way out" of serious labor strife for the latter two groups, in the face of rival unionism, including Communist unions. For government, it provides a measure of control consistent with planning objectives and with the belief that it is better to let an impartial third party decide what is right, if two parties cannot agree, than to permit them to fight it out.

Although we oppose compulsory arbitration in advanced industrial countries with responsible employers and mature unionism, for reasons that are well known, we must conclude that in its present stage of economic development, India cannot afford the period of labor strife which is the usual prelude to more mature collective bargaining relationships. The reasons given for the retention of compulsory adjudication in India in the near future are more compelling than the reasons advanced for scrapping it. Those who propose the latter, influenced as they often are by Western experience, need to reconsider the context and timing of economic development in which completely free collective bargaining can work.[6] It ought to be realized, however, that once a country adopts compulsory adjudication, it is not easy to reverse the pattern and move to freer collective bargaining.

There is a tendency in some Indian states to refer disputes too readily to adjudication, without carefully examining whether there has been a genuine effort to reach agreement. The conciliation process in many cases appears to be a "rubber stamp" for reference to adjudication. A common complaint of management, and to a lesser extent of union officials, is that conciliators are frequently inexperienced and inept. Little has apparently been done to improve the quality of conciliators or of conciliation, by better selection, training, and conference programs. There is room for more agreements between management and unions in India, and these could be encouraged by less ready reference to adjudication and by better conciliation. While the availability of compulsory adjudication does, of course, tend to discourage direct settlements, there is a growing number of managements and unions which prefer to settle their own differences in order to avoid the delays in the adjudication process. The 1956 amendments, establishing a

three-tiered system of tribunals and abolishing the Appellate Tribunal, may reduce these delays, but where managements and unions want to bargain directly, there is still plenty of incentive to do so in order to avoid the litigious atmosphere of the tribunals.

In order further to reduce the load on the tribunals and to avoid delays, the parties might be more positively encouraged to use private voluntary arbitration, along the pattern adopted in Ahmedabad and in Coimbatore. There is, however, very little private voluntary arbitration of unsettled grievances, as there is in the United States, and the lower tribunals and state labor ministries will probably continue to handle these rather than refer them to private arbitrators.

Wage disputes, including those involving annual "bonuses," continue to be the most important single cause of work stoppages in India. The compulsory adjudication system has developed a formula for determining the amount of bonus, related to company profits, and while the tribunals are ostensibly independent of the planning functions of government, the conclusion is inescapable that bonus awards constitute a form of government regulation of wages. "Social justice" to workers has been tempered with the realities of the economic condition of the firm or industry. Furthermore, the current government proposal to establish wage boards for setting minimum wages in particular industries is in line with the conflicting objectives of helping workers achieve a "living wage"—not so fast that economic development is impeded, but fast enough so that the political allegiance of the growing industrial labor force is retained.

Except possibly in a few states, there are no adequate procedures for determining which union is "representative," or in the American sense, which union is to be designated as the "exclusive bargaining agent" for employees in a particular unit. Rival unionism seems to perpetuate this condition, rather than to compel action to meet it. The secret ballot for selection of the bargaining representative is opposed by those in government and in unions who fear that easily misled Indian workers would vote for communist-led unions which promise much and are often also more militant. The alternative is a membership list check, and yet this is open to charges of abuse, especially by non-INTUC unions. If government wants to provide the conditions under which collective bargaining can develop effectively, it must resolve the indecision with which it is now confronted and develop some Indian-wide method of determining the most representative union with which employers are expected to bargain. If, on the other hand, government prefers to perpetuate its present measure of control over the labor movement, perhaps rival and fragmented unionism is congenial to this objective. From another point of view, rival unionism, as we noted earlier, is not an unmixed evil, for it may keep a measure of freedom and vigor in the labor movement that would

not otherwise exist. One united labor federation would either be more independent or less independent of government, and probably the latter is more likely at this stage of India's economic development.

Government structuring of labor-management relations in India has not extended to specific protections of the right to organize and bargain collectively, as in the Wagner and Taft-Hartley Acts in the United States. The 1947 Amendment to the Trade Union Act of 1926 contained provisions almost identical with the "unfair labor practices" sections of the Wagner Act, but these were not implemented, for reasons never made explicit. Section 33 of the Industrial Disputes Act, even with the 1956 amendments which give employers deserved freedom in disciplinary cases not connected with a pending dispute, does provide some protection to trade union leaders against "victimization" (discrimination for union activity). Other legislation restricts the number of "outsiders" on union executive committees. But for the most part, it is difficult to conclude that a strong, independent trade union movement is among the top priorities in government's present labor policy. This reflects, in part, the lack of agreement in government and trade union circles on what ought to be done to strengthen unions; but it reflects even more the need for government to retain some control over these activities of the labor movement which might hinder economic development objectives. This concern is understandable and defensible.

The present role of government is further illustrated in the experience with labor protest over rationalization and labor's demand for greater "worker participation in management." In both cases, the central government has stepped in to moderate and contain the course of events. Installation of new automatic machinery, particularly automatic looms, in the cotton textile industry was prohibited in the face of labor protests, and has been relaxed only recently when it was apparent that the survival of export markets (an economic development objective) required some plant modernization. Protection of the handloom industry (another economic development objective to provide increased employment) was also a factor in the initial decision to slow down mill rationalization. Disillusion with works committees required by law led to government interest in "worker participation in management" as demanded by INTUC unions especially, and it is reasonable to expect that the procedures eventually developed will be supervised by government.

As the importance of this public sector in Indian economy grows during the Second Five-Year Plan period (1956–61), government's obligation as "model employer" becomes even more apparent than it has been in the past. While there were notable exceptions, government enterprises were not regarded widely by trade union officials as more enlightened in their labor-management relationships than the bulk of private employers, and were said to be more backward in a few cases. Government needs to give more specific

attention to management training and development for public enterprises, better personnel policies, and more workable relationships with trade unions and works committees. If government is serious about promoting "worker participation in management," it might well begin with its own enterprises and establishments.

The need for better management training programs and for the development of professional management associations was recognized by the central government when it established committees to develop plans for graduate management training programs at several engineering and economics colleges, an Administrative Staff College, and an Indian Management Association. But government initiative here was taken more because government wanted to maintain some control over the developments than because private groups were unable to proceed alone. Vigorous local management associations developed without government support, and at least one good advanced management training program was developed locally in a government-supported technological institute before the India-wide program was formalized. In these efforts, the Ministry of Education needs to avoid imposing rigid restrictions on the experimentation which must necessarily take place in various universities and localities. Nor does it seem likely that a professional management association can usefully be sponsored by government, when there appear to be sufficient interest and initiative among private and public enterprise managements in a number of industrial centers.

Finally, government has the continuing problems of better utilization of the technical assistance programs which are available from other countries on a bilateral basis and through international agencies, such as the ILO. While there is need for better coördination of these programs within and between the countries offering them, the recipient country has obligations also. More careful advance planning of the specific programs, with emphasis on priorities and essential needs, would avoid proliferation of what often appear to be less important activities and the delays which have occurred in utilizing the time of visiting specialists effectively. The decision in September 1956 to establish a Manpower Committee of the Cabinet chaired by the prime minister, a Manpower Committee of Secretaries to advise and assist the Cabinet Committee, and a Directorate of Manpower Coordination in the Ministry of Home Affairs, gives promise of better integration of technical assistance programs with the government's own activities in the manpower field as broadly defined. Not only are trained technical personnel in short supply in India, but the need for administrative, managerial and supervisory skills in private and public industry is great. There are encouraging signs that government, as well as private industry, is increasingly aware of the overriding priority that should be given to meeting these high level manpower needs.

Appendices

Appendix A

FIRST FIVE-YEAR PLAN[1]

Labour Section

CHAPTER XXXIV

LABOUR

Our approach to labour problems rests on considerations which are related on the one hand to the requirements of the well being of the working class and on the other to its vital contribution to the economic stability and progress of the country. The worker is the principal instrument in the fulfillment of the targets of the Plan and in the achievement of economic progress generally. His cooperation will be an essential factor in creating an economic organisation in the country which will best subserve the needs of social justice. Certain rights and obligations are associated with this distinctive role.

2. Adequate provision has to be made for the basic needs of the workers in respect of food, clothing and shelter so as to enable them to remain in a state of health and efficiency. Besides the satisfaction of these basic needs, they should have their due share in social and economic progress in the shape of improved health services, wider provision of social security, better educational opportunities and increased recreational and cultural facilities. The worker must, of course, as a member of the community have the full benefit of the social services and facilities available to any other section. Appropriate measures must, however, be taken to meet their peculiar difficulties and to remove their special handicaps.

3. The conditions of work should be such as to safeguard the worker's health and protect him against occupational hazards. The work-place should provide reasonable amenities for his essential needs. The worker should also be equipped with the necessary technical training and a certain level of general education. Having placed his assets—labour and skill—at the disposal of the community, he should be assured of a reasonable measure of security against the various natural and other risks to which he is exposed. In his relations with the management, it is necessary that he should be treated with consideration. When he feels he cannot get a fair deal from his employer, he should have access to an impartial machinery set up for the purpose. The worker must be free to organize and to take lawful action in furtherance of his rights and interests. The community has recognised most of these rights, which have found a place in the Constitution.

4. The Central and State Governments have been alive to all these needs of workers. Some of the laws pertaining to factories, trade unions, workers' compensation for injuries and death have been in existence for a long time, but the pace of action has quickened since Independence. The Ministry of Labour at the Centre, in particular, have made strenuous efforts to promote the well-being of the working class on the basis of a planned programme with legislative and administrative measures, much of which has been successfully carried out. In the sphere of labour legislation undertaken recently mention may be made of the Industrial Disputes Acts, 1947, the Factories Act, the Coal Mines Provident Fund and Bonus Scheme Act, the Minimum Wages Act, the Employees' State Insurance Act of 1948, the Plantation Labour Act, 1951, the Mines Act and the Provident

Fund Act of 1952. Some of these Acts have already come into operation while others are being put in force. A number of welfare schemes are being put in force. A number of welfare schemes particularly for employees of mines and of Central Government undertakings have been introduced by the Ministry. Housing for industrial workers has made a modest beginning. Effect is now being given to the recommendations of the Commission for participation by Government in this activity on a much larger scale. In addition to the funds allotted to housing and to resettlement schemes of landless agricultural workers over 6.74 crores of rupees are intended to be spent on labour welfare during the period of the Plan, both by the Central and State Governments. Tripartite bodies have been set up to advise Government on various labour matters. Advisory Boards are working in many States. The employment position in factories has been much better during recent years as compared to the two years immediately after the end of the war. The average annual earnings of factory workers have shown a steady increase. Trade unionism has experienced a remarkable growth during these years but the qualitative progress has not been even.

5. The response of the workers to these measures has been satisfactory. Noticeable increases in production have been recorded in a number of industries during last year and the first half of this year. Strike activity has considerably diminished. The number of man-days lost last year was the lowest among the years of the post-war period. There is increasing evidence of the relations of mutual dependence and the need for direct dealings on the part of the representatives of the workers and the employers. The emergence of the Joint Consultative Board as a bi-partite structure on the initiative of the top representatives of the working class and industry is a welcome advance. The tendency to rely more and more on internal settlement was manifest during and strengthened by the proceedings of the Indian Labour Conference held recently.

6. Greater improvement in the economic condition of workers has, however, been impeded by a rising price level and failure of the industry to renovate and modernise plant and rationalize management in many cases. In this context it is, however, to be realized that rate of progress has to be determined not only by the needs of the workers but also by the limitations of the country's resources. Too rapid changes or changes on a wide scale may result in financial, administrative and other difficulties which endanger new reforms and retard further development. On the side of labour, there should be a keen realisation of the fact that in an undeveloped economy, it cannot build for itself and the community a better life except on the firm foundation of a higher level of productivity to which it has itself to make a substantial contribution. The role of labour in promoting better standards of living for the community involves acceptance of greater regularity in attendance, disciplined behaviour and meticulous care in discharge of duties. To ensure this, much greater attention has to be paid to the spread of literacy and the healthy development of trade unions so that workers are not exposed to exploitation and can act with greater sense of responsibility.

7. Industrial relations, wages and social security, working conditions, employment and training and productivity are among the important aspects of the labour problem in respect of which the Commission proposes to make specific recommendations.

I. INDUSTRIAL RELATIONS

It is proposed to deal here with industrial relations both in the private and public sector. The role the trade unions and employers' organisations have to

play in the implementation of the plan also requires to be specifically stated. The recommendations in this section, therefore, have been grouped under the following heads: (A) Private sector (B) Public sector (C) Role of trade unions and employers' organisations in a planned economy.

A. *Private Sector*

8. Harmonious relations between capital and labour are essential for the realization of the targets of the Plan in the industrial sector. This would be assured to a large extent if it were possible for management and labour to come to an agreement regarding the principles which should govern industrial relations. To this end the Planning Commission worked out certain proposals in consultation with the Ministries of Labour and Commerce and Industry on the basis of which agreed conclusions have been reached in the Industries Development Committee composed of representative employers and leaders of the principal workers' organisation in the country. These agreed conclusions are reproduced below:-

The approach:

9. Peace in industry has a great significance as a force for world peace if we consider the wider implications of the question. The answer to class-antagonism and the world conflicts will arrive soon if we succeed in discovering a sound basis for human relations in industry. Economic progress is also bound up with industrial peace. Industrial relations are, therefore, not a matter between employers and employees alone, but a vital concern of the community which may be expressed in measures for the protection of its larger interests.

10. In a community organised for social justice and the good of all its members, there would be a constant reconciliation of the interests of all sections and no legitimate occasion for a group to interfere with production or disorganise the life of the community should arise. Even where the workers and employers are ranged in opposite camps, the essential oneness of their interests over a wide area of the mutual relation of the parties is evident. But there is doubtless also a very considerable ground over which conflicts may arise. The employer usually possesses superior strength which may become a source of injustice and oppression unless he is imbued with a high sense of fairness and uses his advantage with scrupulous regard to the rights and interest of others. In an economy organised on the basis of competition, private monopoly or private profit, the workers' right to have recourse to peaceful direct action for the defence of their rights and the improvement of their conditions cannot be denied and should not be curtailed unduly. It is generally accepted, however, that in any emergency and in the case of services essential to the safety and well-being of the community recourse to a strike or lock-out may be suspended or withheld on the condition that in all such cases provision is made for a just settlement of the parties' claims. Experience of many years has demonstrated that in the majority of labour struggles, owing to the ignorance and the mistakes of the workers and their organizational and bargaining weakness, they have failed to gain their ends irrespective of the merits of the disputes. The community has, therefore, to intervene for redressing the balance in favour of the weaker party to assure just treatment for all concerned. Legal provisions relating to trade unions and industrial disputes have to be framed and interpreted in relation to these objectives. On occasions the workers too make an unreasonable use of their strength. Whatever may be the apparent outcome of a labour conflict, the resulting loss far outweighs any advantage secured by a party and in most cases all concerned stand to lose.

11. In normal times and in ordinary cases whether the right to strike or lock-out should be circumscribed is an open question. An economy organised for planned production and distribution, aiming at the realisation of social justice and the welfare of the masses can function effectively only in an atmosphere of industrial peace. India is moving in this direction. It is also at present passing through a period of economic and political emergency. Taking the period of the next few years, the regulation of industrial relations in the country has to be based on these two considerations and it is incumbent on the State to arm itself with legal powers to refer disputes for settlement by arbitration or adjudication, on failure of efforts to reach an agreement by other means. However the endeavour of the State has all along to be to encourage mutual settlement, collective bargaining and voluntary arbitration to the utmost extent, and thereby to reduce to the minimum occasions for its intervention in industrial disputes and the exercise of the special powers. The restrictive aspects of any existing or future labour legislation must be judged in the light of these considerations.

12. The employer-employee relationship has to be conceived of as a partnership in a constructive endeavour to promote the satisfaction of the economic needs of the community in the best possible manner. The dignity of labour and the vital role of the worker in such a partnership must be recognised. In dealing with the worker it has not only to be borne in mind that his energy and skill are the most precious assets of the nation, but also that his personality is an object of care and respect and of equal significance and worth with that of any other element in the community. It may be that the worker on account of handicaps of illiteracy and ignorance and lack of opportunities is not able to play as effective a role in the working of industry as he should. Industrial relations have to be so developed that the worker's fitness to understand and carry out his responsibility grows and he is equipped to take an increasing share in the working of industry. There should be the closest collaboration through consultative committees at all levels between employers and employees for the purpose of increasing production, improving quality, reducing costs and eliminating waste.

13. The worker's right of association, organisation and collective bargaining is to be accepted without reservation as the fundamental basis of the mutual relationship. The attitude to trade unions should not be just a matter of toleration. They should be welcomed and helped to function as part and parcel of the industrial system.

14. If any differences arise between the parties, they should be examined and settled in a spirit of reasonable adjustment with an eye to the good of industry and the well being of the community. In the last resort differences may be resolved by impartial investigation and arbitration. The intervention of the State and imposed settlements may become necessary at times. The stress of the administration as well as the efforts of parties should, however, be for avoidance of disputes and securing their internal settlement.

15. The machinery and procedure relating to compulsory arbitration and adjudication of disputes should be so designed as to secure the essence of a fair settlement based on the principles of natural and social justice with the minimum expenditure of time and money. To achieve the aforesaid aims, statutory provisions in this connection should be framed in accordance with the following principles:

(i) Legal technicalities and formalities of procedure should be reduced to the minimum, the relevant facts and figures should be furnished quickly and attention should be focussed on the material points in issue.

(ii) The machinery and procedure should be adapted to the varying needs. Every dispute should be taken up for final disposal directly at a level suited to the nature and importance of the case. Relatively simple or less important matters should not entail a disproportionate expenditure of time and attention.

(iii) Selection, recruitment and training of the personnel of the courts or tribunals should be carried out with a view to securing competent disposal of the question coming up before them and the requisite technical help should be provided to obtain speedy settlement and to avoid miscarriage of justice.

(iv) There should be no appeal from decisions of an industrial court or tribunal, barring the very exceptional case of a decision which may be found to be perverse or against the principles of natural justice.

(v) The provisions of law should be adequate for securing strict and prompt compliance with the terms of any award or decision.

16. Industrial arbitration differs fundamentally from the ordinary administration of justice. In the latter case the law of the land has pre-determined the rights and obligations of the parties and the courts have only to interpret and apply the provisions of the statutes. A wide element of discretion, however, rules the decision of industrial tribunals, because there are no established criteria for settling the issues which arise before them. It is possible that case law on those points will grow in course of time, but in matters affecting large economic interests it would be a very unsatisfactory procedure to leave the 'norms' and the guiding policy to be settled by such a process of trial and error. The resolution on Industrial Truce adopted at the Industries Conference in December 1947 visualises the establishment of a machinery for the determination of 'norms' and standards which may govern the mutual relations and dealings between the employers and employees and the settlement of industrial disputes. The most suitable machinery for the purpose can only be a tripartite body consisting of representatives of employers, employees and Government. It may be expected that agreements will be reached on many contentious matters, but where this is not possible the Government may, with such expert assistance and judicial advice as is needed, itself arrive at decisions. These agreements or decisions may, according to the nature of the case, be issued as directives binding on the courts or the tribunals or embodied in legislation.

17. There is need for continuous education of employers and employees as well as the public with regard to their duties and mutual obligations. The conduct of the parties must be in keeping with the objectives of the Constitution and the declared social policies of the State. Enlightened and active public opinion capable of mobilising itself on the side of justice and fairplay should be counted upon as a much more potent force for the maintenance of healthy industrial relations than the coercive powers of the State.

18. It should be realised that while the economic aspects are important we are basically dealing with a human, psychological and social problem. The key to industrial peace lies ultimately in a transformed outlook on both sides and it should be the business of leadership in the ranks of labour and employers as well as in Government to strive to work out a new relationship among the parties in accord with the spirit of true democracy. Where the State is itself the employer the relations between the management and the employees should be so ordered as to offer an example of sustained mutual goodwill and fruitful collaboration.

Avoidance of Disputes

19. In order to avoid needless friction and disputes between employers and workers, it is necessary to lay down in concrete and specific terms the duties and responsibilities of either side. A worker should know what is expected of him in the particular occupation or capacity in which he is employed. We should also know the privileges which are due to him, in relation to the performance of his duties. The standing orders, which are now obligatory in case of most industrial establishments, cover some of this ground, but there are other matters concerning the relations between the parties and the precise range of duties of operatives in which some guidance may usefully be provided. Each undertaking should, therefore, adopt a manual of instructions for different classes of operatives of the type in vogue in some Government offices and commercial establishments. Such manuals should be prepared, and when necessary revised, by tripartite consultation.

20. Elected representatives of workers function as shop-stewards in some establishments at present. This agency should be developed and fully employed for redressal of grievances of workers in their individual and collective capacity.

21. An employer should in consultation with the workers lay down clearly the manner in which any worker or group of workers, individually or collectively through their representatives, may approach authorities at different levels in the plant in respect of various types of grievances. Such procedure should be as uniform as possible for different workers in the same industry at the same centre. Suitable records may be maintained for this purpose wherever necessary. It should be open to an individual worker or his representative in due course to approach the highest executive on the spot, in the last resort. By suitable means the workers should be kept in touch with the state of the industry and the affairs of the establishment in which they are employed. This applies particularly in matters which concern them directly. The workers should be apprised in advance, in all feasible cases, of any contemplated change which may alter the *status quo* relating to their conditions and interests. The employees must similarly indicate their desire for any change in the existing conditions. The observance of such a procedure will prevent precipitate action which often leads to avoidable trouble. Direct action on either side in violation of this obligation should be punishable under the law.

22. The standing orders should embrace all matters of routine industrial administration and any differences between the parties regarding the terms of the standing orders should be resolved by arbitration. Model standing orders should be framed officially for the purposes of guidance and to operate till they are settled in accordance with the prescribed procedure. Arrangements should be made for registration of agreements at whatever stage they are concluded between the parties, with the explicit provision that any dispute regarding the interpretation of the terms of the agreement will be referred to arbitration.

23. Social contacts, not of a patronising character but as among members of an industrial family, should be promoted for all those associated with the working of the establishment at any level. The supervisory staff and the technicians have a special position of advantage for taking the initiative in establishing a spirit of brotherhood and cordial relations. The personnel officers on the staff, usually designated as labour or labour welfare officers, have a special responsibility for the avoidance of disputes and creating mutual goodwill and understanding. In a number of cases owing to wrong selection, lack of proper equipment or training and a wholly misconceived view of their role on the part of the employer, these officers have failed to render very useful service and have, on the other hand,

accentuated distrust and ill-will between the parties. Remedial action in this matter in which the State may assist should be undertaken by organisations of employers without delay. It will be found helpful if joint committees at various levels periodically review the developments in industry and working conditions and other matters of common interest.

Internal Settlement

24. The informal approach visualised so far may not succeed in disposing of all the differences which arise between the employer and the employees in an establishment. Questions also arise which affect the common interests of the workers engaged in an industry and which must properly be pursued on a collective basis. Efforts for the settlement of such disputes may be pursued in a coordinated manner either through a suitable machinery for joint deliberations or by collective bargaining between the representatives of organised labour and of the employer or a group of employers as the case may be.

25. Joint Committees—Works Committees for the settlement of differences on the spot between the workers and the management are the key of the system of industrial relations as conceived in this plan. Joint committees should also be set up for a centre and for the industry as a whole to tackle questions of wider import. These committees will be the best vehicle for improving labour relations and promoting employer-employee collaboration in the interests of high production and greater well-being of the workers through the progress of industry. It will not suffice to provide for the creation of joint committees either on a voluntary or compulsory basis. When a new institution of such a high significance has to be developed, active steps must be taken to foster it and to create conditions conducive to its healthy growth.

26. The successful functioning of works committees rests a good deal on the initiative, sympathy and interest of the management. The supervisory staff should be encouraged to lend a helping hand. There should be periodic review of progress of works committees. The circumstances hampering the operation of a committee in any unit should be examined carefully and every effort should be made to remove the hindrances. The works committee is in no sense to be a rival of the trade union. Every effort should be made to secure the support and cooperation of the latter in the conduct of the works committees. The personnel of the works committees on the side of the workers should invariably be chosen by the trade union enjoying a representative character and having the backing of the majority of the workers in a unit. In all other cases the workers should themselves elect their representatives on the works committees. It should be open to a union official or a Government Labour Officer to assist in the proceedings of the committees at the invitation of either party.

27. The committees while being free to take up any matter coming within the range of industrial relations should, in order that they may grow in strength, have a list of specified functions. All questions relating to amenities, working conditions, matters of discipline, quality of materials etc., should be necessarily dealt with by these committees. A works committee cannot of course take any decision which may diverge from the terms of a collective agreement and its decisions regarding matters lying within the scope of the collective agreement should be subject to the ratification of the management and the organisation of labour possessing the bargaining rights for the purpose.

28. A works committee is ordinarily the culminating step in the grievances machinery designed to function within a unit and there may be a separate com-

mittee for the purpose of collaboration in dealing with matters specially relating to production. It may, in certain cases, be found more convenient to entrust the works committee with the functions of a production committee.

Collective Bargaining

29. Collective bargaining can derive reality only from the organised strength of the workers and a genuine desire on the part of the employer to cooperate with their representatives in exploring every possibility of reaching a settlement. A legal framework may, however, be created to determine the appropriate bargaining agency and to fix the responsibility for the enforcement of collective agreements. For the success of collective bargaining, it is essential that there should be a single bargaining agent over as large an area of industry as possible and uniform conditions should be secured in at least all the establishments in one centre. Where no trade union has built up the requisite strength to obtain a representative character, the largest union should have the right to function in respect of all establishments in which it has a majority of the workers as its members. Separate unions for industrial establishments in the same industry in a local area are inimical to the growth of a strong and healthy trade union and their existence may be justified only in very exceptional circumstances. Provision has to be made for the direct election of representatives of workers from among the employees when no trade union exists or is able to secure the right to represent them. While it is preferable to have a single industrial union covering all the occupations in an industry, latitude may be permitted for special categories of salaried employees to form their own unions if the majority of these employees are in favour of such a course. In the absence of all other agencies arrangement has to be made by the State for the appointment of officials to look after the interests of the workers in industrial disputes.

30. To the bargaining status of the parties would naturally be attached certain obligations, especially with regard to non-participation in illegal strikes and illegal lock-outs.

31. An elaborate procedure relating to the representation of employees and employers may not be easily applicable to small and less advanced industries and a simpler alternative should be available for such cases.

Conciliation and Enquiry

32. The State has to step in with an offer of conciliation when the parties fail to reach an agreement and the dispute continues. Conciliation should be made available in all such disputes and must be resorted to except when there is a voluntary submission for arbitration or a direct approach to a tribunal or court is permitted or prescribed. The conciliation officer has an important role for which he should be adequately equipped and trained. For cases involving major issues *ad hoc* or standing conciliation boards may be appointed. The board should be composed of an independent chairman and persons in equal numbers to represent the interests of the parties. Panels of non-official conciliators may also be formed. Conciliation proceedings should be carried on in a completely informal atmosphere and concluded as quickly as possible within a fixed time limit. A court or a tribunal should not take cognizance of what transpires in conciliation proceedings.

33. It may be useful in certain cases to have recourse to an official enquiry for the purpose of avoiding disputes, eliciting information or educating public opinion regarding the merits of a dispute. A court or a commission of enquiry may be set up for this purpose.

Arbitration

34. Adequate machinery should be provided for arriving at impartial decision regarding disputes which are found incapable of settlement by conciliation. It is necessary to empower labour courts to take cognisance and dispose of any complaints relating to working conditions, health, safety, welfare, and kindred matters. Reference of disputes relating to such crucial questions as wages, hours, rationalisation schemes should, as far as possible, be left to be settled by conciliation or voluntary arbitration. The State may however, have to refer such disputes for compulsory arbitration in the absence of a voluntary submission. Employers and trade unions may be encouraged to bind themselves in advance to submit to arbitration every industrial dispute in which a settlement is not reached by conciliation and not to sanction or resort to a strike or lock-out as the case may be which is not legal and in respect of which all the legal methods for the settlement of an industrial dispute have not been exhausted. Such employers and unions should be in a position to make a direct approach to the machinery set up by statute for the purpose of compulsory arbitration. The most honourable and patriotic course for employers and employees would be to agree to submit any present or future dispute or classes of such disputes to arbitration of any person or board of their choice. The number of such agreements would be a good index of real progress in industrial relations in the country. The apparatus of arbitration must be adjusted to suit a variety of needs. For important industries separate wage boards would be found very helpful. Such wage boards may also be established at the centre to which issues affecting an industry in the country as a whole may be referred. A central tribunal should be set up to deal with disputes of national importance.

35. The cause of industrial peace has not been helped by the manner in which the legal machinery has functioned in several industrial disputes. There is a widespread feeling that excessive delays occur and the judgments in several cases lack balance and are incapable of meeting the true requirements of the situation. The remedial action already outlined here would go far to set things right. A considerable factor in the length of proceedings will be eliminated if the party making a claim submits its complete case at the start, furnishing a copy to the opposite party simultaneously. Similarly when conciliation fails a statement signed by the parties offering to submit their differences to arbitration may straightway operate as a submission, to obviate delay.

36. The work of the industrial and labour courts suffers in quality and speed of disposal because the necessary information is not readily available. In part the State can itself fill the gap by preparing in advance the factual and statistical material which, in the light of experience, is found to have a bearing on the various types of cases which come before the courts. The State should have the power to require any employer or employers generally to maintain and furnish data relating to plant, manufacture, industrial transactions and dealings which might be needed for the settlement of industrial disputes. The balance sheets of industrial concerns have often to be cited. They should be supplied to the authorities in a suitable standardised form as soon as they are ready. Provision for this may be made in the Companies' Act in which there should also be adequate safeguards to ensure that the balance sheets present the correct state of affairs of the company.

37. Legal sanctions may have to be employed for securing due observance of the awards and decisions of the tribunals. If direction and control of an establishment become necessary for this purpose they may be exercised under special legislation to be undertaken for the regulation of industries.

Stoppages

38. There is obvious justification for compulsory postponement of stoppages without notice of change and while collective bargaining, conciliation or arbitration is in progress. A strike or lock-out without due notice during the pendency of any proceedings or in violation of the terms of a settlement, agreement, award or order have of course to be banned and attended by suitable penalties and loss of privileges. An illegal change should be treated on the same footing.

B. *Public Sector*

(Industrial and Commercial Employees in Public Undertakings)

39. In India, as elsewhere, more and more industrial undertakings are now being financed and managed by the State. The number of workers employed in such undertakings is sufficiently large and harmonious industrial relations therein are matters of vital importance to the success and efficient working of these undertakings.

40. Public undertakings differ in an important respect from private undertakings. The 'profit' motive and the exploitation of workers for private gain have no significance in the State-owned enterprises. The undertakings have no doubt to show the same, if not greater efficiency of working as private owned undertakings. They have also to show profits. But the nature of these profits is different. The profits which these undertakings make are not profits intended for any individual or group of individuals but are extra wealth for the whole country.

41. A worker in a public undertaking stands on a different footing from a worker in private undertakings. He has a dual role of master and servant; master as a citizen of the country and servant as a worker of the undertaking. It is therefore necessary that he should be made conscious that in serving the undertaking he is serving himself and that the better he works and the greater his efficiency, the better he will serve and help himself. He must be made to feel that the responsibility for the success or failure is as much his as that of the management and that the undertaking belongs to the country as a whole including himself. He should take pride in his contribution to the success of the undertaking.

42. The workers' enthusiasm for the success of public undertakings can be aroused only when they know that justice and fair play prevail in the undertakings and proper arrangements are made for redress of the grievances of the workers. The aim should be to have a co-operative and contented labour force. The ways by which this can be achieved while maintaining peace in the undertakings and increasing production are:

(a) Wages in public undertakings should not be less favourable than those prevailing in the neighbouring private enterprises. In so far as working conditions and welfare amenities are concerned, undertakings in the public sector should set the pace and serve as models.

(b) The Board of Directors of these undertakings should have on it a few persons who can understand labour problems, the labour point of view and who have sympathy with the aspirations of labour.

(c) The benefits of all labour laws which are applicable to similar private undertakings should also be made available to the workers of these undertakings. Exemption from such labour legislation should as a rule not be granted but in case where the existing benefits are as good as or more favourable than those provided by such legislation, grant of exemptions may be considered.

(d) There should be progressive participation of labour in many matters

of the undertaking. Works committtees for the different departments and for the undertaking as a whole should be set up. The committees should be used for consultation and suggestions. The atmosphere should be such that the workers should be made to feel that in practice, as well as in theory, they are partners in the undertaking.

(e) Effective consideration of staff interests demand organized representation. A labour movement devoted to the protection and advancement of employee needs is as indispensable in public as in private undertakings. It is therefore essential to encourage the growth of healthy trade unions in these undertakings. There should not be any restrictions on industrial and commercial employees of Government undertakings exercising their trade union rights like any other employees.

(f) Collective bargaining between workers and management should be encouraged. Such collective bargaining should embrace both economic and non-economic demands. The management on the spot should be given full discretion and power to enter into commitments within certain prescribed financial limits. Government conciliation and arbitration machinery should be made available to the workers of these undertakings. The existing right of Government to accept, reject or modify and award should be restricted to periods of emergency.

(g) It is desirable that agreements between the management and the representatives of workers should make provisions for measures for increasing output and reducing costs, combating absenteeism and checking offences against discipline.

C. *Role of Trade Unions and Employers' Associations in a Planned Economy*

43. The trade unions and the employers' associations can play a positive and important role in the execution of plans as experience of other countries has shown. For the successful implementation of the plans in India, co-operation from trade unions and employers is absolutely essential. The important central organisations of workers and the employers' associations should be persuaded to treat the period of the execution of the plan as a period of national emergency. Their close co-operation should be secured at different stages of the execution of the plan. Some beginning has been made in the direction of such co-operation. The passing of the Industrial Truce Resolution in December 1947, whereby both the employers and workers agreed to refrain from the use of lock-outs, strikes and slow-down tactics, the establishment in 1948 of industrial committees for the important industries on a tripartite basis, the setting up of works committees under the Industrial Disputes Act, the co-opting of labour representatives on the Development Committee where labour matters are discussed, the constitution of the Joint Consultative Board on a bipartite basis and the recent establishment of the Central Industries Advisory Council on which employers and workers are represented along with other interests, are some of the instances of such co-operation. All these are steps in the right direction. The scope of such co-operation should be widened and the representatives of employers and trade unions should be associated at every step in the implementation of the Plan.

44. Cooperation from unions and employers can assume several forms, some of which have been mentioned below:—

The All-Indian Organisations of Workers and Employers can play an effective part by undertaking the task of presenting the plans to the affiliated unions and employers and discussing them with their members. They should convey their views to the planning authority and to Government. The aim should be to create enthusiasm amongst workers and employers for the Plan. The unions

and the employers could thus contribute much to the achievement and overstepping of the targets of the Plan. Healthy emulation should be promoted among the workers for this purpose.

The need for maintaining peace in industry and for avoiding interruption of work during the period of implementation of the Plan is obvious. In the interest of national economy unions and employers should exercise the utmost restraint in this respect.

The outlook of unions with regard to the question of wages should be attuned to the requirements of economic development, in keeping with considerations of social justice. It may otherwise happen that the increases that are won by workers in those industries in which they are highly organised, while those which have a weak or no organisation would be neglected. It would not be appropriate to ask for flat percentage increases to maintain the relative advantage of those placed in higher categories.

The trade unions have to assume increased responsibility for the success of the productive effort. The whole economic health of the country depends upon rapidly increasing the productivity of labour. Such increases will largely depend on improved conditions of work and improved methods and machinery. It will also greatly depend upon the utmost participation by the mass of workers in speeding up and improving production and that improvement can best be effected through modern industrial trade union organisations. All this would depend upon the extent to which employers associate workers with the productive effort and make the workers feel that in increased production lies the good both of the employers and workers. The employers should consult workers in respect to new machinery, methods of production and the way in which economies could be effected in the costs of production.

An important welfare activity to which the trade unions in foreign countries have devoted themselves is the organisation of cooperative societies. The activities of most of the trade unions in India have been confined so far to getting the grievances of workers redressed and fighting for the rights of the workers. This might have been inevitable in the earlier stages of the development of trade unions in this country. Trade unions should now devote more time to welfare and cultural activities especially the organisation and running of consumers' and credit societies. This will be an important activity for the benefit of the workers. The employers could help such activity by providing facilities such as, accommodation, clerical help, loans to start such societies etc.

Trade unions and employers' representatives should be associated at the various levels: at the level of the undertaking, at the level of industry and at the regional and national level. The workers should feel that they are playing an effective part in the implementation of the Plan and that on them depends the rise in their standard of living as well as that of the common man.

II. WAGES AND SOCIAL SECURITY

45. The worker today is not satisfied with merely the wage he receives. He expects to be protected against various types of natural and other risks arising out of employment. In addition to the principles of wage policy it is proposed to deal here with social security and provision for the future of workers. This section has, therefore, been sub-divided into: (A) Wages and (B) Social Security.

A. *Wages*

46. During the war and the post war period there had been a rapid rise in prices. The profits of industries have considerably increased. The organised section

of labour has also been able to obtain substantial increases in wages. But if the inflationary pressure is to be checked, steps may be necessary to divert to saving the present expenditures on consumption and to increase production. With regard to the industrial sector, profits and wages may have to be subjected to some control by Government during the period of the implementation of the Plan. Action should therefore be taken on the following lines:—

(a) The excess profits tax and certain restrictions on dividends during the war and for a short period after the war have helped to keep in check the distribution of large dividends. During the period of the implementation of the Plan also similar restrictions should be placed on the remuneration of management, distribution of profits and the issue of bonus shares. Such restrictions may have to give due consideration to:

(i) a fair return on capital depending upon the nature of the business and the past practice of paying dividends during normal periods:
(ii) the claim of share-holders for a fair return on capital where during the initial period of the new undertaking no distributable profits are made.

(b) On the side of wages, any upward movement, at this juncture, will further jeopardise the economic stability of the country if it is reflected in costs of production and consequently raises the price of the product. For workers too, such gains will prove illusory because in all likelihood they will soon be cancelled by a rise in the general price level, and in the long run the volume of employment may be adversely affected. Such an increase in wages should, therefore, be avoided. Workers can be expected to agree to such a course only if restrictions are also placed on the distribution of profits as outlined in (a) above. Any steps to restrict wage increases should, therefore, be preceded by similar restrictions on the distribution of profits. Subject to this wage increases should be granted under the following circumstances:—

(i) To remove anomalies or where the existing rates are abnormally low;
(ii) To restore the pre-war real wage, as a first step towards the living wage, through increased productivity resulting from rationalisation and the renewal or modernisation of plant.

47. Certain broad principles which may help in the regulation of wages have emerged as a result of the labours of various Commissions and Committees appointed by the Central and State Governments. These have, for the most part, been embodied in the existing and proposed legislation on the subject. They still do not form an adequate practical basis for a uniform policy in determining wage rates and effecting wage adjustments. The tripartite machinery, visualised in the section on Industrial Relations, should evolve in as precise terms as practicable, the 'norms' and standards, which should guide wage boards or tribunals in settling questions relating to wages, having regard to the claims of the various groups of workers *inter se,* of the other participants in industry and of the community as a whole. The course of action in this respect in the immediate future should be governed by the following considerations:

(a) All wage adjustments should conform to the broad principles of social policy and disparities of income have to be reduced to the utmost extent. The worker must obtain his due share in the national income.

(b) The claims of labour should be dealt with liberally in proportion to the distance which the wages of different categories of workers have to cover before attaining the living wage standard.

(c) The process of standardization of wages should be accelerated and extended to as large a field as possible. There should be a progressive narrowing down of disparities in the rates of remuneration of different classes of workers in the same unit, of workers engaged in similar occupations in different units of the same industry, of comparable occupations in different industries and in wages in the same industry at different centres. Differentials for various jobs should be maintained at the minimum levels justified by:

(i) The degree of skill required;
(ii) The strain and the fatigue involved;
(iii) The training and experience required;
(iv) The responsibility to be undertaken
(v) The mental and physical requirements for doing the work;
(vi) The disagreeableness of the task; and
(vii) The attendant hazards.

(d) A scientific assessment of the relative workload in different occupations and industries should be taken up. In this connection pilot studies on payment by results which are proposed to be sponsored by the Ministry of Labour with the technical assistance from the I.L.O. are a step in the right direction.

(e) The payment of dearness allowance to compensate for the rise in the cost of living has been an important feature of the wage structure during the war and post-war period. Since the end of the war there have been demands made on behalf of labour for merging a substantial portion of dearness allowance into basic wages as there was no likelihood of prices falling to the pre-war level. The Government of India recently appointed a Committee to recommend what percentage of dearness allowance given to Central Government servants should be treated as pay. The Committee, in its report submitted to the Government, has come to the conclusion that in the foreseeable future the cost of living index is not likely to fall below the range of 265-284, taking the pre-war index to be 100. On this basis, the Committee recommends that 50 percent of the dearness allowance admissible to the Central Government servants drawing a basic pay up to Rs. 750 p.m. should be amalgamated with pay. We accept this recommendation and suggest that the recommendation made by the Committee should be extended to workers in the private sector also.

48. Full and effective implementation of the minimum wage legislation should be secured during this period. Depressed areas should receive prior attention. In view of the paucity of data and the administrative difficulties pointed out by various State Governments, a limited beginning should be made with regard to the fixation of minimum wages for agricultural workers and the scope should be extended further as experience is gained. Suggestions on this subject have been made earlier in the report.

49. A kind of profit sharing in the form of periodic bonuses usually awarded by industrial courts and tribunals exists today. No proper basis for the awards had been worked out. The subject is one requiring expert examination and a study of the general and technical aspects of the problem. Efforts should be made to find out suitable experts within the country as also from countries like the U.S.A., Germany, the United Kingdom, Sweden, and organisations like the I.L.O., who should go into the question of wages, profits, terms and conditions of payment etc. and make recommendations. Although the quantum of bonus to be paid would be determined by the formulae to be laid down to prevent the diversion of resources into consumption payment in cash should be restricted, the balance

to constitute the savings of workers. This course of action should be accepted on the basis that it does not prejudice the contentions of either party regarding the character of the bonus. This would of course have to accompany similar restrictions on consumption in respect of other sections of the community.

50. Permanent wage boards with a tripartite composition should be set up in each State and at the Centre to deal comprehensively with all aspects of the question of wages, to initiate necessary enquiries, collect data, review the situation from time to time and take decisions regarding wage adjustments *suo motu* or on reference from parties or from the Government.

B. *Social Security*

51. Article 32 of the Constitution says, "The State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education, and public assistance in case of unemployment, old age, sickness, disablement and other cases of undeserved want." While this is generally applicable to the population of the country as a whole, the industrial worker is more liable to disease and invalidity than the average citizen. The man-days lost on account of sickness and disability constitute a heavy drain not only on the slender resources of the industrial workers but also on the industrial output of the country. Lack of social security impedes increased production, leads to larger labour turn-over and prevents building up of a stable and efficient labour force.

52. In all advanced countries the worker is protected against various types of risks such as, sickness, unemployment, old age, employment injury, maternity, invalidity, etc. In India also, some of the risks to which a worker is exposed have been covered by the Workmen's Compensation Act and the Maternity Benefit Acts of the various State Governments. The Employees State Insurance Act is a more comprehensive piece of legislation and it applies in the first instance to factories using power and employing 20 or more persons, and covers all employees who are in receipt of remuneration not exceeding Rs. 400/-p.m. It insures risks of sickness, maternity, and employment injury. In addition to the medical care to which an insured person is entitled, cash payments are given equal to about half of the average wages.

53. The scheme framed under the Employees State Insurance Act has been introduced at present in Delhi and Kanpur and is expected to be implemented throughout the country by the middle of July 1954. The programme for the implementation of the schemes in other States prepared by the Labour Ministry should be adhered to and the State Governments, employers and workers should offer their fullest co-operation for the purpose. The scheme does not include at present the families of the insured persons. Both in its coverage and the amount of benefits provided the scheme may appear to be modest as compared with similar schemes in some of the advanced countries. In view of its novelty, administrative and other difficulties and the financial implications of the scheme, efforts should be directed during the period of the Plan only to the proper implementation of the scheme in its present form and to putting it on a sound and sure foundation.

54. Another measure which can provide for the future of the workers is the institution of provident funds. The Central Legislature has recently passed the Employees' Provident Fund Act, 1952. A scheme under that Act has also been published and its implementation is expected to take place shortly.

55. The Act at present applies to six major industries employing 50 or more

persons—Textiles, Iron and Steel, Cement, Engineering, Paper and Cigarettes. As soon as experience is gained and the scheme is placed on a sound basis, it should be extended in gradual stages to all the industries employing 50 or more persons during the period of the Plan. A programme for its extension should be drawn up.

III. WORKING CONDITIONS

56. In order to get the best out of a worker in the matter of production, working conditions require to be improved to a large extent. The Factories Act, 1948, the Indian Mines Act, the Plantation Labour Act, 1951, and the proposed Central legislation for regulating the conditions of work in shops, establishments, and motor transport services, have this common object and are sufficient for the purpose. The emphasis in the next five years should, therefore, be on the administrative measures needed for the implementation of such legislation. So far as the workers employed in factories and plantations are concerned, action may be taken on the following lines:—

A. *Factories*

57. The Factories Act, 1948, is a comprehensive measure, and should, to a great extent, help to improve working conditions inside factories. This will be possible only if the provisions in the Act are properly enforced. The Act contains detailed provisions for ensuring the safety, health and welfare of workers employed in factories. The provisions relating to medical supervision and occupational health, which had not hitherto received proper attention, have been strengthened, and notification of occupational disease has been made compulsory in order to focus attention on these aspects of the problem. Apart from these, the various provisions relating to welfare should contribute to the general well-being and contentment of the workers. The effective implementation of the Act is, therefore, a matter of the utmost importance in efforts to improve working conditions and promote the general well-being of the worker, and for this purpose the following recommendations are made:—

(i) Satisfactory standards have not yet been achieved in respect of enforcement in many areas. Factory inspection services need to be strengthened for this purpose and should be so reorganized as to include not only persons representing various branches of engineering but also men drawn from other technical professions, including the medical profession.

(ii) Considering the large number of factories and the vast areas over which they are spread, priorities should be fixed, to ensure better attention to areas and industries in which substandard conditions still prevail and to secure strict compliance with the provisions of the law.

(iii) In the enforcement of the various provisions of the Factories Act, particular emphasis should be placed on the social aspects of the legislation.

(iv) In organized industries tripartite agreements should be drawn up on the standard of compliance with the provisions of the Factories Act. Effective machinery should be set up to review the working of the agreements in each group of industries. The working of the agreement would in itself constitute a form of inspection within industry and to the Inspectorate it would indicate the basic requirements from which they might work up for further improvement in working conditions in the industry.

(v) For the proper implementation of the various provisions of the Factories Act and also for providing a center of information for inspectors, employers, workers, and others concerned with the well-being of industrial labour and to

stimulate interest in the application of principles of industrial safety, health and welfare, a National Museum of Industrial Health, Safety and Welfare should be established at an early date in a centrally-situated industrial area. The Museum, as a center of demonstration, with exhibits covering all aspects of working conditions, including health, and with its information section and library, could be the nucleus round which any specialised scheme of training and education in labour problems could be evolved.

(vi) For the effective implementation of the provisions relating to medical supervision and occupational health, the appointment of full-time medical inspectors on the staff of the Factory Inspectorates should be expedited.

(vii) Short courses of instruction in industrial health for those who are working as part-time doctors and for those who are working as medical inspectors should be provided by Government.

(viii) Collection of objective information on occupational diseases and other health problems and teams for carrying out surveys and investigations should be organized as part of the activities of the Factory Inspection Services. The purpose of these investigations should be to assess and evaluate the potential hazards in industrial processes.

(ix) Research and investigations carried out by research institutions of trade associations are usually confined to technical advance in industry, such as new machinery and new processes. Such institutions should be encouraged to extend their activities so as to cover a wider field, such as industrial psychology, and investigations of human problems which are of equal importance for the progress of industry in general.

(x) The Public Health Departments of some of the States, which have Industrial Hygiene Divisions, should maintain the closest liaison with the Factory Inspectorates.

(xi) Employers, Trade Unions and Governments should co-operate in educating the workers, so as to ensure their active participation in all measures taken for their well-being.

(xii) The fees recovered for licensing and registration of factories should be utilised primarily for strengthening the Factory Inspectorates.

B. *Plantations*

58. Plantations can be considered to be the largest single labour absorbing industry in the country. Conditions in the plantations remained unsatisfactory for a long time for a variety of reasons. This led to a number of studies undertaken by government agencies to assess the problems of plantation workers. As a result of these studies, steps have been taken from time to time to ameliorate the conditions of work of these workers. The most recent and far reaching piece of legislation, modelled on the lines of the Factories Act, is the Plantation Labour Act, 1951. There are, however, certain other matters on which action is called for and the lines on which such action is necessary are indicated below:

(i) The activities of the Controller of Emigrant Labour should be co-ordinated with the proposed organisation to be set up for the supervision of administration of the Plantation Labour Act.

(ii) To avoid duplication of recruiting staff for plantations, the possibilities of effecting co-ordination in the agencies of recruitment (i.e. Employers' Tea District Labour Association and the State Agencies of Employment Exchanges) should be investigated.

(iii) In pursuance of decisions taken by the Industrial Committee on

Plantations and in consultation with the State Governments concerned, the Ministry of Labour has recommended certain steps for checking the evils of the Kangani System of labour recruitment in South India. This system should be abolished as soon as possible.

(iv) To supplement the earnings of plantation workers, cottage industries for the manufacture of implements required for plantation should be established. A portion of the grant given by the Central Tea Board can be utilized for the purpose. If necessary the Tea Board should be persuaded to increase this grant. Care should however be taken to see that the cottage industries do not interfere with the normal working of the plantations.

(v) The application of the Provident Fund Act to plantations should be examined in the light of the experience gained by the working of that Act in other fields.

(vi) There is a considerable leeway to be made up in the provision of housing to workers. Employers should be persuaded to provide houses as agreed to in the tripartite conference and the Government should extend to them the necessary help in procuring building materials etc.

(vii) Minimum qualifications for doctors serving on tea estates of a certain size should be prescribed under the Central Rules to the Plantation Act.

(viii) The experimental Research Station at Toklai should be strengthened for undertaking studies in the human relations aspect of the industry.

(ix) The priorities as to welfare work on plantations expected of the employers should be decided on a regional basis. For example, assuming that education, health and housing of workers are the main items of welfare, in cases where plantation housing comes up to the standard of housing in adjoining areas, the planters should be asked to provide education and health facilities. In cases where adequate health provisions are there, the emphasis should be on the other two.

(x) In the case of small plantations welfare facilities should be the responsibility of a group of such plantations.

IV. EMPLOYMENT AND TRAINING

59. Effective utilization of man-power, having regard to the requirements of both industry and workers, is a question of national importance. Production depends upon a steady flow of labour of requisite skill in required quantities. This entails the collection and dissemination of information regarding manpower resources, organization of an efficient employment service, correct appraisal of the different types of skill required and the provision of facilities for training of workers both to increase their efficiency and to make up deficiency in particular branches of technical personnel. Progress has been made in recent years in some of these directions. The main steps which should be taken to bring about an improvement in the present methods of recruitment, employment and training of personnel are:

(a) More attention should be given to the improvement of the internal recruiting arrangements made by individual concerns so as to eliminate completely exploitation of workers. In this regard, the possibility of extending the schemes of decasualization of dock workers and of textile workers in some of the States to other industries and centres should be investigated.

(b) The employment exchange organization set up by the Government has been rendering useful but very limited service. An enquiry should urgently be made to examine what changes in character, methods and organisation of the service would help to put the system on a sound footing.

(c) Although the correct assessment of long-term and short-term requirements of different types of skilled man-power both in its technical quantity and quality is important from the point of view of the expanding industries and of several development projects included in the Plan, very little work has been done by way of conducting man-power surveys in the country. A beginning should be made by undertaking a pilot study where major schemes are likely to be undertaken. The Director-General of Resettlement and Employment should select suitable regions for such study and conduct an informative and statistical survey assessing the labour requirements and employment opportunities.

(d) The value of provision of technical and vocational training has been gaining recognition only recently. Facilities provided through the technical and industrial schools, the training centres of the Ministry of Labour and the apprenticeship and training arrangements in industrial undertakings have remained by and large un-co-ordinated. The All-India Survey which is being conducted by the Director-General, Resettlement and Employment, should help to bring about the necessary co-ordination. Proper tests and standards should also be laid down. In any such training scheme the problem of the unemployed worker should receive special consideration. This will chiefly be in the form of adequate provision of retraining facilities with due regard to the prospects of future employment and the establishment of vocational guidance and employment counsel services.

60. Another difficulty in the way of increase in production and reduction in costs is that several industries are faced with labour surplus to their requirements. The problem of rationalisation has so far proved difficult of solution. Notwithstanding the imperative need to reduce costs by rationalising industrial process, the working class has strongly resisted it because of the consequent displacement of labour. It is now possible to reconcile the conflict and facilitate the progress of rationalisation on the strength of the following safeguards:—

(i) Musters should be standardised, and the work-loads fixed on the basis of technical investigations carried out by experts selected by the management and labour. Side by side working conditions should also be standardised. In the case of new machinery, a period of trial may be necessary before standardisation is effected;

(ii) Wherever rationalisation is contemplated, fresh recruitment should be stopped and vacancies due to death and retirement should not be refilled;

(iii) Surplus workers should be offered work in other departments wherever possible without causing a break in service and without bringing down their emoluments as far as possible;

(iv) Having regard to the position regarding raw materials, the state of the capital market, the availability of capital goods and the demand for the products of an industry, wherever the conditions of the industry permit, new machinery should be installed;

(v) Gratuities should be offered as inducements to workers to retire voluntarily;

(vi) Retrenchment should be effected from amongst persons who have been freshly employed;

(vii) Where management and labour agree, the possibility of working for seven days in a week may be explored as a temporary measure;

(viii) Workers thrown out of employment as a result of rationalisation should be offered facilities for retraining for alternative occupations. The period of such training may extend up to nine months. A training Scheme

should be jointly worked out by Government, employers and workers;

(ix) The maintenance of workers during the training period should be the responsibility of the management, whereas the cost of training should be borne by the Government;

(x) Full use should be made of the possibilities of utilizing surplus labour in various projects undertaken by Government;

(xi) Incentives for sharing the gains of rationalisation through higher wages and a better standard of living should be provided. Where such gains are made through the additional efforts of workers, they should receive a share in the resulting benefit, most of which should pass to workers where wages are below the living wage. Where there has been some capital investment by the management, this should be taken into account in distributing the workers' share. The object is to facilitate the workers attaining a living wage standard through acceptance of rationalisation.

V. PRODUCTIVITY

61. Considerable attention has been focussed on the productivity of labour in recent years, both in this country and abroad. Employers in India have complained that productivity per worker has been going down. Workers contest this allegation with equal vehemence. It is, therefore, necessary that scientific investigations regarding these claims should be undertaken. Such investigations presuppose the existence of trained personnel, reliable industrial and labour statistics and a scientific attitude on the part of organisations of employers and workers. None of these conditions exists in the country today and much preparatory work is needed. The first step is to evolve methods for carrying out productivity studies under Indian conditions before the share of the different factors in the causation of high or low levels of productivity can be allocated on the basis of such studies. It is therefore suggested that a team of productivity experts should be invited under the Technical Assistance Programme and that this team should be charged with the responsibility of training a sufficient number of officers from Government, industry and trade unions in developing methods of productivity. As a result of discussions between the Labour Ministry and the Planning Commission, and on a request made by the Labour Ministry, the I.L.O. has formulated proposals for technical assistance in the field of systems of payment by results and productivity. The experts to be sent out by the I.L.O. would undertake studies in the textile and engineering industries. After making a preliminary selection of the undertakings in which the studies are to be carried out, the experts would undertake a thorough analysis of the existing organisation and methods of work, job classification and wage scale with a view to suggesting improvements designed to increase efficiency and productivity and to improve working conditions. Indian experts from Government, employers and trade unions would be associated in this work. A limited number of persons from establishments would also be trained by the experts.

62. Closely allied with this subject is the training-within-industry programme. These T.W.I. methods would enable supervisors to play a vital part in the operation of the industry. The scheme is intended to improve supervisory skill by three separate programmes; Job Instruction, to develop skill in instructing workers in their particular operations; Job Relations, to develop skill in the management of personnel; and Job Methods, to develop skill in improving working technique. The Ahmedabad Textile Industry's Research Association with the assistance of

the I.L.O.'s Asian Field office on Technical Training, has carried out some valuable experiments in one of the textile mills of Ahmedabad. The supervisors and the heads of the departments were trained in the technique of "Job Instruction" by the I.L.O. experts on training-within-industry. The results of the experiments have shown an increase in production from 7 per cent to 18 per cent in different sections of the Spinning Department and 11 per cent to 30 per cent in different sections of the Weaving Department.

63. Much of this valuable work will be lost after the departure of the experts unless permanent arrangements are made to carry it on afterwards. This should be part of the function of the Labour Ministry. Future action should be on the following lines:

(a) Experts on training-within-industry should be invited under the Technical Assistance Programme to impart training in these methods.

(b) A sufficient number of officers from the Labour Ministry, employers' organisations and trade-unions should be trained in the methods of productivity, payment by results, and training-within-industry. They will be mainly responsible for imparting training to a sufficient number of persons in different industries. Productivity and training-within-industry schools should be organized.

(c) An Advisory Committee consisting of representatives of employers' organisations and trade unions should be set up to advise the Ministry on all matters pertaining to these subjects.

(d) The work should be carried out in close co-operation and with the help of institutes and firms of industrial consultants engaged in similar studies.

(e) Regular conferences of managers, technicians and trade union officers for discussion of all the aspects of these methods should be organised.

(f) Side by side with the studies in the textile and engineering industries, in consultation with experts such information as may be necessary should be collected concerning further industries to which the studies should be extended. On the basis of such information a regular programme of extension of productivity and training-within-industry methods for the next few years should be drawn up.

Appendix B

SECOND FIVE-YEAR PLAN[1]

Labour Policy and Programmes

INTRODUCTION

The first five year plan was drawn up in the context of a growing consciousness of the importance of industrial labour in the national economy. With the advent of Independence, certain assurances were given to labour in recognition of its rights which had long been neglected. An attempt was made in the first plan to give concrete shape to these assurances and to give labour a fair deal consistent with the requirements of other sectors of the economy.

2. Judged by improvements recorded in industrial relations for which both employers and workers can take credit, the success of joint consultation at various levels and increase in real earnings of workers over the last five years, the plan in the labour field should be considered to have recorded progress. The desire shown by employers and workers to come together and settle their problems in industrial committees set up by Government has of late become a welcome feature of labour relations. In fact much of the legislation in the last five years has been agreed to, in its broad outline, by the parties concerned in tripartite committees. Though questions like bonus and profit sharing still require a satisfactory solution, recent agreements at some centres mark an encouraging advance. Progress has also been made in the implementation of the social security measures provided under the Employees' State Insurance Act, 1948, and the Employees' Provident Funds Act, 1952. A further measure of security in case of loss of employment has been provided in the shape of the Industrial Disputes (Amendment) Act, 1953. Simultaneously, Industrial Tribunals are taking due note of the need for security in framing awards on issues like provident fund, gratuity, etc. The importance of better working conditions has also been progressively recognized. In order to study systematically the problems of production in relation to health and safety of workers, a Central Labour Institute has been planned and productivity studies in certain industries have been promoted. State Governments have opened welfare centres and the last five years have seen an intensification of efforts at improved housing for industrial workers. Though admittedly much remains to be done, especially in matters like covering the distance between the existing wage and 'fair-wage' and in industrial housing, progress can only be gradual. With the implementation of the Plantation Labour Act, some improvement will be recorded in the conditions of plantation labour.

3. Much of what has been said in regard to labour policy in the first five year plan holds good as a basis for the future. However, in the light of the socialist pattern of society, within which setting the second five year plan has been framed, suitable alterations in labour policy require to be made. A socialist society is built up not solely on monetary incentives, but on ideas of service to society and the willingness on the part of the latter to recognize such service. It is necessary in this context that the worker should be made to feel that in his own way he is helping to build a progressive State. The creation of industrial democracy, therefore, is a pre-requisite to the establishment of a socialist society.

4. Expansion of the public sector envisages an increasingly greater responsibility for workers as well as management in that sector. Also, if conditions of work in public undertakings are expected to set the pace for the private sector, administrators handling such undertakings have to be specially watchful of labour interests. Whether it is the public sector or the private sector the goal of progressively speeding up production would mean that indiscipline, stoppage of production and indifferent quality of work will have to be guarded against, and the labour policy has to be directed towards this end. Since such a policy must have the support of not only important employers' and workers' interests, but also of the public, the Planning Commission constituted a representative Panel on Labour and sought its advice in the matter. The recommendations made in the second five year plan have emerged in the main from agreement among members of the Panel.

Trade Unions

5. A strong trade union movement is necessary both for safeguarding the interests of labour and for realising the targets of production. Multiplicity of trade unions, political rivalries, lack of resources and disunity in the ranks of workers are some of the major weaknesses in a number of existing unions. It is often suggested that dependence of unions on outsiders as their executives is one of the many causes of unhealthy rivalries in the labour movement. While this suggestion is not entirely without foundation it must be recognised that outsiders have played a notable part in building up the trade union movement in the country. But for their association, the movement would not have reached even its present dimensions and strength. A distinction needs to be drawn here between outsiders who are whole-time trade union workers and those who look upon union work only as part of their other activities. There is still need for devoted workers of the first kind in the trade union organisations and the right of trade unions to elect such persons to their executives, if they so see fit, should not be interfered with. Even so, the unions need to realise that undue dependence on any one not belonging to the ranks of industrial workers must necessarily affect the capacity of workers to organise themselves. It is interesting to note, however, that recently the number of outsiders managing the trade unions has shown a decline. This trend deserves to be encouraged.

6. Reduction in the number of outsiders as office bearers of trade unions is likely to create a gap in the field of executive personnel for trade union organisation. Training of workers in trade union philosophy and methods becomes necessary if the workers are to become self-reliant in this respect. The programmes under labour welfare include a stipendiary scheme for this purpose.

7. Another step in building up strong unions is to grant them recognition as representative unions under certain conditions. In some States, the industrial relations code provides for recognition when a union's claim of sufficient paying membership is expressed as a percentage of union members to the total number of workers the union claims to represent. The percentage entitling recognition may differ from State to State according to the stage of development of the trade union organisation. Since recognition has played a notable part in strengthening the movement in some States, it is suggested that some statutory provision for securing recognition of unions should be made by States, where such provision does not exist at present. In doing so the importance of one union for an industry in a local area requires to be kept in view. It is equally important that while mere numbers would secure recognition to a union, it should, for functioning effectively, exhaust

the accepted procedure and the machinery for the settlement of disputes before it has recourse to direct action.

8. Improving the finances of trade unions from their internal resources is another important aspect of strengthening the movement. In their desire to build up membership of as large a magnitude as possible, unions fix their membership fees at extremely low rates and fail to collect even these. Regular payment of union dues on the part of workers, and termination of membership by unions of those falling in arrears of dues are both uncommon. It is felt that a membership fee of at least four annas a month be prescribed in the rules of a trade union as a condition precedent if it desires registration as a recognised union. It is equally necessary that there should be stricter enforcement of rules regarding payment of arrears.

Employers' Organisations

9. In the interests of industry-wide bargaining in an area, provision should be made for the certification of employers' associations as representatives of industry in an area. Any agreement entered into by such associations would then be binding on all members of the associations as well as on non-members.

Industrial Relations

10. For the development of an undertaking or an industry, industrial peace is indispensable. Obviously this can best be achieved by the parties themselves. Labour legislation and the enforcement machinery set up for its implementation can only provide a suitable framework in which employers and workers can function. The best solution to common problems, however, can be found by mutual agreement. Recently there have been some healthy developments in this direction, and agreements have been reached on a number of seriously disputed issues. An agreement was signed in June, 1955 between the Ahmedabad Mill Owners' Association and the Textile Labour Association regarding the question of bonus. The two associations have also decided that all their future disputes should be settled by mutual negotiations and discussion and without recourse to strikes or to courts. Voluntary arbitration has also been provided for as a last resort in case the parties fail to settle their differences. A bonus agreement was signed early in 1956 by the Bombay Mill Owners' Association and the Rashtriya Mill Mazdoor Sangh, Bombay. An important agreement was also reached between the Tata Iron & Steel Co. Ltd., Jamshedpur and the union representing their workers. This agreement is noteworthy for several reasons. For instance, for the first time in such an agreement, there are provisions for union security and workers' co-operation in measures for higher productivity, for modernisation and expansion, and for acceptance of schemes for job evaluation. The employers have also recognized the desirability of an increasing measure of association of employees in the management of the industry. These agreements by themselves cover only a small section of the total industrial labour in the country, but their influence in paving the way for better industrial relations in the country cannot be under-estimated.

11. In an industrial civilization work stoppages receive an undue share of publicity, magnifying the popular impression of industrial unrest. To counteract the results of such publicity it is necessary to undertake studies in factors which have made for industrial harmony in establishments with a long tradition of peaceful working. In this connection studies are in progress in some establishments in the country. While these studies should publicize the constructive aspects of labour relations, it is also necessary to supplement them by studies in areas where

there are frequent industrial disputes in order to present the contrasting situations from which parties can draw their own inferences.

12. The importance of preventive measures for achieving industrial peace needs to be stressed. Greater emphasis should be placed on avoidance of disputes at all levels, including the last stage of mutual negotiations, namely conciliation. In countries where the conciliation machinery has worked more successfully than in India, efforts are made by the conciliator to keep in touch with trade union leaders and employers even when there are no disputes, and to discuss matters which are likely to cause conflict in future. Such discussions have considerable value in avoiding disputes and should be introduced in this country.

13. Once disputes arise, recourse should be had to mutual negotiations and to voluntary arbitration. The machinery for facilitating these stages should be built up by the Central and the State Governments. Government should maintain lists of persons in whom employers and workers have confidence. In case of need the parties should be encouraged to select by mutual consent names of persons from such lists who could act as arbitrators. However, in intractable cases, where these methods fail, recourse to Government intervention would be unavoidable. The machinery for settlement of disputes, as obtaining in 1950, was too cumbersome. The proposed amendment of the Industrial Disputes Act aiming at (a) simplifying the procedure for adjudication (b) abolishing the Labour Appellate Tribunal, and (c) removing difficulties experienced by parties in administering Section 33 of the Industrial Disputes Act, consistent with the protection of the legitimate interests of workers is a step in the right direction.

14. One of the sources of friction between labour and management is inadequate implementation and enforcement of awards and agreements. In some cases the awards have not been implemented even in the face of Government's insistence on their implementation. There is no provision for enforcing compliance with the directions contained in awards, other than those involving financial recoveries, such as reinstatement of an employee or the provision of an amenity. The only remedy against the employer in such case is to prosecute him under the Industrial Disputes Act, 1947, but this remedy is ineffective as the maximum punishment is only Rs. 200/—for a first offence and Rs. 500 for subsequent ones. Experience has shown that this is not a sufficient sanction for employers to carry out directives which might involve large expenditures. It is necessary, therefore, that the penalties should be sufficiently deterrent. Penalties on workers' representatives in case of deliberate violation should also be of a deterrent nature.

15. While the responsibility for implementation should be mainly on the employer (public or private), an appropriate tribunal should be constituted for enforcing compliance. It should be possible for the parties to have direct approach to this tribunal. The tribunal should also be empowered to interpret the scope and meaning of the directives contained in awards. In respect of findings which are not enforceable in financial terms the tribunal should have the power to require Government or some designated executive authority to secure specific performance within a given period.

16. A standing joint consultative machinery could effectively reduce the extent of industrial unrest. It is necessary to have such machinery at all levels, at the Centre, in States and in individual units. Cooperation between labour and management becomes more effective if there is a two-way traffic between the bipartite consultative machinery at the top and the machinery performing similar functions at the unit livel. Works committees could function in the units in this capacity. These committees should, in addition to giving effect to agreements reached at

higher levels, pose practical problems in working out such agreements, so that these can be settled through the consultative machinery suggested earlier. Experience has shown that a major hindrance in the way of effective functioning of works committees is the lack of a clear-cut demarcation between their responsibilities, and the responsibilities of trade unions operating in the field. The representative union should have the sole right of taking up with management matters or disputes in connection with wages, allowances and other terms and conditions of service or matters which are appropriate for mutual discussions. Questions relating to the technical and human problems of an enterprise and the best and most equitable means of achieving objectives of common interest to the undertaking could perhaps be more effectively handled by works committees. This might make for better working of both. In the case of larger units it might be necessary to have similar arrangements at the shop level. If the parties agree, works committees could also be entrusted with the responsibility of proper application, interpretation and supervision of collective agreements or awards and of standing orders. However, it should be open to a union in appropriate cases to demand at any stage of the discussion in the works committees that a particular matter should be remitted for the settlement between the union and the employer.

17. The existing bipartite joint consultative machinery, namely the Joint Consultative Board could be more effectively utilised. The Board has already achieved a limited measure of success. Though its specific achievements have not been spectacular, it has produced a climate in support of the system of mutual consultation and negotiations. Its utility and importance will in future rest largely upon its ability to solve contentious matters through mutual discussions. The Board proposes to intensify its activities by getting important problems studied, meeting more frequently and discussing problems with the intention of arriving at settlements in the spirit of give and take. It is hoped that this would pave the way for fruitful co-operation at all levels.

18. For the successful implementation of the plan increased association of labour with management is necessary. Such a measure would help in (a) promoting increased productivity for the general benefit of the enterprise, the employees and the community, (b) giving employees a better understanding of their role in the working of industry and of the process of production and (c) satisfying the workers' urge for self expression, thus leading to industrial peace, better relations and increased co-operation. This could be achieved by providing for councils of management consisting of representatives of management, technicians and workers. It should be the responsibility of the management to supply such a council of management fair and correct statement of all relevant information which would enable the council to function effectively. A council of management should be entitled to discuss various matters pertaining to the establishment and to recommend steps for its better working. Matters which fall within the purview of collective bargaining should, however, be excluded from the scope of discussion in the council. To begin with the proposal should be tried out in large establishments in organised industries. The pace of advance should be regulated and any extension of the scheme should be in the light of the experience gained.

19. In view of the fact that the public sector will grow in the future, the manner of administration of industrial relations in public enterprises is of great importance for the success of the undertaking and for the fulfillment of the aspirations of labour. Any attempt, therefore, on the part of public employer to avoid the responsibility of an employer on the ground that he is not working for profit has to be discouraged. Managements of public undertakings should not normally seek

exemptions from labour laws or ask for other concessions not available to the private sector. This is not to suggest that public undertakings, as a rule, come forward to seek conditions that would exempt them from laws relating to labour or to imply that working conditions there are not satisfactory. In fact in almost all the new State enterprises considerable attention has been paid to labour welfare in the comprehensive sense. In the last analysis employees in the public sector should on the whole be at least on par with their counterparts in private employment and should feel a legitimate pride in what they produce and in their position as employees in the public sector.

Discipline

20. The socialist pattern of society proposed requires that a worker's claims to improve his economic and social status be recognized. In their turn, workers too have to realise their responsibility. Hard and efficient work on the one hand, and avoidance of indiscipline on the other, will be needed for achieving the goal which the community desires to reach. It is possible there may sometimes be valid reasons behind cases of indiscipline among workers. To a large extent steps suggested earlier will reduce the area of such friction between labour and management. While the observance of stricter discipline, both on the part of labour and management, is a matter which cannot be imposed by legislation—it has to be achieved by organisations of employers and workers by evolving suitable sanctions of their own—some steps, legislative or otherwise, in case of rank indiscipline require to be thought of. It is true that in recent years loss in production due to industrial strikes has been reduced to some extent. But it is equally true that the existing provisions for penalising illegal strikes or lockouts have not proved adequate in practice. There have been instances of 'go-slow,' 'pen-down,' and 'stay-in-strikes,' which, in the larger interests of the economy, should not go unnoticed. Such situations are serious both from the employers' and workers' point of view. The employer loses production, but what is more significant, since capacity to work is workers' only asset, any tendency to reduce that capacity must be guarded against by the working class. Complaints of violence and indiscipline have also grown recently in some industries. It is necessary that the whole issue of industrial discipline in its various aspects should be examined and in the meantime, in their mutual interest, the parties should see that tendencies to indiscipline are sternly discountenanced.

Wages

21. A wage policy which aims at a structure with a rising real wage requires to be evolved. Workers' right to a fair wage has been recognised but in practice it has been found difficult to quantify. In spite of their best efforts, industrial tribunals have been unable to evolve a consistent formula. A major difficulty experienced in the fuller implementation of the principle of fair wage is the 'drag' exercised by marginal units in determining the wage structure. While the financial position of average units in a centre requires to be made the basis of wage fixation, if progress towards fair wages is to be accelerated, the conflicting considerations of closure of marginal units and its effect on unemployment also become pertinent in the context of planning. This means that steps require to be taken to improve the working of marginal units. One way of making such units more viable is their amalgamation into larger units, voluntarily if possible, compulsorily if need be, consistent with the requirements of a decentralised economy. Data on the functioning of marginal units are lacking. Extensive surveys require to be undertaken

before it can be determined whether a unit falls in the marginal category or not. Even after the marginal character of a unit is established, there will be difficulties in the process of amalgamation, but these will have to be tackled as they arise.

22. Improvement in wages can result mainly from increased productivity. Increase in productivity does not necessarily involve installation of new machinery or greater exertion on the part of labour. Steps like better lay-out of plants, improvement in working conditions and training of workers could ensure increase in output without correspondingly increasing the strain on workers, and in some cases lead to increased output with reduced strain. Another step in this direction would be the introduction of payment by results in areas where at present this principle does not apply. This approach should be followed, subject to adequate safeguards for workers, the main guarantees being a minimum (fall back) wage and protection against fatigue and undue speed up. Earnings beyond the minimum wage should be necessarily related to results. Workers should be consulted before a system of payment by results is introduced in an establishment. Studies should be undertaken to see whether there is any scope for wage increases even at the present level of productivity especially when it is claimed that industrial production has gone up almost without any increase in the level of industrial employment.

23. There are two more aspects of wage policy which require to be examined further. The first concerns the laying down of principles to bring wages into conformity with the expectations of the working class in the future pattern of society; the second, the settlement of wage disputes in the interim period. In regard to the former, a view has been expressed that a wage commission should be appointed in order to examine the relevant material and to lay down the principles for defining the respective roles of wages, profits and prices, and taking into account the declared social objective of the community. It has to be recognised, however, that a commission of the type suggested, if appointed forthwith, will be considerably handicapped for want of data and any conclusions that it might reach on insufficient facts will not provide a suitable basis for a long-term policy. Urgent steps are therefore needed to undertake a wage census.

24. The existing wage structure in the country comprises, in the main, a basic wage and dearness allowance. The latter component in a majority of cases has relation to cost of living indices at different industrial centres. These indices have not been built up on a uniform basis; some of them are worked out on primary data collected about 20 to 25 years ago and are therefore not a true reflection of the present spending habits of workers. Since one of the questions which the wage commission will have to take into account is the demand made by workers' organisations for merging a part of the dearness allowance with the basic wage, evolving recommendations for such a merger will not be sufficiently scientific if cost of living indices at different centres do not have a uniform basis. Steps will therefore, have to be taken simultaneously with the undertaking of a wage census, to institute enquiries for the revision of the present series of cost of living indices at different centres.

25. Statistics of industrial disputes show that wages and allied matters are the major source of friction between employers and workers. The existing machinery for the settlement of disputes, namely the Industrial Tribunals, has not given full satisfaction to the parties concerned. A more acceptable machinery for settling wage disputes will be one which gives the parties themselves a more responsible role in reaching decisions. An authority like a tripartite wage board, consisting of equal representatives of employers and workers and an independent chairman will probably ensure more acceptable decisions. Such wage boards should be instituted for individual industries in different areas.

26. Principles relating to the settlement of bonus and profit sharing require further study before an arrangement acceptable to all the parties could be evolved. In the meanwhile the present arrangement for the settlement of such disputes through the existing industrial relations machinery should continue.

Social Security

27. The Employees' Provident Funds Scheme which was instituted on a statutory basis during the first five year plan should be extended to cover industries and commercial establishments having 10,000 workers or more in the country as a whole. Enhancement of the rate of contribution from 6¼ percent to 8 1/3 percent should be further studied. It needs to be examined whether the present provident fund contributions could be converted so as to form a basis for a suitable pensions scheme. A proposal regarding the provision of medical benefits to workers' families under the Employees' State Insurance Scheme is under consideration. Extension of the coverage of the scheme is also contemplated. The possibility of combining the different social security provisions at present in force into an over-all social security scheme is being explored. A unified scheme will have the advantage of reducing overhead costs and from the savings so effected it may provide a more diversified set of benefits. Decentralisation of the administration of such a unified scheme would prove advantageous to its beneficiaries. Wherever feasible, workers disabled by industrial accidents should be provided with alternative employment.

Rationalisation

28. The first five year plan mentioned a number of principles evolved as a result of agreement between the representatives of employers and workers for facilitating the progress of rationalisation. In all cases of rationalisation these principles should be strictly adhered to and should be applied in the spirit in which they were arrived at. It is necessary to emphasise this point since it has been found that in discussions on rationalisation both employers and workers sometimes overlook the principles mentioned above. The attention of industrial tribunals may be drawn to the need for giving due weight to these agreed arrangements in framing their awards. In case principles agreed upon between the parties are not taken due notice of, the question of embodying them in a statute could be considered. In the context of growing unemployment, rationalisation has an adverse psychological effect on workers. Even so, to freeze the existing techniques of production is not in the larger interests of a developing economy. Rationalisation should, therefore, be attempted when it does not lead to unemployment, is introduced in consultation with workers, and is effected after improving working conditions and guaranteeing a substantial share of gains to workers.

29. Apart from the formulation of a broad policy on rationalisation, which must no doubt be based on a mutually agreed arrangement between the parties concerned, difficulties in the settlement of disputes on rationalisation have arisen mainly on account of disagreement over details. The loss of production which came about in the recent Kanpur Textile dispute on this issue is an example in point. While the principle of rationalisation is accepted, difficulties in reaching agreements over details arise at the unit level regarding, inter alia, (a) apportionment of work load (b) extent to which wages are to be increased in the event of increased work load, (c) extent of machinery which is obsolete and requires to be replaced, (d) enforcement of stricter standards of control over the installation of new machines, and (e) retraining of retrenched workers and finding alternative jobs for them. These difficulties can be best settled by the parties after

technical examination by independent experts. There will, however, remain some special problems attendant on schemes of rationalisation which may have repercussions over more than one State. For dealing with them it is necessary to have a high powered authority appointed by the Central Government.

30. Legislation should be undertaken to regulate working conditions in construction industry and transport services. As to shops and commercial establishments, most States have their own legislation. Working conditions of such employees in other States should be regulated.

31. A welfare fund similar to the Coal and Mica Mines Welfare Funds should be instituted for the manganese industry. Where a fund is to be instituted on the basis of a welfare cess, such a cess should be levied by the Central Government, unless the industry is located altogether within the borders of one State, in which case the State Government can take such action as may be needed. Wherever feasible unified administration of such funds is necessary in the interest of economy and for providing better welfare amenities. The provision of welfare facilities is the responsibility of an individual employer and as far as possible these activities should be run with the assistance of local committees on which workers are represented. In the case of small establishments facilities may be provided jointly. The establishment of an adequate number of welfare centres is necessary, so is the provision of adequate arrangements for the training of welfare personnel of different levels. Arrangements for this purpose have been made in the plans of State Governments.

32. There are certain groups of workers who need separate treatment because of problems peculiar to them. Three such major groups are contract labour, agricultural labour, and women workers. None of them has received adequate attention so far. In order to provide for these groups the relief they deserve, it is necessary to adopt measures mentioned below.

Contract Labour

33. In the case of contract labour the major problems relate to the regulation of their working conditions and ensuring them continuous employment. For this purpose it is necessary to:

(a) undertake studies to ascertain the extent and the nature of the problem involved in different industries;
(b) examine where contract labour could be progressively eliminated. This should be undertaken straightway;
(c) determine cases where responsibility for payment of wages, ensuring proper conditions of work, etc. could be placed on the principal employer in addition to the contractor;
(d) secure gradual abolition of the contract system where the studies show this to be feasible, care being taken to ensure that the displaced labour is provided with alternative employment;
(e) secure for contract labour the conditions and protection enjoyed by other workers engaged by the principal employer; and
(f) set up a scheme of decasualisation, wherever feasible.

Agricultural Labour

34. The problems of agricultural labour have been treated in the chapter on Agricultural Workers. As explained there, this group will demand special and urgent attention in any scheme designed to improve the living standards of the people. During the first five year plan attempts were made to ensure a minimum

standard of living to agricultural labour by fixing minimum wages under the Minimum Wages Act. Though some progress has been achieved in this respect, the implementation of the Act has brought to light some important limitations. Merely prescribing a flat rate for agricultural labour is impracticable and ineffective. Agricultural conditions differ from region to region; a level of minimum wage suitable for one region may be entirely inapplicable in another. The mere task of determining the required minima is thus immense.

35. So far wage fixation for agricultural labour has been attempted on an *ad hoc* basis for want of adequate data which require to be collected at regular intervals. There is a risk of wasting the valuable work done by the Agricultural Labour Enquiry, if steps are not taken to develop suitable consumer price indices for rural areas. The scheme included in the first five year plan for this purpose has not made sufficient progress and requires to be vigorously pursued. The task of minimum wage fixation is admittedly immense, more so is the task of revising these wages periodically as contemplated by the Act.

36. There is also the problem of effective enforcement of minimum wages once they are fixed. Because of lack of organisation and the prevailing economic conditions agricultural labour itself can exercise comparatively little pressure in enforcing the wages fixed. Reliance therefore, has to be placed on inspection machinery and the cost of such machinery becomes almost prohibitive.

37. Assuring a minimum wage to the agricultural labourer thus is no easy task. While there should be no relaxation of the efforts now being made by various States in the fixation of minimum wages and intensified measures in this respect require to be vigorously pursued, it has to be admitted that all these steps can only show limited results. The Agricultural Labour Enquiry has revealed the large problem of unemployment and poverty among this section of the population. The low level of living is due not so much to a low wage, as to lack of sufficient employment opportunities. Considering the small size of holdings and the level of agricultural production wages cannot be raised substantially. The main effort has, therefore, to be in the direction of providing greater employment opportunities.

Women Workers

38. Special attention has to be paid to women workers because of problems peculiar to them. Comparatively speaking they are much less organised. They also suffer from certain social prejudices and physical disabilities. That women are comparatively less suited for heavy work and are more vulnerable to situations in industry which produce fatigue are used as arguments to justify views which are often held in support of lower wages for them. They are either given lower jobs or the jobs they handle traditionally become women's jobs and carry lower salaries. The fact that simply because women's abilities are different does not necessarily mean that they constitute a lower class of workers is overlooked.

39. The special cares and duties which fall to women necessarily place them under some handicap as industrial workers. Special provisions for protecting them are, therefore, made in various statutes, but their effective implementation is essential. In particular, women should be protected against injurious work, should receive maternity benefits, and work places should provide creche facilities for children. Nursing mothers should be entitled to paid rest intervals for feeding infants. The principle of equal pay for equal work needs to be more vigorously implemented and the tendency to scale down the jobs traditionally handled by women has to be guarded against. Training facilities should be provided for

them so that they can compete for higher jobs. In addition, the possibility of increasing opportunities for their part-time employment should be explored.

Development Programmes

40. The provision for development programmes under 'Labour & Labour Welfare' in the second five year plan amounts to Rs. 29 crores-Rs. 18 crores at the Centre and Rs. 11 crores in the plans of States. The main programmes are explained below:

1. *Training of craftsmen*—It is proposed to expand training facilities so as to provide 19,700 new seats in addition to 10,300 seats at present available. It is also proposed to increase the period of training and, in general, to improve its quality. The scheme will be implemented by State Governments in collaboration with the Ministry of Labour and a national council for vocational training which is expected to be set up shortly.

2. *Apprenticeship scheme for the training of skilled craftsmen:*—With the exception of Government establishments and few private plants, there is no well-organised apprenticeship training programme for industrial workers. Under the scheme drawn up for the second plan 450 apprentices will be placed in factories in the first year of the plan, the number being gradually increased to 5,000 in the final year. The duration of the course may vary from two to five years according to trade and skill required.

3. *Training of instructors*—To meet the existing shortage of competent instructors a new training institute similar to the institute at Koni in Madhya Pradesh is proposed to be set up. It is also intended to move the existing center to a suitable industrial area and to attach to it a training centre for craftsmen. The two institutions will train instructors and supervisory staff and will also provide refresher courses for instructors, supervisors and foremen.

4. *Expansion of the activities of the Employment Service Organisation*—During the second five year plan 120 new employment exchanges are to be opened, bringing the present number of 136 to 256 at the end of the plan period. Besides, the organization also intends to expand the scope of its activities. Proposals in this respect relate to:

(a) collection of employment market information on a more extensive basis for use in manpower planning;
(b) establishment of a youth employment service to deal with young persons as a special group of employment seekers. Briefly, the functions of the proposed service will be to give expert advice to young persons on problems relating to employment and training;
(c) employment counselling at Employment Exchanges. The main object will be to provide guidance and information to employment seekers about careers and occupations, their own occupational capacities and the labour market. For this purpose arrangements will also be made to develop aptitude tests and other psychological techniques.
(d) occupational research and analysis. It is proposed to organise and develop a systematic programme of research with a view to standardising definitions of skills required for different trades and to build up a comprehensive occupational dictionary. In this connection during the plan period studies are to be completed in five major industries.
(e) occupational testing at exchanges. The scheme entails the introduction of a programme of proficiency or trade testing at Employment Exchanges in collaboration with industry.

5. *Expansion of Central Labour Institute*—Two Sections are to be added to the Central Labour Institute, one on Industrial Psychology and the other on Industrial/Occupational Physiology to conduct studies and research on subjects such as vocational guidance, workers' morale and attitudes, and on the physiological reactions of workers to factors such as heat, noise, lighting, etc. Continuation of the work on productivity studies and supervisory training will form another activity of this Institute. Regional museums of industrial safety, health and welfare are to be set up for Northern, Eastern, and Southern regions. These museums will be part of a co-ordinated plan for education in safety, health and welfare to meet the specialised needs of industrial areas with the Museum at Bombay, with the Central Labor Institute serving as the focal point of a planned programme.

6. *Setting up a Film Unit*—The need for workers' education is accepted on all hands. With low literacy among the working population, the most effective method of education and propaganda is by means of audio visual material. In fact, for the last few years many of the Factory Welfare Departments and State Labour Welfare Centres have been organising film shows, but on account of the lack of suitable Indian films relating to labour matters, use is being made of films produced by Foreign Information Services. Most of these films have no bearing on conditions prevailing in this country. The need for suitable training and educative films to meet our special requirements cannot, therefore, be over-emphasized. It is, therefore, proposed to set up a small Film Unit for producing during the plan period about 100 films on various subjects covering labour and allied problems such as safety, health and welfare, supervisory training, productivity studies, vocational training and Employees' State Insurance Scheme.

7. *Employees' State Insurance Scheme and Provident Fund Scheme*—The two schemes are to be implemented as explained in paragraph 27.

8. *Housing*—The plan provides substantial amounts for housing industrial workers and persons in middle and low income groups. For industrial housing Rs. 50 crores are provided. There is a separate provision for the housing of plantation and mine workers. Experience gained in the working of the subsidised industrial housing scheme during the first five year plan is being studied with a view to improvements. It has been observed that loans and subsidies permissible under this scheme have not evoked sufficient response from employers and from cooperative societies of workers.

9. *Other schemes*—In addition to the schemes set out above, there are proposals to give effect to the recommendations on questions like workers' education, training of welfare personnel, and the undertaking of new investigations. It is proposed to carry out the following enquiries during the next five years.

(a) an all-India agricultural labour enquiry.
(b) a comprehensive wage census.
(c) working class family budget enquiries at important industrial centres.

In order to ascertain how industry is progressing it is also proposed to undertake an enquiry which would lead to the compilation of productivity indices in selected industries. In their plans State Governments have also made provision for extending welfare facilities for workers. A welcome feature of the schemes drawn up by several States is that welfare centres are to be organised with the cooperation of workers' and employers' organisations, Government being required to contribute only a part of the expenditure.

Appendix C

Agreement Between Ahmedabad Millowners' Association and the Textile Labour Association

AGREEMENT

It is hereby agreed between the Ahmedabad Millowners' Association, Ahmedabad, representing its local member mills and the Textile Labour Association, Ahmedabad, a Representative Union under the Bombay Industrial Relations Act, 1946, for the local area of Ahmedabad, with reference to the Notice of Change in Form 'K' dated the 6th of June 1952 by the Ahmedabad Millowners' Association under Section 42(1) and Rule 51 of the Bombay Industrial Relations Act, 1946, and Bombay Industrial Relations Rules, 1947 respectively in the matter of working FOUR LOOMS by a Weaver in the Weaving Department in the local member mills of the Association, as follows:-

1. *General:* That mills may work FOUR LOOMS by a weaver in the Weaving Department whenever a permanent vacancy occurs as a result of retirement or death of a weaver or in case of casual vacancies taking place in the number of weavers.

2. *Unemployment:* That as a result of introduction of system of Four Looms working by a weaver, no unemployment of existing Two Looms Weavers and existing Badlis shall take place, except in the following manner:-
Mills may further introduce Four Looms working—

(i) by relieving Two Looms Weavers on payment of Gratuity at an agreed rate as provided hereunder in case the Weavers are willing to retire.
(ii) by providing alternative employment for Two Looms Weavers in other Departments.

3. *Conditions of Work:* That the mills shall provide suitable working conditions for working of Four Looms by a Weaver in the Weaving Department.

4. That both the Associations shall appoint the Ahmedabad Textile Industry's Research Association (ATIRA) to investigate by its Experts, the matter of working conditions in the Weaving Department and to lay down standards of working conditions suitable for working of Four Looms by a Weaver in the Weaving Department, which standards shall be adopted by mills working Four Looms by a Weaver.

5. That whenever the working conditions deteriorate and become sub-standard in any mill working Four Looms system, the Textile Labour Association will give a notice to the mill concerned for improving the working conditions and the mill will restore the conditions to the standard, within a period of one month of such notice. If there be no improvement in working conditions within a period specified above, a fresh notice of one month will be given to the mill by the Textile Labour Association, demanding improvement in working conditions. If after two such notices there be no improvement in the working conditions, the mill shall pay to the Four Looms Weaver compensation in form of cash allowance at a rate to be agreed upon between the two Associations and if there would be no

agreement between the two Associations, then by arbitration, till the conditions of work are brought to normal.

6. *Wages:* That the question of payment of wages to a worker for working Four Looms shall be referred to the arbitration of Mr. Kasturbhai Lalbhai, Association's Arbitrator and Mr. Khandubhai K. Desai, Textile Labour Association's Arbitrator and the decision of the Arbitrators in the matter shall be final and binding on both the Associations.

7. *Gratuity:* That as provided in Clause 2(i) hereinbefore, a Two Looms Weaver who is relieved in connection with further introduction of Four Looms working, shall be paid gratuity at the rate of Rs. 55/- for every year of continuous service for the first 17 years and a maximum of Rs.1000/- for service of 18 or more years.

8. *Central Committee:* That in case of any difference of opinion on any matter pertaining to Four Looms working, that matter shall be referred, in the first instance, to the Production Committee in the mill and in case of any difference of opinion in the Production Committee, the matter shall be referred to the Central Committee to be set up for the purpose, jointly by the Ahmedabad Millowners' Association and the Textile Labour Association and the Committee's decision shall be final and binding on the mills and the workers.

9. That mills desiring to work Four Looms by a Weaver shall enter into an Agreement with the Textile Labour Association on the terms and conditions of this Agreement and the Textile Labour Association shall enter into an agreement with such mills on the terms and conditions of this Agreement.

FOR THE AHMEDABAD MILLOWNERS' ASSOCIATION
AHMEDABAD.
SD/— H. G. ACHARYA.
SECRETARY
FOR THE TEXTILE LABOUR ASSOCIATION,
AHMEDABAD.
SD/— SOMNATH P. DAVE.
SECRETARY

AHMEDABAD,
Dated the 8th July 1952

Appendix D

Agreement Between Ahmedabad Millowners' Association and the Textile Labour Association

AGREEMENT

It is hereby agreed between the Ahmedabad Millowners' Association, Ahmedabad, representing its local member mills and the Textile Labour Association, Ahmedabad, a Representative Union under the Bombay Industrial Relations Act, 1946, for the local area of Ahmedabad, with reference to the Notice of change in Form "K" dated the Sixth June 1952 by the Ahmedabad Millowners' Association under Section 42(1) and Rule 51 of the Bombay Industrial Relations Rules, 1947 respectively in the matter of working of FOUR SIDES of Ring Frames by a Ring Piecer in the Ring Frame Departments in the local member mills of the Association, as follows:-

1. *General:* That mills may work FOUR SIDES of Ring Frames by a Ring Piecer in the Ring Spinning Department, whenever a permanent vacancy occurs as a result of retirement or death of a Ring Piecer attending Two Sides of Ring Frames or in case of a casual vacancy taking place in the number of Ring Piecers attending two sides of Ring Frames.

2. *Unemployment:* That as a result of introduction of system of Four Sides working by a Ring Piecer, no unemployment of existing Ring Piecers attending Two Sides of Ring Frames and existing Badli workers shall take place, except in the following manner:-

Mills may further introduce Four Sides working:-

(i) by relieving workers on payment of Gratuity at an agreed rate as provided hereunder in case the workers are willing to retire,
(ii) by providing alternative employment for Two Sides Piecers in other departments.

3. *Conditions of work:* That the mills shall provide suitable working conditions for working of Four Sides of Ring Frames by a Ring Piecer in the Ring Frame Department.

4. That both the Associations shall appoint the Ahmedabad Textile Industry's Research Association (ATIRA) to investigate by its Experts, the matter of working conditions in the Ring Frame Department and to lay down standards of working conditions suitable for working of Four Sides of Ring Frames by a Ring Piecer in the Ring Frame Department which standards shall be adopted by mills working Four Sides by a Ring Piecer.

5. That whenever the working conditions deteriorate and become sub-standard in any mill working Four Sides System, the Textile Labour Association will give a notice to the mill concerned for improving the working conditions and the mill will restore the conditions to the standard within a period of one month of such notice. If there be no improvement in conditions within the period specified above, a fresh notice of one month will be given to the mill by the Textile Labour Association, demanding improvement in working conditions. If after two such notices there will be no improvement in the working conditions, the mill shall

pay to the Four Sides worker compensation in the form of cash allowance at a rate to be agreed upon between the two Associations and if there would be no agreement between the two Associations, then by arbitration, till the conditions of work are brought to normal.

6. *Wages:* That the question of payment of additional wages to a worker for working Four Sides of Ring Frames over the wages fixed under the Standardisation Award dated the 21st April 1948 for such work shall be referred to the arbitration of Mr. Kasturbhai Lalbhai, Association's Arbitrator and Mr. Khandubhai K. Desai, Textile Labour Association's Arbitrator and the decision of the Arbitrators in the matter shall be final and binding on both Associations.

7. *Gratuity:* That as provided in Clause 2(i) hereinbefore, a worker who is relieved in connection with further introduction of Four Sides working, shall be paid gratuity on the following Scale:-

Category of worker	*Gratuity at the rate of*
(i) In case of Ring Piercer attending Single Side of Ring Frame.	Rs. 50/- for every year of continuous service with a maximum of Rs. 900/- for any length of service over 18 years.
(ii) In case of Ring Piecer attending Two Sides of Ring Frames.	Rs. 55/- for every year of continuous service for the first 17 years and a maximum of Rs. 100/- for service of 18 or more years.

8. *Central Committee:* That in case of any difference of opinion on any matter pertaining to Four Sides working, that matter shall be referred, in the first instance, to the Production Committee in the mill and in case of any difference of opinion in the Production Committee, the matter shall be referred to the Central Committee, to be set up for the purpose jointly by the Ahmedabad Millowners' Association and the Textile Labour Association and the Committee's decision shall be final and binding on the mill and the workers.

9. That the mills desiring to work Four Sides of Ring Frames by a Ring Piecer shall enter into an agreement with the Textile Labour Association on the terms and conditions of this Agreement and the Textile Labour Association shall enter into an agreement with such mills on the terms and conditions of this Agreement.

FOR THE AHMEDABAD MILLOWNERS' ASSOCIATION,
AHMEDABAD.
sd/- H. G. Acharya
SECRETARY
FOR THE TEXTILE LABOUR ASSOCIATION,
AHMEDABAD.
SD/- SOMNATH P. DAVE,
SECRETARY

Ahmedabad
Dated, the 8th July 1952

Appendix E

Agreement Between Ahmedabad Millowners' Association and the Textile Labour Association

AGREEMENT

Whereas the Ahmedabad Millowners' Association, Ahmedabad, representing its local member mills and *The Textile Labour Association, Ahmedabad,* a Representative Union, under the Ahmedabad have deemed it desirable that *all* industrial disputes between the mills and their employees, between the mills and the Textile Labour Association and between the Ahmedabad Millowners' Association and the Textile Labour Association should be settled outside the Court, in the first instance by negotiations and in case no agreement is arrived at by mutual discussion, then by conciliation or by arbitration, AND

Whereas it is expedient to set up suitable machinery for the above purpose.

Now, therefore, it is hereby agreed between the Ahmedabad Millowners' Association, Ahmedabad and the Textile Labour Association, Ahmedabad, as under:-

1. That any industrial dispute between a mill and any of its employees or between a mill and the Textile Labour Association or between the Ahmedabad Millowners' Association and the Textile Labour Association, shall, in the first instance, be discussed and settled between the mills and the Textile Labour Association. Where the time-limit is not extended by mutual consent, disputes under this head shall be settled within a week. If there is no agreement of extension of time-limit, the party initiating the dispute shall forward it to the Conciliation Board for settlement.

2. That a Board of Conciliation shall be set up, consisting of 8 persons, 4 to be nominated by the Ahmedabad Millowners' Association and 4 to be nominated by the Textile Labour Association.

3. (a) That the Conciliation Board shall meet as often as necessary but in no case less than once a week for transacting its business and any two of the members of the Conciliation Board from each side present in person at the meeting shall form the required quorum for such meetings.

(b) That in case of a vacancy taking place in the Conciliation Board, it shall be filled up by the Association entitled to fill up such vacancy within fifteen days from the day on which such vacancy occurs.

4. That the Conciliation Board shall hold the proceedings for hearing of the dispute referred to it as above on such day and at such time as fixed by the Board and shall inquire into the dispute and into all matters affecting its merits and shall endeavour to bring about an amicable settlement of such dispute after hearing the parties together. The decision of the Board shall be declared in writing and shall be binding on both the parties. In case, the Conciliation Board is unable to bring about a settlement of the dispute, either party to the dispute, if so desires, or in case the opinion of the Board is divided, the Board may refer the dispute for decisions to the Arbitration Board to be set up for the purpose, provided the party initiating the dispute does not withdraw it.

5. That the Conciliation Board shall have power to call upon the parties to

produce before it such documentary and other evidence which may be deemed necessary for bringing about an amicable settlement of the dispute.

6. That the Conciliation Board shall not entertain any dispute, unless it is proved to its satisfaction that full attempt was made by the parties to the dispute for settlement by mutual negotiation and that reasonable opportunity was given to the aggrieved party to place its case properly.

7. (a) That the Conciliation Board shall not entertain any dispute after the expiry of a period of three months from the date on which the cause of action would have arisen, unless the Board is convinced that the delay in reference of the dispute was due to circumstances beyond the control of the applicant, in which case the Board shall entertain the dispute.

(b) That every dispute referred to the Conciliation Board shall be decided as expeditiously as possible, but in no case a dispute shall remain undecided for more than twenty-one days calculated from its date of reference to the Board, unless the parties extend the period by mutual consent.

(c) That all the unanimous decisions of the Conciliation Board which are of a binding nature as provided in Clause 4 hereinbefore, shall be registered as Agreements under the provisions of the Bombay Industrial Relations Act.

8. That no party shall be represented before the Conciliation Board by a professional pleader but the parties would be at liberty to be assisted by their own technical staff at the time of submitting their case before the Board.

9. That the Conciliation Board may, if necessary, appoint one or more Assessors of its own choice to assist it.

10. That all proceedings before the Conciliation Board will usually be held at the office of the Ahmedabad Millowners' Association.

11. That this Agreement shall be in force for a period of two years from the date of its registration and shall be deemed to have expired after such period unless renewed.

For the Ahmedabad Millowners' Association,
Ahmedabad.
(Sd.) H. G. Acharya,
secretary
For the Textile Labour Association,
Ahmedabad.
(Sd.) S. R. Asavada.
secretary

Ahmedabad.
Dated, the 8th July 1952

Appendix F

Agreement Between the Tata Iron and Steel Company Limited and the Tata Workers' Union

Jamshedpur
January 8, 1956

1. *This Agreement* dated the 8th of January, 1956, is between *The Tata Iron and Steel Company, Limited,* Jamshedpur, (hereinafter referred to as "the Company") and the *Tata Workers' Union,* (hereinafter referred to as "the Union").

I. PREAMBLE

2. The purpose of this Agreement is to establish and maintain orderly and cordial relations between the Company and the Union so as to promote the interests of the employees covered by this Agreement and the efficient operation of the Company's business. The parties realise the importance and need of maintaining such good and co-operative management-labor relations for the effective and timely implementation of the schemes of modernisation and expansion programmes involving a capital expenditure of about Rs. 110 crores.

II. MUTUAL SECURITY

3. To further the objectives of increased goodwill and co-operation, the Company and the Union give each to the other the following assurances for their mutual security.

4. The Company undertakes as hereinafter stated:

5. The Company will continue to recognise the Tata Workers' Union as the sole bargaining agent of employees at Jamshedpur in the Union sphere. In the case of supervisory staff, the Company will continue to deal with the Supervisory Unit in the Union in the same manner and subject to the same conditions as heretofore.

The Company agrees, in principle, to a Union membership security system and to the collection of Union subscriptions through the payroll in respect of employees other than supervisory staff. The Company will be prepared to join the Union in approaching the Central or State Governments for any alteration that might be required in the law in order to permit the bringing into effect of the maintenance of membership and "check-off" provisions referred to above.

6. The Company will continue to give all reasonable facilities to the office-bearers of the Union to carry out their duties in the best interests of the employees so however that nothing is done which is detrimental to the normal and effective operation of the Company's business.

7. The Company will continue to give all reasonable facilities to the elected group representatives of the employees on behalf of the Union in the different departments and sections of the Company to attend the Union Committee meetings, general meetings and conferences and generally to discharge their duties as representatives of their respective groups provided however the time spent on such work does not interfere with their normal duty as employees.

8. The Company will continue to give facilities to the Union representatives on the Joint Committees to attend the Committee meetings during their working hours and to pay them their due wages for the time so spent.

9. The Company including its officers and representatives at all levels is bound by the provisions of this Agreement.

10. The Union undertakes on behalf of itself and each of its members as hereinafter stated:

11. The Union continues to recognise the right of the Company to take disciplinary action, according to the provisions of the Standing Orders against such employees as indulge in unauthorized activities. However an issue of fact of such nature may be subject to the grievance procedure.

12. The Union recognizes that there are functions, powers and authorities belonging solely to the Company prominent among which, but by no means wholly inclusive, are the rights of introducing new or improved methods or equipment, deciding the number and location of plants, the nature of equipment or machinery, the products to be manufactured, the methods and/or processes of manufacturing, the scheduling of production, the method of training employees, the designing and engineering of products and the control of raw materials, provided that where the employees' interests are adversely affected, the Union is consulted before the Company takes a decision and the Union reserves the right to represent their cases to the Management.

13. Subject to the provisions of this Agreement, the Union recognizes the right of the Company:

(i) to hire, transfer, promote or discipline employees, provided that, in hiring a person, ordinarily the normal procedure in that behalf will be followed and provided further that no one is transferred, discharged or disciplined without a reasonable cause and without going through the normal procedure. The reasonableness of the cause, however, may be subject to the prescribed grievance procedure;

(ii) to fix the number of men required for the normal operation of a section or department, provided that in the case of the existing sections and departments the Union is consulted before the Company takes a decision;

(iii) to make or change such rules and regulations regarding employees as the Company may deem necessary and proper, provided that such rules or changes in the rules are fair and reasonable and are made after consultation with the Union;

(iv) to eliminate, change or consolidate jobs, sections, departments or divisions. Provided that when the employees' interests are adversely affected the Union is consulted before the Company takes a decision and provided further that where jobs are consolidated and a reduced number of employees are asked to increase their individual efforts in order to perform substantially the same amount of work formerly done by a larger number of employees and without any fair compensation in the form of incentive bonus or in any other form, the Union reserves the right to represent their case to the Management.

14. The Union, including its officers and representatives at all levels, is bound by the provisions of this Agreement.

III. CLOSER ASSOCIATION OF EMPLOYEES WITH MANAGEMENT

15. The Company appreciates the view that an increasing measure of association of Works employees with Management in the working of the industry is

desirable and would help (a) in promoting increased productivity for the general benefit of the enterprise, the employees and the country, (b) in giving employees a better understanding of their role and importance in the working of the industry and in the process of production, and (c) in satisfying the urge for self-expression; and the Company and the Union agree to discuss and devise at an early date ways and means of progressively achieving that objective at appropriate levels and by gradual stages. The manner and method by which employees would be represented in the process of such association will be among the matters to be so discussed.

IV. PRODUCTIVITY

16. The Union, its officers and its representatives agree to give their full support and co-operation to the Company in the matter of securing improvement in labour productivity. The parties agree on the need to establish a standard force in each of the existing departments and declare that such standard force shall be fixed by the Company for securing improvement in labour productivity after consultation with the Union.

17. The Company assures the Union that:

(i) there will be no retrenchment of existing employees;
(ii) those employees required for jobs other than those in which they are at present employed will, wherever necessary, be trained for other jobs;
(iii) the present average earnings of employees transferred or under training will be guaranteed to them.

18. The Union agrees that the fixation of the number of men required for the normal operation of each existing section or department as referred to in the Clause 13 (ii) shall be carried out and completed within a period of one year from the date of this Agreement. If there is any disagreement regarding such number, then the matter shall be referred to arbitration by independent experts to be mutually agreed upon by the Company and the Union and failing agreement to be appointed by the Government of India. The decision of such experts shall be binding on the Company and the Union.

19. The Company will be entitled, where there are more men in a section or department than the number fixed under Clauses 13 (ii) and 18, to leave vacancies unfilled and also to transfer surplus men in one department to fill up essential vacancies in other departments or for employment on new plant as provided in the Standing Orders.

20. In view of the schemes of modernisation and expansion programmes referred to in the preamble and requiring men for manning the new sections and departments, and in view of the provision in Clause 19 regarding vacancies unfilled and transfer of surplus men after the fixation of the standard force of existing sections or departments, the Company agrees that vacancies occurring hereafter will be filled, except with the concurrence of the Union, till such time as the standard force is fixed under Clauses 13 (ii) and 18.

V. JOB DESCRIPTION, JOB EVALUATION AND WAGE STRUCTURE

21. The Company and the Union agree that a programme of job evaluation should be undertaken in order to determine the value of each job and eliminate inequities in order subsequently to simplify the existing structure of wages and other payments to employees and place it on a rational basis.

It is further agreed that a Joint Committee consisting of an equal number of representatives of the Company and of the Union shall be appointed with an

independent expert as Chairman for the work of job evaluation. The parties agree that the Joint Committee shall consist of suitably qualified representatives of the Company and the Union. The parties agree that the classification of jobs embodied in the report of this Joint Committee shall be accepted by both parties as forming the basis of the future structure of wages and other emoluments. Thereafter the parties shall negotiate the rates of the future structure of wages and emoluments.

VI. REVISION OF WAGES AND GRATUITY

22. As the review of the wage structure as mentioned hereinbefore is likely to take time and the Union has requested an immediate increase in the wages of the lower paid employees and ministerial staff and also the revision of the gratuity rules, the Company agrees to revise the wages of such employees on an "ad hoc" basis and to increase gratuity payments as mentioned below:

A. To all employees of the Company (including temporary employees and Company's employees on construction work) in Jamshedpur drawing:

(a) basic wages up to Rs. 3 per day for daily-rated employees;
(b) basic wages up to Rs. 75 per month for monthly-rated employees; and
(c) basic salaries up to Rs. 140 per month for clerical staff, including the typists,

a flat "ad hoc" additional payment (by way of special allowance not to rank as part of substantive pay for any purpose) of annas two per day for category (a) and Rs. 3-4-0 per month for categories (b) and (c) as from 1st January 1956; and

a further flat "ad hoc" additional payment (by way of special allowance not to rank as part of substantive pay for any purpose) of annas two per day for category (a) and Rs. 3-4-0 per month for categories (b) and (c) as from 1st January 1957.

Marginal relief will be granted to employees drawing more than Rs. 3 per day in the case of daily-rated employees, Rs. 75 per mensem in the case of monthly-rated employees and Rs. 140 per mensem in the case of clerical staff.

B. For the purposes of the gratuity rules, in the case of all employees in Jamshedpur and no others, drawing basic salary or wages not exceeding Rs. 500 per month in the case of monthly-rated employees and equivalent daily rate in the case of daily-rated employees, the dearness allowance (but not the emergency bonus or food rebate or other allowances) shall be added to the basic salaries and wages for computing gratuity payments.

23. Subject to the provisions of Clause 22, the Company and the Union agree that there should be no further demands for increase in wages or emoluments (including gratuities) of employees until the coming into operation of the provisions of Clause 24. No further applications to the Permanent Joint Rates Committee shall be made or entertained unless there is a change in the job content.

VII. REVISION OF WAGES AND SEPARATION OF WORKS AND TOWN

24. (a) After the completion of the expansion of the Company's plant and of the job evaluation programme mentioned in Clause 21, the Company and the Union agree to negotiate revised wages and emoluments separately for:

(i) workers in the plant;

(ii) subject to the provisions of Clause 5, supervisory staff in the plant (within the sphere of the Supervisory Unit of the Union); and
(iii) town and other employees outside the Works.

(b) The Company declares that in such negotiations it will be prepared to offer, in recognition of the increased labour productivity and the larger profits resulting from the plant expansion programme, an appreciable upward revision in the wages and emoluments of the Works employees.

(c) The Company also records its considered view that as a result of past efforts to maintain parity of earnings between jobs in the Works and those outside the Works, the emoluments paid for the latter jobs have increased disproportionately and are substantially higher than those earned in other places in India and that therefore the larger profits resulting from the increased labour productivity in the Works should not entitle the Town and other employees outside the Works to an upward revision but that their cases shall be considered on their own merits.

VIII. CONSTRUCTION OF QUARTERS

25. (i) The Company agrees to undertake to construct 300 one-room quarters and 1700 two-room quarters by 31st March 1959, subject to the satisfactory conclusion of the land acquisitions proceedings now pending. It is agreed that some of these quarters may be temporarily allocated to the construction staff recruited from outside Jamshedpur by the Consulting Engineers in connection with the two-million ton expansion project.

(ii) The Company agrees to instal, as early as possible, water taps in the great majority of the Company's quarters at a reasonable charge in the shape of increased rent.

& (iii) The Company agrees to extend the indoor accommodation of the Main Hospital.

IX. PROMOTIONS

26. It is the established policy of the Company that when vacancies occur, it shall fill them by internal promotion, wherever possible, rather than by outside recruitment, so as to ensure a maximum of opportunity for employees with demonstrated ability.

27. Promotions to non-supervisory posts shall be made on the basis of seniority provided the individual concerned is competent for the higher post. In order to ascertain his competence, his past performance will be taken into account.

28. No person will be promoted to a post for which a trade test has been prescribed unless he has passed the trade test.

29. Promotions to supervisory posts, which shall commence with the post of Assistant Foreman or its equivalent, will be made on the basis of merit from among those who possess the prescribed qualification and/or experience. A detailed procedure for promotion from the ranks of workmen to supervisory posts will be formulated by the Company in consultation with the Union.

30. Promotions to temporary posts will be governed in accordance with the existing rules which have been agreed upon by the Company and the Union.

X. GRIEVANCE PROCEDURE

31. The Company and the Union agree that the objective of a good grievance procedure is the settlement of a grievance in the shortest possible time and at the lowest possible step.

32. It is agreed that a grievance procedure formulated in consultation with the Union shall be introduced in all departments and shall be strictly followed, subject to such modifications as may be agreed upon by the Company and the Union.

33. In departments where the grievance procedure is for any reason not introduced, an employee having any complaint or grievance shall first discuss the matter with his foreman. In the event a satisfactory settlement cannot be arrived at, it will be referred to the departmental head. The employee can at his option be assisted or represented by the Union representative in the department.

If the problem is still not satisfactorily adjusted, it may be referred to the appropriate Joint Committee and then to the Central Works Committee, if necessary, in accordance with the prescribed procedure.

XI. WORKS COMMITTEES

34. The Company and the Union agree to examine the working of the Works Committees with a view to improve the same. The Company will formulate proposals in this connection, which will be discussed with the Union and implemented with such modifications as may be agreed to by the Company and the Union.

XII. DISCIPLINE

35. The Union agrees to co-operate with the Company in maintaining discipline and avoiding waste of time by the employees.

36. The Company and the Union agree that while on the one hand any disciplinary action taken by the Company should be fair and just and not arbitrary, on the other hand, no action should be taken by the Union which short-circuits the established procedure. In particular, (a) the Union will not ask the Company to suspend action in individual cases pending a prior discussion with its representatives, and (b) the Company and the Union will co-operate in ensuring that differences are discussed and settled at the appropriate level. Intervention at the top Union and Management levels should take place only in exceptional cases.

XIII. DURATION OF AGREEMENT

37. The Company and the Union agree that this Agreement is adequate to the purpose set out in the preamble and that any attempt on the part of the Company or the Union to by-pass any of the provisions of the Agreement shall be construed as a violation of the Agreement.

38. This Agreement shall remain in effect in the first instance for a period of three years. It may be amended at any time by mutual consent. Its provisions shall conform with the Central or State laws, but the voidance of any clause or clauses for reasons of illegality shall not affect the balance of this Agreement which shall remain in full force and effect.

On Behalf of the Tata Iron and Steel Company, Limited	On Behalf of the Tata Workers' Union
(Sd.) J. R. D. Tata Chairman	(Sd.) M. John President
(Sd.) J. J. Ghandy Director-in-charge	(Sd.) V. G. Gopal General Secretary

Appendix G

Supplemental Agreement Between the Tata Iron and Steel Company Limited and the Tata Workers' Union

Jamshedpur
August 4, 1956

For Closer Association of Employees with Management Pursuant to Clause 15 of the Agreement dated 8th January, 1956, Between the Tata Iron & Steel Company Limited of the Tata Workers' Union.

1. In pursuance of Clause 15 of the Agreement between the Tata Iron and Steel Company, Limited, and the Tata Workers' Union dated 8th January, 1956, this Supplemental Agreement shall come into force on a date to be agreed between the parties, but not later than the 1st October, 1956, and shall be co-terminous with the principal Agreement.

I. PREAMBLE

2. As stated in Clause 15 of the principal Agreement, "the Company appreciates the view that an increasing measure of association of Works employees with Management in the working of the industry is desirable and would help (a) in promoting increased productivity for the general benefit of the enterprise, the employees and the country, (b) in giving employees a better understanding of their role and importance in the working of the industry and in the process of production, and (c) in satisfying the urge for self-expression."

3. All matters connected with collective bargaining or falling within the sphere of Union relations shall be specifically excluded from the scheme embodied in this Agreement.

II. ORGANIZATION

4. The following Joint Committees are already in existence:

At Departmental level—

Advisory Development and Production Committees

At Works level—

1. Plant Works Committees
2. Non-factory Employees' Works Committee
3. Central Works Committee
4. Special Central Works Committee
5. Permanent Joint Rates Committee
6. High-Level Rates Committee
7. Job Evaluation Committee
8. Trade Test Specification Committee
9. Minimum Qualifications Committee
10. House Allotment Committee
11. Medical Fitness Committee

12. Central Canteen Managing Committee
13. Safety Appliances Committee
14. Suggestion Box Committee

There are also the following Committees consisting at present of Management representatives only:

1. Welfare Committee
2. General Safety Committee
3. Workmen's Benefit Fund Board of Trustees.

5. It is agreed that the following changes be made:

(i) The Advisory Development and Production Committees at Departmental level will be replaced by Joint Departmental Councils which, with enlarged functions, will be set up in all departments in accordance with Clause 6 of this Supplemental Agreement.

(ii) In accordance with Clause 3 of this Agreement, the following Joint Committees, which are concerned with collective bargaining or fall within the sphere of Union relations, will be excluded from this scheme:

1. Plant Works Committees
2. Non-factory Employees' Works Committee
3. Central Works Committee
4. Special Central Works Committee
5. Permanent Joint Rates Committee
6. High-Level Rates Committee
7. Job Evaluation Committee
8. Trade Test Specification Committee
9. Minimum Qualifications Committee
10. House Allotment Committee
11. Medical Fitness Committee.

(iii) The following Committees will hereafter be reconstituted as Joint Committees:

1. Welfare Committee
2. General Safety Committee
3. Workmen's Benefit Fund Board of Trustees.

Subject to the provisions of any law for the time being in force, the Company will endeavour to secure representation for employees on the Board of Trustees of Workmen's Benefit Fund equal in number to that of the Company, excluding the Chairman, who is and shall be a nominee of the Company.

(iv) The following Committees will be placed under the supervision and control of the Joint Works Council set up under Clause 6 of this Supplemental Agreement:

1. Central Canteen Managing Committee
2. Welfare Committee
3. General Safety Committee
4. Safety Appliances Committee
5. Suggestion Box Committee

6. Joint Departmental Councils, a Joint Works Council, a Joint Town Council and a Joint Consultative Council of Management shall be set up as hereinafter described.

7. The Company and the Union agree that whereas, in the first instance, the representatives of employees within the Union sphere shall be nominated by the Union, the employees within the sphere of the Supervisory Unit of the Union being fairly represented therein, steps shall be taken gradually to introduce the principle of election by secret ballot.

III. JOINT DEPARTMENTAL COUNCILS

8. There shall be a Joint Departmental Council in each department of the Works. Such Councils shall, depending on the size of the department, consist of two to ten representatives of Management and an equal number of representatives of Works employees, including a fair representation of employees within the sphere of the Supervisory Unit of the Union. The representatives of Management shall be nominated by Management and those of employees by the Union from among the employees of the Company. The Chairman shall be designated by Management from among its representatives, and the Vice Chairman by the Union from among the representatives of employees on the Council. The Council shall normally hold its meetings once a month. The term of office of the members shall be two years except that half of the original members of the Council shall retire at the end of the first year.

9. The functions of such Councils shall be as follows:

(a) To study operational results and current and long-term departmental production problems.

(b) To advise on steps necessary at departmental level to promote and rationalise production; improve methods, layout and processes; improve productivity and discipline; eliminate waste; effect economies with a view to lowering costs; eliminate defective work and improve the quality of products; improve the upkeep and care of machinery, tools and instruments; promote efficient use of safety precautions and devices; promote employees' welfare and activities like sports/picnics; encourage suggestions; improve working conditions and better functioning of the department.

(c) To implement the recommendations or decisions of the Joint Consultative Council of Management or the Joint Works Council approved by Management.

(d) To refer any matter to the Joint Works Council for their consideration or advice.

IV. JOINT WORKS COUNCIL

10. There shall be a Joint Works Council consisting of twelve representatives of Management and an equal number of representatives of employees. The representatives of Management shall be nominated by Management. The representatives of employees, including a fair representation of employees within the sphere of the Supervisory Unit of the Union, shall be nominated by the Union from among the employees of the Company, exclusive of those covered by the Joint Town Council, except that one of such representatives may be an officer of the Union who is not an employee of the Company. The Chairman shall be designated by Management from among its representatives and the Vice Chairman by the Union from among the representatives of employees on the Council. The Council shall hold its meetings normally once a month. The term of office of the members shall be two years, except that half of the original members of the Council shall retire at the end of the first year.

11. The functions of the Joint Works Council shall be as follows:

(a) To study operational results and current and long-term production problems of the Works as a whole.

(b) To advise on steps necessary to promote and rationalise production; improve methods, layout and processes; improve productivity and discipline; eliminate waste; effect economies with a view to lowering costs; eliminate defective work and improve the quality of products; improve the upkeep and care of machinery, tools and instruments; promote efficient use of safety precautions and devices; promote employees' welfare and activities like sports/picnics; encourage suggestions; improve working conditions and better functioning of the Works as a whole.

(c) To plan and supervise the work of the following committees within the framework of duly approved budgets and Company rules and procedures:

Central Canteen Managing Committee,
Welfare Committee,
General Safety Committee,
Safety Appliances Committee,
Suggestion Box Committee.

(d) To follow up the implementation through the appropriate Joint Departmental Councils of its recommendations or decisions approved by management.

(e) To refer any matter to the Joint Consultative Council of Management for their consideration or advice.

(f) To advise on any matter referred to it by the Joint Departmental Councils or by the Joint Consultative Council of Management or by Management.

12. The General Safety Committee, which at present consists of twelve Management representatives, shall be reconstituted to provide for eight Management representatives, including the Chairman, and four representatives of employees.

13. The composition of the present Welfare Committee, which consists of nine Management representatives, shall be altered to provide for five representatives of Management, including the Chairman, and five representatives of employees.

14. The composition of the Central Canteen Managing Committee, the Safety Appliances Committee and the Suggestion Box Committee, shall remain the same as at present.

15. The representatives of Management, including the Chairman, on the Central Canteen Managing Committee, the Welfare Committee, the General Safety Committee, the Safety Appliances Committee and the Suggestion Box Committee, shall be nominated by Management and those of employees by the Union.

16. The General Safety Committee, the Central Canteen Managing Committee and the Welfare Committee thus reconstituted and the Safety Appliances Committee and the Suggestion Box Committee, shall function as sub-committees of the Joint Works Council.

V. JOINT TOWN COUNCIL

17. There shall be a Joint Town Council consisting of six representatives of Management and six representatives of employees. The representatives of Manage-

ment shall be nominated by Management. The representatives of employees, including a fair representation of employees within the sphere of the Supervisory Unit of the Union, shall be nominated by the Union from among the employees of the Company in the Town, Medical and Health Departments, including the Education Department, except that one of such representatives may be an officer of the Union who is not an employee of the Company. The Chairman shall be designated by Management from among its representatives and the Vice Chairman by the Union from among the representatives of employees on the Council. The Council shall normally hold its meeting once a month. The term of office of the members shall be two years except that half of the original members of the Council shall retire at the end of the first year.

18. The functions of the Joint Town Council shall be as follows:

(a) To advise on steps necessary to promote, rationalise and improve output and methods of work, reduce costs, improve quality, effect economies, reduce waste and ensure improved working conditions and better functioning of the organization as a whole.
(b) To advise on social welfare activities in the Town within the framework of duly approved budgets and Company rules and procedures.
(c) To follow up the implementation of its recommendations or decisions approved by Management.
(d) To refer any matter to the Joint Consultative Council of Management for their consideration or advice.

VI. JOINT CONSULTATIVE COUNCIL OF MANAGEMENT

19. There shall be a Joint Consultative Council of Management consisting of eight representatives of Management and an equal number of representatives of employees, in addition to a Chairman. The representatives of the Company and the Chairman shall be nominated by the Company. The representatives of employees, including a fair representation of employees within the sphere of the Supervisory Unit of the Union, shall be nominated by the Union from among the employees of the Company, except that not more than two of such representatives may be officers of the Union who are not employees of the Company. The Council shall normally meet once a quarter at Jamshedpur or Bombay. The term of office of the members shall be two years except that half of the original members of the Council shall retire at the end of the first year.

20. The functions of the Joint Consultative Council of Management shall be as follows:

(a) To advise Management on all matters concerning the working of the industry in the fields of production and of welfare.
(b) To advise Management in regard to economic and financial matters placed by Management before the Council, provided that the Council may discuss questions dealing with general economic and financial matters concerning the Company which do not deal with questions affecting the relations of the Company with its shareholders or managerial staff or concerning taxes or other matters of a confidential nature.
(c) To consider, and advise on, any matter referred to it by the Joint Works Council or the Joint Town Council.
(d) To follow up the implementation through the Joint Works Council or the Joint Town Council of any recommendations made by it and approved by the Company.

VII. GENERAL

21. In order to enable the aforesaid Joint Consultative Council of Management, the Joint Works Council, the Joint Town Council and the Joint Departmental Councils, to exercise their functions effectively, the Management will make available to them relevant information, data and statistics, including such financial information as may be necessary for the proper understanding of any matter under consideration. The Company will be free to withhold information or data of a confidential nature or the disclosure of which would, in the Management's opinion, be detrimental to the interests of the organisation.

22. In order to ensure the effective functioning of the aforesaid Joint Councils, Management shall set up an appropriate Central Secretariat and shall bear the expenses of such Secretariat.

23. The parties agree that in the event legislation is enacted providing for employees' association with the management of companies, the provisions of this Supplemental Agreement shall continue with or without modification only as may be agreed upon between the parties.

On Behalf of the Tata Iron and Steel Company, Limited	On Behalf of the Tata Workers' Union
(Sd.) J. R. D. Tata, Chairman	(Sd.) M. John, President
(Sd.) J. J. Ghandy, Director-in-charge	(Sd.) V. G. Gopal, General Secretary

August 4, 1956.

Notes

N. B. *The rupee is roughly worth 21 cents and the value has remained fairly constant over the years.*

CHAPTER I

The Dimensions of the Problem

1. Supplement on "India—Progress and Plan," *Economist,* No. 5813 174:2 (January 22, 1955).

2. Speech to students at Lucknow University, February 7, 1957, reported in *The Hindu Weekly Review,* February 11, 1957, p. 2.

3. *The First Five-Year Plan,* Planning Commission, Government of India, (New Delhi, 1952), p. 84.

4. American aid through the Point 4 Program was concentrated largely on agricultural and community development programs, and totaled nearly $53 million in 1951–52, $44 million in 1952–53, and $90 million in 1953–54. There were 245 U.S. technicians working in India on these programs during 1953–54. See Jonathan B. Bingham, *Shirt-Sleeve Diplomacy: Point 4 in Action* (New York, 1953), Appendix B (p. 244) and pp. 257–258.

5. *First Five-Year Plan,* p. 436.

6. *Ibid.,* p. 21.

7. *Second Five-Year Plan,* Planning Commission, Government of India, New Delhi, 1956, pp. 73–74.

8. The Revised Index of Industrial Production (1951 = 100) was 121.9 for 1955. This is a more broadly based index than the Interim Index of Industrial Production (1946 = 100), but is not so helpful as the latter for considering growth since the war and independence to the present. For this reason the Interim Index is used elsewhere in this study. A source which gives both of these indices is *Monthly Statistics of the Production of Selected Industries of India for October, 1955,* Vol. VII, No. 10, Calcutta, Ministry of Commerce and Industry, Directorate of Industrial Statistics, pp. 1–27. See also *Reserve Bank of India Bulletin,* Bombay, published monthly.

9. *Second Five Year Plan,* pp. 2 and 255.

10. The All India Food Index (1949 = 100) was 95 in February, 1956, and 106 in June, more than an 11 per cent rise in five months. *Indian Labour Gazette,* no. 2, 14:162 (August 1956). Emergency food imports and further price rises may be avoided by the agreement signed in August 1956, between the governments of India and the United States, providing for the use of United States agricultural surpluses. *New York Times,* August 30, 1956, p. 1. Commenting on the agreement, the *Reserve Bank Bulletin* notes that "the imports envisaged under the agreement will enable the Government to build up a sizable reserve of food grains which will assist considerably in controlling food grain and other prices during a period when large-scale development expenditure and deficit financing are contemplated." *Reserve Bank of India Bulletin,* no. 9, 9:941 (September 1956).

11. Census of India, Paper No. 3, *Summary of Demographic and Economic Data, 1951,* Government of India Press (Delhi, 1953), p. 34.

12. *Second Five-Year Plan,* p. 237.

13. Source: Reserve Bank of India, *Reserve Bank of India Bulletin* (issued monthly, Bombay), 10:319 and 11:391, except for 1957 which is taken from *Indiagram* (issued weekly by the Information Service of India, Washington, D. C.), July 19, 1957, p. 2. Goals for private sector investment in industry during the first plan period were Rs. 4.63 billion gross investment, including replacement and modernization, of which Rs. 2.33 billion were to be net new investment. Actual gross investment is reported as Rs. 3.4 billion, of which 2.32 billion are net new investment. In short, the private sector met the

plan goals of growth, but not of modernization (pp. 389–390). Businessmen have felt that government actions have caused this shortfall of gross investment. A prevalent business view of the problem is summarized in these words: "It is felt that fiscal policies have been based on inadequate appreciation of the needs of private investment and have been designed to meet the demands of ever-hungry Government departments. In the fixation of price-ceilings or the bonus and other remuneration payable to labour, the Government and the Industrial Tribunals appear to have assumed an unreasonably low return on capital as fair. Ideologically based labour policies seem to have placed an undue burden on industry and/or created practical difficulties in the handling of labour relations. It is felt that the general atmosphere for industrial operations has become less and less favorable as Government control over industry became more and more detailed and nationalization of one industry after the other came to be proposed as the inevitable remedy for certain assumed evils. In view of these trends it has been commonly felt that Government actions in practice reflected a lack of sympathy for and appreciation of business operations." Decline in the number of new companies registered, and rising unemployment, suggest, however, that "the overall rate of industrial expansion has not been satisfactory. Although the Plan targets have been mostly reached, industrial expansion has not acquired momentum of a kind in which expansion in one sphere stimulates expansion in other fields." *Tata Quarterly* (April-July 1955), pp. 33 and 46.

14. The average number of applicants (rounded to the nearest 10,000) on live register of the employment exchanges was as follows:

1948	240,000	1954	560,000
1950	330,000	1955	690,000
1952	440,000	June 30, 1956	760,000

See *Indian Labour Gazette,* no. 2, 14:152; no. 9, 14:753. Employment exchange statistics measure only urban unemployment, and understate even this, since employment offices are located in large cities and, through ignorance of the service or lack of faith in it, many unemployed do not register.

15. *Second Five-Year Plan,* p. 112.

16. Wilfred Malenbaum, "Urban Unemployment in India," *Pacific Affairs,* 30:2 (June 1957), Table I, p. 140.

17. *Second Five-Year Plan,* p. 115.

18. *Ibid.*

19. "The basic strategy would be to increase purchasing power through investments in heavy industries in the public sector and through expenditure on health, education, and social services; and to meet the increasing demand for consumers' goods by a planned supply of such foods so that there would be no undesirably inflationary pressures." The demand for consumers' goods "must be met by increasing the supply of such goods as much as possible through the expansion of household or hand production. This would also quickly generate a large volume of work all over the country," *Second Five Year Plan: The Framework,* Government of India, Publications Division, (New Delhi: July, 1955), pp. 14–15. The final version of the Second Plan placed somewhat less emphasis on the employment-creating potential of the small-scale industries, *Second Five-Year Plan,* p. 59.

20. *Second Five-Year Plan,* p. 115.

21. Professor C. N. Vakil reported in 1954 that 40 of 78 Indian industries "were working at less than 60 per cent capacity for a period of three years or more." "Indian Industry's Installed Capacity and Present Production Levels," *Capital* (Calcutta, December 16, 1954), p. 19.

22. *Second Five-Year Plan,* pp. 56–58. Of the Rs. 48 billion, 10 billion are for current

developmental expenditure. Investment in new productive assets is then Rs. 38 billion in the public sector and Rs. 24 billion in the private sector. Later the public sector outlay estimate was raised to Rs. 53 billion.

23. *Second Five-Year Plan,* pp. 81–82. For a preliminary and critical evaluation of the proposals of the Second Plan, see Wilfred Malenbaum, "Economic Growth in India —1955/56—1960/61," unpublished memorandum, Cambridge, Center for International Studies, Massachusetts Institute of Technology, December 8, 1955, esp. pp. 45–47. The *Second Five-Year Plan* projects rates of saving at 7 per cent in 1955–56 (compared to about 5 per cent in 1950–51), 11 per cent by 1960–61, 14 per cent by 1965–66, and reaching 17 per cent by 1975–76. The Plan notes that a "rate of 16 or 17 per cent of national income is decidedly high, though not unattainable" (p. 10).

24. *Second Five-Year Plan: The Framework,* p. 106.

25. *Ibid.,* p. 54.

26. *Second Five-Year Plan,* p. 24.

27. Ansley J. Coale and Edgar M. Hoover, "Population Growth and Economic Development in India, 1956–1986" (unpublished monograph), Princeton, Office of Population Research, Princeton University, Appendix, p. A–9. Partition and resettlement of refugees makes more precise estimation difficult.

28. See N. K. Choudhry, "A Note on the Dilemma of Planning Population in India," *Economic Development and Cultural Change,* no. 1, 4:69–71 (November 1955).

29. Henry H. Villard, "Some Notes on Population and Living Levels," *Review of Economics and Statistics,* no. 2, 37:189–95 (May, 1955). See also Harvey Leibenstein, *Theory of Economic-Demographic Development,* Princeton University Press (Princeton 1954). See also N. K. Choudhry, "A Note on the Dilemma of Planning Population," pp. 72–81, for a good discussion of the "economic implications" of population increases in India.

30. Coale and Hoover, *Population Growth,* p. iv–11.

31. The report uses the hypothesis of a 50 per cent decline in fertility to provide a quantitative measure of the impact a decline in the birth rate could have on India's economic progress. It does not use it as the best approximation of what may in fact occur. Yet it is not completely unrealistic. Declines of similar magnitude have occurred in Japan, Hungary, Germany, Norway, and Sweden. Coale and Hoover, *Population Growth,* p. vi–7. The question for India's family planners is not whether an impossible decline can be attained, but whether organized birth control measures can attain such a rate at an early stage of development.

32. This applies, of course, to all industrially underdeveloped countries with large populations. A group of United Nations experts stated: "Countries cannot afford to wait on the slow cultural effects of modernization to bring their fertility and mortality rates into balance, since in the meantime their population will increase with disastrous consequences. It is therefore important that thought be given to discovering ways and means, which are consistent with the values and culture of each of the peoples concerned, of speeding up the reduction of fertility rates." United Nations, *Measures for the Economic Development of Underdeveloped Countries* (New York, 1951), p. 48.

33. *First Five-Year Plan,* p. 523; *Second Five-Year Plan,* p. 554.

34. The data in this section were taken from the Census of India, Paper no. 3, vol. I, part II–B, Economic Tables (General Population), Government of India Press (Delhi, 1953), p. 34.

35. The average daily employment in registered factories in 1950 was 2,754,830 (corrected for 10 per cent absenteeism), as reported in the *Indian Labour Gazette* (New Delhi, 1952).

36. An alternative estimate is 7,134,170 for 1950, as computed by Oscar A. Ornati,

Jobs and Workers in India, Cornell University Press (Ithaca, New York, 1955), Table 6, p. 9.

37. *Report to the All-India Congress Committee at Avadi* (January 1955).

38. For a fuller discussion of trade union membership, see Chapter IV.

39. Reply to debate in Lok Sabha, as reported in *Hindustan Times,* April 15 and 16, 1955.

40. Much of the following is based on the study, completed after seven months in India during 1955–56, by Philip Kotler, "Problems of Industrial Wage Policy in India" (unpublished doctoral dissertation, Cambridge, Department of Economics and Social Science, Massachusetts Institute of Technology, September, 1956).

41. *First Five-Year Plan,* p. 583

42. The concept of a "living wage" has meaning at two levels of generality. It is a part of the "socialist pattern of society," an ultimate aim of organized labor, and a rallying cry with the same degree of quantification as "A fair day's pay for a fair day's work" or other slogans of the American labor movement. But it also has been given more precise definition in rupee figures. Such estimates necessarily differ according to the calculation of an adequate living stanndard.

43. *Indian Labour Gazette,* no. 12, 13:976 (June, 1956).

44. Reports of industrial disputes are received in general from those industries in which the labor force was estimated above at 6 to 8 million. Statistics depend in part on voluntary reports of disputes. Since both the employment base and the dispute statistics are either incomplete or rough approximations, combining them in a percentage estimate provides nothing but a very general estimate of man days lost to man days worked. This problem is discussed briefly in *The Indian Labour Year Book, 1953–54,* p. 159.

45. A different conclusion was reached by Shreekant Palekar in his excellent study, "An Analysis of Real Wages in India, 1939–50" (to be published in 1958 by International Book House, Bombay). Palekar used the wage data collected under the Payment of Wages Act, but employed a statistical method which differed in important respects from that of the Labour Bureau. His index indicated that real wages recovered to the prewar level as early as 1949. A discussion of the principal weaknesses and differences between the indices prepared by the Labour Bureau and Palekar can be found in Chapter IX of Philip Kotler, "Problems of Industrial Wage Policy." A brief published discussion of Palekar's methodology may be found in Shreekant Palekar, "Real Wages in India, 1939–50," *The Economic Weekly Annual,* January, pp. 1–7.

46. For further discussion see Kotler, "Problems of Industrial Wage Policy," Chapter VI, "Inter-Regional Wage Differentials," pp. 247–260.

47. *Indian Labour Gazette,* no. 2, 14:154 (August 1956).

48. "Dearness allowance" is a flat amount, which is a higher percentage of lower paid than of higher paid workers' earnings.

49. Kotler, "Problems of Industrial Wage Policy," p. 284.

50. *Report of the Court of Inquiry (Rau Court) Constituted under the Trade Disputes Act, 1929, to Investigate the Question of Dearness Allowance for Railway Employees,* vol. I, *Report,* Manager of Publications, (Delhi, 1941). We should note here, however, that minimum wages have seldom equaled estimated minimum family budgets in any country.

51. Although 1954 figures are not available at time of writing, the average monthly earnings of cotton textile workers in Bombay province were Rs. 119, with the cost of living little different from two years later. *Indian Labour Gazette,* no. 2, 13:85 (August, 1955).

52. *Indian Labour Yearbook, 1953–54,* p. 176. Figures are for September, 1954.

53. This estimate was prepared by the Bombay Textile Labour Enquiry Committee in 1940. See its *Final Report,* II (Bombay, July 27, 1940; reprint, 1953).

54. For detailed estimates of the gap, as of 1950, between actual wages and subsistence wages or living wages, see Palekar, "An Analysis of Real Wages," pp. 506 and 525.

55. For example, the Working Committee of the Indian National Trade Union Congress called on all affiliated unions to demand at least a 25 per cent general increase. *The Indian Worker,* November 26, 1956, p. 3.

56. The Agricultural Labour Inquiry Committee was quoted in February 1954 by former Union Labour Minister V. V. Giri, as finding that the average annual income per agricultural labor family in India was Rs. 447, earned during an average of 189 days in agriculture and 29 days in nonagricultural jobs. *The Statesman,* February 26, 1954. Average annual earnings of factory workers in perennial (nonseasonal) industries in 1950 were Rs. 966.8 and Rs. 1,035 in 1951. *Labour Gazette,* no 7, vol. II (January, 1954).

CHAPTER II

The Development of Entrepreneurship and Industry

1. Much of the initial work for this chapter and its first draft was done by Mr. Fred Munson, Research Assistant in the Industrial Relations Section, M.I.T.

2. In 1946 the Industrial Index of Production still allotted over 70 per cent of its weight to three industries: cotton textiles, jute textiles, and coal. All other mining and manufacturing industry, including iron and steel (7.16 per cent), and some not included in index construction, accounted for perhaps one third of total value added by manufacture in India in 1946. Data are taken from *Statistical Abstract, India, 1950,* Government of India, Central Statistics Organization, Cabinet Secretariat, (1952), Table 160, pp. 552ff; explanation of 1946 index, p. 627; Table 174, pp. 636–37.

3. D. R. Gadgil, *The Industrial Evolution of India in Recent Times* (Madras, 1924), p. 136.

4. Daniel H. Buchanan, *The Development of Capitalist Enterprise in India* (New York, 1934), p. 269.

5. "The jute mills are a great monument to Scottish enterprise and Indian labor. While Indians have furnished the land and labor for growing, and the labor for manufacturing, Scotland has furnished the brains and the careful oversight." Buchanan, *Development of Capitalistic Enterprise,* p. 243. See also Vera Anstey, *The Economic Development of India,* 3rd ed. (London, 1942), p. 280.

6. In 1947 route mileage was approximately 450,000 miles before partition; 34,000 immediately after. *Statistical Abstract* (1949), Table No. 231.

7. Buchanan, *Development of Capatalistic Enterprise,* p. 184.

8. Daniel Thorner, "Great Britain and the Development of India's Railways," *Journal of Economic History,* no. 4, 11:399–400 (Fall 1951).

9. Buchanan, *Development of Capitalistic Enterprise,* p. 201.

10. B. V. N. Naidu, "Handloom Industry in India," *Indian Cotton Textile Industry Centenary Volume (1851–1950),* M. P. Gandhi, ed. (Bombay, 1950), p. 128. See also S. D. Mehta, *The Indian Cotton Textile Industry: An Economic Analysis* (Bombay, 1953), pp. 123 and 127.

11. G. L. Mehta, "Development of Cotton Textile Machinery Industry and Textile Accessory Industries," *Indian Cotton Textile Industry Centenary Volume (1851–1950),*

pp. 81–82. Mr. Mehta, a former president of the Federation of Indian Chambers of Commerce and Industry, was, at the time of writing this article, a member of the Planning Commission, and is currently ambassador to the United States.

12. "Indian Industry," *The Eastern Economist Annual Number* (New Delhi), no. 24, 13:1000 (December 30, 1949).

13. It should be noted, however, that jute sells primarily in world markets; this industry faces a different set of problems. Cotton textile capacity has been restricted by government order to protect the handloom industry. For a discussion of this restriction, see *Second Five-Year Plan: A Draft Outline,* Government of India Planning Commission (February 1956), pp. 36–38.

14. Economic Division, Planning Commission, "Installed Capacity and Its Utilization in Indian Industries," *Papers Relating to the Formulation of the Second Five-Year Plan.* Government of India Planning Commission (New Delhi, 1955), pp. 175–197.

15. Output figures are based on the 1946 index of industrial production. "General engineering" includes dry cells, diesel engines, machine tools, hurricane lanterns, storage batteries, electric motors, and power transformers. *Reserve Bank of India Bulletin* (February 1956), Table No. 30.

16. Index weights for the four industries were:

	1946 Index	*1951 Index*
Cotton textiles	43.49	36.10
Jute textiles	16.53	11.91
Coal	11.95	6.69
Steel	7.16	5.92
	79.13	60.62

17. Mr. N. Das, *The Public Sector,* Eastern Economist Pamphlets No. 32, E. P. W. da Costa, general editor (New Delhi, September 1955), p. 1.

18. *Ibid.,* pp. 22–24.

19. *First Five-Year Plan,* p. 444, Appendix, Industrial Projects in the Public Sector.

20. Das, *The Public Sector,* p. 28.

21. *Loc. cit.*

22. *49th Annual Report 1955–56,* Tata Iron and Steel Company, Limited, p. 19.

23. "The New Coal Policy," *Eastern Economist,* no. 22, 13 (November 1955).

24. Tentative estimates by the Revenue Minister, Manilal C. Shah, in reply to a question in the Lok Sabha. Reported in the *Hindu Weekly Review,* no. 11, 4:16 (March 12, 1956).

25. *Second Five-Year Plan,* pp. 6, 334, 388, 389. There is no conflict between these two sources. Public sector investment in electrical undertakings was about 2.3 billion during the first plan.

26. As in the case of the Vishkhapatnam shipyard, where government bought a two thirds interest from the private owners. Das, *The Public Sector,* p. 26.

27. *Second Five-Year Plan,* pp. 66–67.

28. Andrew F. Brimmer, "The Setting of Entrepreneurship in India," *Quarterly Journal of Economics,* 69:555 (November 1955).

29. M. M. Mehta, *Structure of Indian Industries* (Bombay, 1955), p. 247.

30. Andrew F. Brimmer, "Some Aspects of the Rise and Behavior of Business Communities in Bombay," unpublished research paper, Massachusetts Institute of Technology, Center for International Studies (August 1953), Table XL. This conclusion was based on a sample of Bombay firms.

31. Brimmer, "The Setting of Entrepreneurship in India," pp. 564–565.

32. Buchanan, *The Development of Capitalist Enterprise,* p. 144.

33. Foreign firms have also followed this pattern; it is one which, after all, accords well with the perfectly sound business principle of finding a market before producing the product. But it does not accelerate the industrial development of a young nation, and one of the first steps taken by free India was to promise a protected market to those traders who would attempt the manufacture of the products within the country by denying import licenses to those who would not. For a study of this trader-to-manufacturer transition by foreign firms, see K. K. Das, *Management of American Enterprise in India,* unpublished doctoral thesis, Harvard University, Graduate School of Business Administration (July, 1956), Parts III and IV.

34. Helen B. Lamb, "The Rise of Indian Business Communities," *Pacific Affairs,* no. 2, 28:105–106 (June 1955).

35. "Survey of India's Foreign Liabilities and Assets, 1953" *Reserve Bank of India Bulletin,* no. 11, 9:1207 (November 1955).

36. "India, Progress and Plan," Supplement to *The Economist* (London), no. 5813, 174:18 of supplement (Jan. 22, 1955). *The Economist* does not state its source. An identical figure was calculated in 1951 by an Indian employer group interested in showing the predominance of Indian ownership and control, "Role of Private Enterprise in India—in Retrospect and Prospect," Employers Association, 15 Park Street, Calcutta, March 1951, p. 16.

37. See Table 2.

38. M. M. Mehta, *Combination Movement in Indian Industry* (Allahabad, 1952), Appendix I. The Dalmia-Jain group was separated several years ago into the Dalmia and Sahu-Jain groups.

39. M. M. Mehta, *Structure of Indian Industries,* Ch. IX. By contrast, in the cotton textile industry, the fifteen largest agents control only one fifth of the mills.

40. *Ibid.,* p. 248.

41. *Ibid.,* p. 249.

42. *Statistical Abstract, India, 1952–53,* p. 399. These figures include mill, plantations, banks, trading companies, and so on, as well as manufacturing firms. Part of this growth may be due to the incorporation of existing companies to the fake advantage of certain tax benefits and the general benefit of limited liability. There has been little expansion in number since 1952, however.

43. M. M. Mehta, *Structure of Indian Industry,* pp. 260, 288.

44. Vera Anstey, *The Economic Development of India,* pp. 56–57.

45. Jawaharlal Nehru, *The Discovery of India* (London, 1951), p. 233.

46. M. M. Mehta, *Structure of Indian Industry,* p. 260.

47. International Labour Office, *Industrial Labour in India* (London, 1938), p. 117.

48. Geoffrey W. Tyson, *The Bengal Chamber of Commerce and Industry, 1853–1953: A Centenary Survey* (Calcutta, 1952), p. 123.

49. *Silver Jubilee Souvenir, 1927–51,* Federation of Indian Chambers of Commerce and Industry (New Delhi, 1952), pp. 13–14.

50. I.L.O., *Industrial Labour in India,* p. 119.

51. *Silver Jubilee Souvenir, 1927–51,* pp. 22–31.

52. *Ibid.,* p. 31.

53. *Ibid.,* p. 42. See also address by Sir M. Visvesvaraya, AIMO President, at 13th annual conference of AIMO, Napur, March 14, 1953. *AIMO Journal,* no. 3, 7:2 (March 1953).

54. Helen Lamb, "The 'State' and the Economic Development in India," *Economic Growth: Brazil, India, Japan,* Simon Kuznets and others, eds., (Durham, North Carolina, 1955), p. 487.

55. Nalini R. Sarkar, "My Days in the Federation," *Silver Jubilee Souvenir, 1927–51,* pp. 197–198. Mr. Sarkar was Federation president in 1933.

56. Jawaharlal Nehru, *Independence and After,* 1950, pp. 189, 191, 193.

57. *Christian Science Monitor,* June 5, 1956, p. 1.

58. Helen Lamb, "The Indian Business Communities and the Evolution of an Industrial Class," *Pacific Affairs,* no. 2, 28:113 (June, 1955).

59. "A Capitalist in Rage," *A.I.C.C. Economic Review,* H. D. Malaviya, ed., no. 23, 7:15 (April 1, 1956). See also Nehru, *The Discovery of India,* p. 391.

60. Even such a distinguished and enlightened industrialist as Mr. J. R. D. Tata has expressed this feeling. In his annual chairman's speech to the shareholders of Tata Iron and Steel Company Limited, he said, "I feel that the charge that free enterprise has shown no initiative in recent years is particularly hard to take. I, for one, am in fact surprised at the amount of initiative displayed considering the discouragement and disincentives to which it has been subjected." Reprinted in *The Economic Weekly,* no. 35, 8:1048 (September 1, 1956).

61. "The Industries Development and Regulation Act, 1951," *Reserve Bank of India Monthly Bulletin* (Bombay, February, 1952), pp. 121–123.

62. Jerome B. Cohen, *The Role of the Government in Economic Development in India,* unpublished paper, Massachusetts Institute of Technology, Center for International Studies, October, 1953. See especially Chs. III and V. A review of statements by the business community and its spokesmen in the commercial and industrial journals suggests that this attitude reached its peak in late 1954 and 1955, though it is still much in evidence.

63. See, for example, the speech by Sir Jehangir Ghandy, Director-in-Charge, Tata Iron and Steel Co., Ltd., January 23, 1955. Reported in *Hindustan Times,* January 24, 1955, p. 2.

64. "Company Law," *Eastern Economist,* no. 5, 25:168 (July 29, 1955).

65. Das, *The Public Sector,* p. 7.

66. "The Debate on Industrial Policy," *Capital,* no. 3339, 133:837 (December 23, 1954); *Industrial Policy Resolution,* Government of India, (New Delhi, April 30, 1956). A balanced summary of the main current of socialist thought in India is provided in *Indian Approaches to a Socialist Society,* Margaret W. Fisher and Joan V. Bondurant, editors, Indian Press Digests, Monograph Series, no. 2, Institute of International Studies, University of California (Berkeley, July, 1956).

67. *Capital, loc. cit.*

68. *Statesman* (New Delhi), January 21, 1955, p. 1. Technically, this resolution was one plank of the published Congress party platform. But in India, where Congress is in complete control of the central government and every important state government, the Congress party platform is essentially a statement of forthcoming government policy.

69. "The Prime Minister's Report to the Avadi Congress, January, 1955, reported in "The State of the Nation," *Eastern Economist,* no. 3, 24:83 (January 21, 1955).

70. Minister of Education and Natural Resources and Scientific Research.

71. *The Statesman,* New Delhi, January 20, 1955, p. 9.

72. The following material, unless otherwise cited, is from *Industrial Policy Resolution,* New Delhi, Government of India Press, April 30, 1956.

73. *Ibid.,* p. 4.

74. *Capital,* no. 3408, 136:678 (May 10, 1956). Seven industrialists commented on the new resolution, five of them favorably. See also *The Economic Weekly,* no. 19, 3:562 (May 12, 1956). Reporting on the Industrial Policy Resolution's effect on the market, the article states: "The absence of any rigidity in implementing this policy within a given time limit and scope given to the private sector to contribute its quota to the development of the country seems to have tipped the scales in favour of the investors." *Capital* headlined its weekly review of the Calcutta stock market with this

phrase: "Stock Market Welcomes the Industrial Policy Statement" (no. 3407, 126:633, May 3, 1956). Even the Federation of Indian Chambers offered surprisingly moderate criticism (*Hindustan Times*, May 7, 1956, p. 1). The chairman of the All-India Manufacturers Organization was, on balance, favorably impressed with the resolution, *Capital*, no. 3408, 136:678 (May 10, 1956).

75. Harry Robinson, signed article appearing in *Commerce*, November 17, 1956. Mr. Robinson is a Research Economist, Stanford Research Institute, working with the Ministry of Commerce and Industry in analyzing private investment needs and opportunities.

76. *Loc. cit.* Robinson, writing in a businessman's weekly journal, concludes his article with the following statement:

In India's new concept of the industrial development, nationalisation does not become a programme, and the socialistic State does not become a totalitarian State. The 1956 Resolution charts a fresh course, permitting a freedom of development in the private sector, but with checks and balances to prevent a detrimental concentration of economic power and wealth. Private enterprise has been given a new opportunity to justify its existence in a socialistic State. It is now up to the industrialists to prove by action that the Government's reappraisal of the worthwhileness of private enterprise has not been misconceived. Private industry's future position in India's socialistic State will depend upon good behaviour during the years ahead.

77. The following indices provide some measure of this growth. They have been recomputed to a base year of 1947 or 1946–47.

Index of Industrial Production[a]

1947	100.0
1949	108.7
1951	120.6
1953	139.2
1955	166.7

Labor Productivity[b]

1947	100
1949	104
1951	122
1953	145
1954	156

Capital's Index of Industrial Activity[c]

1946–47	100.0
1948–49	93.6
1950–51	96.3
1952–53	115.1
1954–55	122.9

Index Numbers of Wholesale Prices

1947	100.0
1949	128.1
1951	147.7
1953	132.4
1955	119.5
1956 (Nine Mos.)	133.3

[a]See for source Chapter I, footnote 8.
[b]See for source Chapter I, Table 4, footnote b.
[c]*Capital*, No. 3401, 136:416 (March 22, 1956).
[d]*Monthly Abstract of Statistics*, no. 10, 8:81 (October 1955); *Reserve Bank of India Bulletin*, no. 10, 10:116 (October, 1956).

78. Sharokh Sabavala, reporting from Bombay in *The Christian Science Monitor*, January 30, 1957, p. 10. In contrast, A. M. Rosentha, *New York Times* correspondent in India, reported: "This reporter has met a variety of businessmen who say about Prime Minister Nehru what New Dealers said about FDR when he was under attack in the early 1930's. They say he is saving the private enterprise system. *New York Times*, January 3, 1957, p. 56.

79. For an able review of this phase of Gandhi's thinking see D. P. Mukerji, "Mahatma Gandhi's Views on Machines and Technology," *International Social Science Bulletin*, no. 3, 6:411–424 (1954). The following information has been drawn from this article.

80. *Silver Jubilee Souvenir, 1927–51,* p. 187.

81. A distinguished Indian economist has commented: "Gandhism was little more than revivalism. Its useful work lay in fields where it combatted evils, such as untouchability, within the older framework. But it made no attempt to deal with the major problems of coming to terms with the machine techniques and the new materialist economic ends. Therefore, with all of its supposed influence among the Indian merchant and capitalist classes, it induced no moral restraints in their economic behaviour and left them as among the most predatory types in the world today. . . . Gandhism failed, in addition, because it would not frankly acknowledge the need for adopting machine technology." D. R. Gadgil, "Some Requirements for Technical Progress in Asia," *Pacific Affairs,* no. 2, vol. 24 (June, 1951), reprinted in *Economic Policy and Development,* Gokhale Institute of Politics and Economics, no. 30, (Poona, 1955), p. 150.

82. Report on the Avadi Congress, *The Statesman,* January 20, 1955, p. 5.

83. Milton Singer, "Cultural Values in India's Economic Development," *The Annals,* 305:87–88 (May, 1956).

84. *Second Five-Year Plan,* pp. 121, 123.

85. D. R. Gadgil, "Some Requirements for Technical Progress in Asia," *Pacific Affairs,* no. 2, vol. 24 (June, 1951). Noting that the caste system has broken down or is fast doing so, Dr. Gadgil continues: "Though caste no longer functions effectively in most spheres, caste loyalties still obtrude in all fields and prevent the building of a homogeneous society. Their harmful effects linger, while their potentiality for good has been largely lost: members of old caste or family groups have been found to act under considerable moral restraint while within the orbit of these institutions though becoming almost amoral outside it. The breakdown of the old institutions has thus resulted in a great decrease in moral restraints and a great increase in crass individualistic behaviour. The situation cannot be remedied so long as new social codes and new foci of loyalty do not appear" (p. 149).

86. Kingsley Davis, "Social and Demographic Aspects of Economic Development in India," *Economic Growth: Brazil, India, Japan,* p. 307. "Among the peasantry . . . there is toward government an exaggerated dependency attitude called *ma-bap-ism,* or "mother-and-father" dependency. . . . The peasants expect miracles to be performed *for* them without their doing anything."

87. Or they may not be delayed. The difficulty of making even the most elemental judgments on social and cultural implications is well illustrated by comparing the statement by Kingsley Davis above with the following statement by D. R. Gadgil, reporting on the success of a coöperative sugar factory: "The success of the [coöperative] Society depends essentially on the loyal support of its members, a primary requirement of all coöperative organizations. From the inception of the Society, the origin of the idea and its successful development have been due to the imaginative foresight of certain local leaders, their persistence in and devotion to the idea, and the great loyalty of members and *the faith shown by them in their leaders.* The greatest test came in the last quarter of 1950. . . . At this time the vast bulk of members . . . [did not sell outside the coöperative at the relatively high price then obtaining] and showed the most remarkable restraint and patience, even though it meant definite monetary loss to many, which amounted in the case of some to substantial sums." (Italics mine.) Clearly, this is the positive side of "ma-bap-ism."

88. G. B. Jather and S. G. Beri conclude their chapter on "Social and Religious Institutions" with this optimistic comment: "A similar change in outlook [that man can control his own destiny] has already begun in India, and with the spread of general education and enlightenment, with the progress of practical science and the steady

pursuit of a policy of national economic development, the existing causes of Indian pessimism will surely be removed and it will cease to be regarded as one of the principal hindrances to economic development." *Indian Economics* (Madras, 1949), p. 97.

Kingsley Davis, in summarizing his position, is much less sanguine: "When all of the social impediments . . . are added together, they mount up to a rather impressive amount of obstruction. Although the evidence suggests that even though the social structure will not actually stop economic growth, it must be granted that this structure will probably slow the change. If so, then we must recall the other difficulty from which India is suffering—overpopulation in relation to resources. The two together (a partially archaic society and overpopulation) may well constitute such a barrier to steady economic progress that the present program under a democratic government will bog down completely." *Economic Growth*, p. 315.

Milton Singer suggests that within the present cultural framework there are insufficiently appreciated values which will themselves motivate economic development in India. "Is it necessary to seek new spiritual incentives to make the Indian people work hard and bear the austerities added by their struggle to modernize their economy? In their indigenous 'materialism,' as well as in their philosophy of renunciation, interpreted by Gandhi as a discipline of action in the service of others, and in their quest for spiritual salvation under the guidance of *gurus* who have already achieved self-realization, may reside the psychological and moral motive forces needed for a democratic and non-violent industrial development of India." "Cultural Values in India's Economic Development," *The Annals*, Vol. 305, May, 1956, p. 91.

89. Maurice Zinkin, "Colonialism," *Development for Free Asia* (New Jersey, 1956), pp. 112–113. Mr. Zinkin has been associated with both government and private industry in his seventeen years in India.

CHAPTER III

The Emergence and Commitment of an Industrial Labor Force

1. Cf. Clark Kerr and Abraham Siegel, "The Structuring of the Labor Force in Industrial Society: New Dimensions and New Questions," *Industrial and Labor Relations Review*, No. 2, 8:151–168 (January 1955). Structuring the labor force "involves the setting and enforcing of rules concerned with the recruitment of a labor force, with the training of that labor force in the myriad skills required by the advanced division of labor, with the locating of workers in some appropriate pattern of geographical, industrial, and occupational dispersion. It involves the setting of rules on times to work and not work, on method and amount of pay, on movement into and out of work and from one position to another. It involves rules pertaining to the maintenance of continuity in the work process . . . the attempted minimization of individual or organized revolt, the provision of view of the world, of ideological orientations, of beliefs, the introduction of some checks on the individual insecurity inherent in an industrial order" (p. 163).

For a more extended discussion of the development of an industrial work force in underdeveloped countries, see Wilbert E. Moore, *Industrialization and Labor*, (Ithaca, New York, 1951).

2. Labour Investigation Committee (Rege Committee), *Main Report*, Government of India, (New Delhi, 1946), p. 13. *Indian Labour Gazette*, No. 10, 11:1150 (April 1955).

3. Kingsley Davis, *The Population of India and Pakistan* (Princeton, 1951), p. 127. The 1951 figures are from the *Census of India, 1951, Vol. I, India,* Part I-A, Report, Government of India Press, (Delhi, 1953), p. 41. The high 1951 percentage may be explained by the partition of India in 1947, which forced dispossessed rural inhabitants to urban centers.

4. For further details, see Vera Anstey, *The Economic Development of India* (London, 1942), 3rd ed., Ch. V. For a later analysis, see Daniel Thorner, *The Agrarian Prospect in India* (Delhi, 1956), Ch. I; and Daniel and Alice Thorner, "Types of Employer-Labourer Relationships in Indian Agriculture," (unpublished study for the Inter-University Project on Labor Problems in Economic Development, 1956).

5. Thorner, *Agrarian Prospect in India,* pp. 9-13. Thorner argues persuasively that many of these features continue to characterize Indian agriculture, despite repeated government attempts at "land reform." Ch. V, esp. 75–79.

6. *Agricultural Labour Enquiry, Rural Manpower and Occupational Structure,* (Delhi, 1954). For a critique of a lower estimate from the 1951 Census, see Daniel Thorner, "India's Agrarian Revolution by Census Redefinition," *Indian Economic Review* (December 1956).

7. McKim Marriott, "Social Change in an Indian Village," *Economic Development and Cultural Change,* No. 2, 1:145–155 (June 1952).

Shiva Rao, "Labour in India," *The Annals of the American Academy of Political and Social Science,* 1944, p. 128. The general applicability of the push from the land in creating an industrial labor force in underdeveloped countries has been stressed by Wilbert E. Moore: "Industrial wages are likely to be 'high' only in relation to serious poverty, as the new worker is typically unskilled. . . . At least in the shorter or longer transitional period, the shortage of land and the loss of markets for handicraft products are likely to be as important in motivating the search for new opportunities as are more positive incentives." *Industrialization and Labor* (Ithaca, New York, 1951), p. 305.

9. Sir Edward Blunt, "The Economic Aspect of the Caste System," in Radhakamal Mukerjee, *Economic Problems of Modern India,* I (London, 1939), 63. For further discussion of the significance of the Indian caste system see J. H. Hutton, *Caste in India* (Bombay, 1951) 2nd ed.; N. K. Dutt, *Origin and Growth of Caste in India* (London, 1931); Pandhari-Nath Prabhu, *Hindu Social Organization* (Bombay, 1954) revised edition, and G. S. Ghurye, *Caste and Class in India* (Bombay, 1950).

A recent observer, who was *New York Times* correspondent in India for seven years, has pointed to the diminishing influence of caste: "In the big cities, caste consciousness has been largely squeezed out of the shop, the office, the government bureaus, the educational institutions. In India, as elsewhere, the employment opportunities of the city are attracting more and more youth from the farms, who take modern ideas back to their villages. The blanketing of India by the village community projects program is also having its influence on the generation coming up, however stubbornly the oldsters may resist." Robert Trumbull, *As I See India,* (New York, 1956), p. 159 in Ch. 14, "The Fight Against Caste."

10. The excitability of people about linguistic differences even today was underscored by the riots resulting from modification of some of the proposals of the States Reorganization Commission in 1955.

11. Pandhari-Nath Prabhu, "A Study on the Social Effects of Urbanization on Industrial Workers Migrating from Rural Areas to the City of Bombay," in *The Social Implications of Industrialization and Urbanization: Five Studies in Asia,* UNESCO, Research Center on the Social Implications of Industrialization in Southern Asia (Calcutta, 1956), p. 79. The study was made by the Tata Institute of Social Sciences, Bombay, and does not purport to be a general study of industrial workers in Bombay.

12. S. B. Chirde, "Industrial Labour in Bombay: A Socio-Economic Analysis" (un-

published Ph.D. thesis, University of Bombay, School of Economics and Sociology, 1949), pp 106–107. In this survey 48 per cent were caste Hindus, mostly Marathas, who were employed as weavers and other skilled workers, and about 9 per cent were Muslims, also employed as weavers. In a later study of 959 migrant families in eight cities and towns, including Delhi, Nagpur and Indore, during 1950–53, 79 per cent were "untouchables" and 64 per cent were landless agricultural laborers. Nearly 65 per cent migrated from the villages because of economic distress and related reasons. M. B. Deshmukh, "A Study of Floating Migration," UNESCO, *Social Implications,* pp. 172, 175, 181.

13. R. G. Gokhale, *Summary of Workmen's Service Records,* The Millowners' Association (Bombay, July 1941). A resurvey in 1955 substantiated these earlier data.

14. *Main Report,* Government of India (New Delhi, 1946), pp. 8–9.

15. *Report,* Manager of Publications, (Delhi, 1933), p. 24. By 1946, when the Labour Investigation Committee reported, the situation had not changed materially. *Main Report,* Government of India, (New Delhi, 1946), p. 80.

16. Rhadakamal Mukerjee, *The Indian Working Class* (Bombay, 1951), 3rd ed., p. 25.

17. For a discussion of the changing role of the jobber in the cotton textile industry, see S. D. Mehta, *The Indian Cotton Textile Industry: An Economic Analysis,* The Textile Association (India), (Bombay, 1953), pp. 66–91. Mehta says, "The failure to substantially reform the jobber system is one of the many great failures of industrial management in India" (p. 69).

18. Morris D. Morris, "Labor Discipline, Trade-Unions, and the State in India," *Journal of Political Economy,* No. 4, 63:295 (August 1955). Much of the material in this section is taken from this article.

19. *Ibid.,* p. 296.

20. These were (1) the Bombay Trade Disputes Conciliation Act of 1934, which established a labor officer to negotiate with employers about workers' grievances and to serve as a conciliator; (2) the Bombay Industrial Disputes Act of 1938, which required employers to publish "Standing Orders" defining working rules in the plant and provided for compulsory conciliation of disputes; (3) the establishment of an industrial court system by order of the governor of Bombay in 1941; and (4) the Bombay Industrial Relations Act of 1947, which provided for "approved unions which accepted the principle of compulsory conciliation and arbitration, and "representative" unions, which were supposed to be the dominant unions in each industry. For fuller discussion of the 1947 Act, see Chapter VII.

21. *Main Report,* Labour Investigation Committee, Government of India (1946).

22. *Ibid.,* p. 313.

23. M. S. H. Modi, "Worli: A Study of City Development" (unpublished Ph.D. thesis, 1952), University of Bombay, School of Economics and Sociology, pp. 261–262.

24. *Ibid.* pp. 187–188.

25. *Report,* p. 15.

26. Prabhu, "A Study on the Social Effects of Urbanization," *UNESCO,* p. 80. Twenty-three per cent did not bring anybody to the city even after employment; 44 per cent brought wife and children. A later study of the sex distribution of the urban labor force in 1956 in smaller areas and large cities, as compared to the four largest cities (Bombay, Calcutta, Delhi and Madras) brings out clearly that 93.5 per cent of the employed workers were males in the four largest cities, compared to 82.4 per cent in the others. Malenbaum, "Urban Employment in India," *Pacific Affairs,* Table II.

27. Bert F. Hoselitz, "The City, the Factory, and Economic growth," *Papers and Proceedings of the Sixty-seventh Annual Meeting of the American Economic Association* (1954), pp. 180–181. Hoselitz adds: "It is not the noise or the soot in the city which

corrodes the nerve of the worker . . . but rather the 'absence of neighborhood'—the anonymity and impersonality of life in a big city. These factors go far to explain the high absentee rate, the high rate of turnover, and the low standard of performance of many industrial workers in underdeveloped countries" (p. 181). However, in India many migrants to the cities came in groups from the same village, or roomed with fellow villagers when they came to the city, so that Hoselitz's generalization may not apply with equal force to India.

28. Prabhu, *op. cit.*, p. 81. Some of the information is drawn from an earlier, more detailed manuscript, made available to me in Bombay by Dr. Prabhu. Three-fifths of the sample were from the "depressed classes," and this is a higher proportion than in the total Bombay textile labor force. The data are, therefore, not necessarily representative of Bombay textile workers or of all Indian industrial workers.

29. Prabhu, *op. cit.*, p. 63. Later, Dr. Prabhu concludes that the migrants "have been very much allured by the glamour of the city and it is no surprise that they are often in a mood to prefer city life. But the grounds of corrosion in such cases are the backwardness of the village in matters of education, conveniences, communication, lack of sources of knowledge and lack of employment" (p. 84).

30. The survey of 959 migrant families in eight cities and towns, including Delhi, cited earlier, has some comparable information, but deals largely with the background of these families and their life in the cities and towns. The study concludes: "The typical migrant as described in this report is a 'marginal man,' in whom the conflict of rural and urban culture traits is very active and who is consequently the most obvious sufferer from the cultural shock. He is not quite willing or capable to break with his rural past nor is he quite accepted in the strange and indifferent urban environment in which he is now trying to seek a footing." M. B. Deshmukh, "A Study of Floating Migration," UNESCO, p. 224.

31. A different view has been advanced by the labor officer of a Calcutta shipping firm. The agricultural background and ties of Indian industrial labor produce an "irresponsible attitude to work and a tendency to throw up a job on the slightest provocation because the worker is not solely dependent on it for his livelihood." Mary Sur, "Indian Industry's Growing Pains," *Industrial Welfare* (London, May-June, 1953), p. 77. Domestic reasons and family customs, however, also create problems of absenteeism and wrangling over leaves, she reports, and this squares with our interpretation. It may be added that inability to gain a family livelihood even from a combination of rural and urban work may produce a deeper kind of irresponsibility—a protest against this kind of life.

32. Daniel Thorner has suggested this possibility to me. He further argues that, at least up to 1939, "the cities have 'consumed' rural surplus labour and sent the waste back to the countryside. "Casual Employment of a Factory Labour Force, the Case of India, 1850–1939," *The Economic Weekly Annual* (Bombay, January 1957), p. 124.

33. Data for 1955 and 1956 from *Indian Labour Gazette,* No. 9, 13:727–728 (March, 1956).

34. *Indian Labour Gazette,* No. 10, 14:848 (April 1957). Absenteeism in Sholapur is reported two to three times that in centers such as Ahmedabad, Bombay City, and Madras. See *Indian Labour Gazette,* No. 9, 14:758 (March 1957).

35. *Ibid.*, p. 758. The data are as follows:

Year	*Per cent*	*Year*	*Per cent*
1947	14.4	1952	12.7
1948	13.3	1953	12.6
1949	15.9	1954	10.8
1950	14.5	1955	8.2
1951	12.7	1956	8.3

36. Data supplied by the company. The Indian Jute Mills Association began in January 1955 to compile absence records for the jute industry, tabulated by absence with leave due to (1) sickness or accident, (2) social or religious causes, and (3) other causes; and absence without leave in the same categories. "Other causes" in absence with leave totaled as much as the first two groups combined. The total absenteeism rate varied between 8.1 per cent in January and 15.9 per cent in April 1955.

37. The Factories Act (1948) provides for "privilege leave" based on days of previous employment; the state acts and adjudicators' decisions supplement this with provision for paid "casual" and sick leave. These often total as high as one month of paid leave in a year, and do not include the additional paid holidays which are as high as 20 in some states.

38. P. M. Desphande, "The Extent and Cause of Labour Turnover in Empress Mills, Nagpur," unpublished dissertation for diploma in Social Service Administration, Tata Institute of Social Sciences (Bombay, 1953). In addition, 526 elderly workers were retired from employment by agreement with the union.

39. Data from the latter firms were secured in interviews.

40. Section 33 of the Industrial Disputes Act (1947) was often blamed by management for recent indiscipline. Under this section, management is forbidden to discharge workers when there is a dispute pending before an Industrial Tribunal, unless the Tribunal first gives permission. Approval has been slow in coming, and has, according to management, been extended even to action not connected with the dispute. An amendment permitting management to take disciplinary action not connected with a pending dispute was included in the Industrial Disputes (Amendment) Act of 1956, passed in July 1956. (This was not implemented as late as February 1957).

41. S. D. Mehta, *The Indian Cotton Textile Industry: An Economic Analysis,* The Textile Association (India) (Bombay, 1953), p. 50.

42. *Ibid.,* p. 50.

43. This firm also had a serious indiscipline problem, leading to many strikes and slowdowns before 1953. The management discharged fifteen ringleaders in 1953 and the discharges were upheld by an industrial tribunal. Discipline improved and there were few difficulties after that, according to the management.

44. See R. D. Kas, *Hindusthani Workers on the Pacific Coast* (Berlin, 1923). A study undertaken originally for the United States Bureau of Labor Statistics to test the efficiency of labour of Indian descent in a non-Indian environment. The author reports that such labor compared favorably with the records of the rest of local labor.

45. H. C. Ganguli, "An Enquiry into Incentives for Workers in an Engineering Factory," *Indian Journal of Social Work,* No. 1, 15:8, 10 (June, 1954), reprinted by Bureau of Research and Publications, Tata Institute of Social Sciences.

46. This was done as part of the UNESCO study of human behavior and social tensions, and was also reported in Gardner Murphy, *In the Minds of Men* (New York, 1953), pp. 211–212. For other supporting evidence see A. Devasagayam, "Employer-Employee Tension in Industry," *Indian Journal of Social Work,* No. 3, 12:7 (December 1951), reprinted by Bureau of Research and Publications, Tata Institute of Social Sciences, Bombay. Dr. Devasagayam, medical officer of Simpson's Welfare Center, Madras, interviewed workers in a motor engineering company and printing press and a paint manufacturing company in Madras during the latter part of 1948. He concluded: "The employer's attitude is to create fear in the workers' minds by threatening them with dismissal. This policy gives no incentive for work. A great majority of workers manage to stick to their jobs without putting forth their best. The fear of retrenchment and unemployment only helps to antagonize the worker, and it also increases human tensions and induces the worker to revolt."

47. Ornati, *Jobs and Workers in India* (Ithaca, N. Y., 1955), p. 46.

48. Labor in India may be abundant in aggregate, but it is neither "cheap" in relation to production, nor abundant in specific types or areas. In all the industries far more labor is used in India for an equivalent plant with similar basic processes than in the United States, the United Kingdom, or Japan. Compared to the far higher wages per worker in the United States, labor cost in India is probably lower, but the opposite is probably true for Japan, and labor costs in comparison with European plants are approximately equal. This means that in industries which are competing with foreign products, there is pressure to reduce labor costs. Furthermore, industrial labor is not abundant and the costs of creating such a labor force at a plant site are high. George Rosen, "Capital: Output Ratios," *The Indian Economic Journal,* No. 2, 4:118–120 (October 1956), section III, "Qualitative Analysis."

49. The stability of this South Indian mill's labor force is not greater than that of the Bombay textile industry, which is much older and has had a longer time to stabilize. For example, a 1955 survey by the Bombay Millowners' Association showed that only 10 per cent of the females and 18 per cent of the males had less than five years' service, as compared to 39 per cent in the South Indian mill. The comparable figures for less than 10 per cent (cumulative) were 23 and 55 in Bombay and 67 per cent in the South Indian mill. Median years of service in Bombay for males were 9.4, for females 14.3, and for the South Indian mill 7.0. I am indebted to Mr. Ralph James, of the New York State School of Industrial and Labor Relations, Cornell University, for providing this comparison. He is completing a study of labor in the Indian cotton textile industry.

50. In addition to the 15 days statutory paid leave each year, 15 days casual unpaid leave, and 11 festival holidays with pay, this mill provided from 20 to 72 days sick leave each year, according to length of service, paid at the rate of two-thirds of basic wages and full dearness (cost-of-living) allowance, when the company doctors recommended it.

51. The value of paternalism as a deliberate employer policy in an industrially underdeveloped country was stressed by George B. Baldwin in his discussion of "Urbanization and Industrialization of the Labor Force in a Developing Economy," *Papers and Proceedings of the Seventy Seventh Annual Meeting of the American Economic Association* (1955), pp. 185–88.

52. For a discussion of the experience of M. D. Madan, Deputy Director, Education and Social Services, Tata Iron and Steel Company, see "The Tata Steel Works at Jamshedpur," one of the three case studies in *Factory and Community,* Duke of Edinburgh's Study Conference (Oxford, 1956).

53. The reported figure is 39 per cent, as compared to 20 per cent for the Indian industrial labor force as a whole. A. M. Lorenzo, "Agricultural Labour in India," *Asian Labour* (April 1950), pp. 56–57. No source is given for these data. A "recent survey" of Jamshedpur is also mentioned, to the effect that 23 per cent of the labor force do not visit their homes in rural areas at all, and 19 per cent return to their home villages only once in three years. This probably refers to the Family Budget Survey conducted by the Labour Bureau, Government of India, in 1948.

54. Data supplied by the company.

CHAPTER IV

The Growth and Development of an Organized Labor Movement

1. These points are developed more fully in the study by Subbiah Kannappan, "The Indian Trade Union Movement: An Account and an Analysis" (unpublished doc-

toral dissertation, Fletcher School of Law and Diplomacy, Medford, Mass., 1956). This study, based on field research in India during 1954–55, was part of the Inter-University Project on which the present monograph is based. Much of the material from this chapter is drawn from Dr. Kannappan's manuscript, and he is largely responsible for the first draft of the chapter.

2. Cf. figures given in *Final Report of the National Income Committee, 1954*, Government of India, Manager of Publications (Delhi, 1954), p. 106.

3. *Per capita* income for India for 1952–53 was estimated at Rs. 261. *Five-Year Plan: Progress Report for 1953–54*, Government of India, Planning Commission (Delhi, 1954), p. 7. Average annual earnings for industrial workers as reported in *The Indian Labour Year Book, 1951–52* are (a) cotton textiles, Rs. 705 at Madras, the lowest paying center, and Rs. 1569 at Delhi, the highest paying center; (b) jute, Rs. 915; and (c) steel, for most occupations, between Rs. 100–200 per month (pp. 190, 191, and 197, respectively).

4. D. H. Buchanan, *The Development of Capitalist Enterprise in India* (New York, 1934), p. 416.

5. Royal Commission on Labour in India, *Report*.

6. For a good summary of developments during this period up to the first World War, see *ibid.*, pp. 416–426; and also R. K. Das, *Labour Movement in India* (Berlin, 1923), esp. pp. 7–20.

7. Buchanan, *The Development of Capitalist Enterprise*, p. 426.

8. It has even been suggested that some nationalist leaders viewed these early efforts toward regulation of working conditions with suspicion and resentment, as motivated by a desire to thwart Indian industrial development. B. Shiva Rao, *Industrial Worker in India* (London, 1939), pp. 24 and ff.

9. P. P. Lakshman, *Congress and Labour Movement*, All-India Congress Committee (Allahabad, 1947), p. 17.

10. See S. D. Punekar, *Trade Unionism in India* (Bombay, 1948), pp. 62, 321–322. Congress leaders continued to take interest in the AITUC during the following years. Among those prominently mentioned as associated with the AITUC are Jawaharlal Nehru, Subhas Chandra Bose, C. F. Andrews, and C. R. Das. See Lakshman, *Congress and Labour*, p. 20.

11. See P. S. Lokanathan, *Industrial Welfare in India* (Madras, 1929), pp. 168–169. Lokanathan says: "For the first four or five years the Trade Union Congress [AITUC] was a mere annual show and very few unions really cared to affiliate themselves to it. Its one purpose was to meet and recommend delegates to the ILO Conferences. . . ."

12. As quoted in R. K. Das, *Labour Movement*, pp. 67–68.

13. For a full account, see M. H. Desai, *A Righteous Struggle: A Chronicle of the Ahmedabad Textile Labourers' Fight for Justice* (Ahmedabad, 1951).

14. *Ibid.*, p. 5.

15. Mr. Patel later became Deputy Prime Minister of India and was one of the founders of the Indian National Trade Union Congress. Mr. Banker continued as an active member of the Textile Labour Association's Advisory Committee and Miss Sarabhai served as its president as late as 1955.

16. *Ibid.*, pp. 83–84.

17. *Ibid.*, p. 10.

18. *Ibid.*, p. 24.

19. *Ibid.*, p. 25.

20. *Ibid.*, p. 34.

21. *Ibid.*, p. 35.

22. *Ibid.*, pp. 4–5, 7, 10–11, 13, 18, 23, 36, 40–42, 59–60, 64–66, and 71–82; see also *Speeches and Writings of Mahatma Gandhi*, (Madras, 1933 (?)), 4th ed., p. 1050.

23. M. H. Desai, *A Righteous Struggle,* p. 67. Gandhi said at the conclusion of the dispute: "Two things have been accomplished by this settlement. First, the honour of the workers is upheld; secondly, if a serious dispute arises between parties it should be settled not by resort to a strike but by arbitration. It is not one of the terms of the settlement that in future the parties settle their differences by arbitration; but since the settlement has come about through arbitration it is presumed that on a similar occasion in future also an arbitrator will be appointed."

24. See *Speeches and Writings of Mahatma Gandhi,* p. 1047, where he criticizes "labour leaders who consider that strikes may be engineered for political purposes." Later, in 1941, Gandhi wrote in his "Constructive Programme," "If I had my way, I would regulate all the labour organisations of India after the Ahmedabad model. It has never sought to intrude itself upon the All-India Trade Union Congress and has been uninfluenced by that Congress. A time, I hope, will come when it will be possible for the Trade Union Congress to accept the Ahmedabad method and have the Ahmedabad organisation as part of the All-India Union. But I am in no hurry. It will come in its own time" (as quoted in R. N. Bose, "The Gandhian Way in Industrial Relations," in *Labour Review,* West Bengal, September-October 1955, p. 17).

25. See Punekar, *Trade Unionism,* p. 322; Lokanathan, *Industrial Welfare,* pp. 167 and ff. Gandhi clearly held to the view that the establishment of the AITUC was premature.

26. Cf. The following comments: Das concludes that Indian unions had not yet "come down to the business methods which have already been achieved in Europe and America" (*Labour Movement,* p. 68). P. P. Pillai observes: "The organisation and management of these Unions leave much to be desired; they possess no clear-cut features or well-defined duties; most of them have no permanent offices or staffs; and the men themselves are lukewarm in their loyalty to their Union, demurring to Union discipline and to Union contributions" (*Economic Conditions in India,* London, 1925), p. 259. Another contemporary student, Lokanathan, observes: "A number of the so-called unions had sprung up which were no better than strike committees and had grown up like mushrooms and most of them decayed, leaving no permanent marks behind. . . . Little wonder then that before the year 1921 was out, most of the unions over India had perished. . . ." (*Industrial Welfare,* p. 167).

27. For a discussion of the influence of the ILO, see Subbiah Kannappan, "The Impact of the I.L.O. on Labor Legislation and Policy in India," in Robert L. Aronson and John P. Windmuller, eds., *Labor, Management, and Economic Growth* (Ithaca, N. Y., 1954), pp. 175–190; and V. K. R. Menon, "The Influence of International Labour Conventions on Indian Labour Legislation," *International Labour Review,* No. 6, 73:551–571 (June 1956).

28. For the text of the act, see R. Mathrubutham and R. Srinivasan, *Indian Factories and Labour Manual* (Madras, 1952), pp. 607–617; for a brief background on efforts to secure this legal protection see Lokanathan, *Industrial Welfare,* pp. 183–191.

29. In the year 1928 alone, the man days lost due to industrial disputes were of the order of 31,647,404, the highest recorded so far; industrial strife was most acute in Bombay and in the textile industry, railways, and steel industry in Jamshedpur. The following refer to the radicalism of this period: Minoo R. Masani, *The Communist Party of India* (London, 1954), esp. Chapter II; Lester Hutchinson, *Conspiracy at Meerut* (London, 1935); H. N. Brailsford, *Rebel India* (New York, 1931); and Punekar, *Trade Unionism,* pp. 86–95.

30. According to the Royal Commission, this meant that "a union has the right to negotiate with the employer in respect of matters affecting either the common or individual interests of its members" (*Report,* p. 518).

31. The Commission observed: "At present, even some officers dealing with labour

in the provinces, lacking encouragement (and even permission) to interest themselves directly in disputes, tend to depend on police reports for their information. The attention of the authorities is thus apt to be concentrated too exclusively on the effects which a dispute is likely to have on the public peace. . . ." (*Report*, p. 348).

32. For a full list of the recommendations on this subject, see *ibid.*, pp. 518–519, and pp. 527–528.

33. See B. Shiva Rao, *Industrial Worker in India* (London, 1939), pp. 151–154, and S. D. Punekar, *Trade Unionism*, pp. 92–93; 326.

34. Punekar, *Trade Unionism*, pp. 330–331.

35. *Ibid.*, p. 179.

36. For a survey, see Punekar, *ibid.*, pp. 326–334.

37. *Ibid.*, pp. 98–99; and Masani, *The Communist Party of India*, pp. 52–55.

38. Indian National Congress, *Resolutions on Economic Policy and Programme 1924–54*, All-India Congress Committee (New Delhi, 1954), p. 14.

39. For details see Punekar, *Trade Unionism*, pp. 333–334.

40. For details see *ibid.*, pp. 103–106.

41. For text of the Act see International Labour Office, *Legislative Series*, 1939 (Montreal, 1942); for a brief discussion see N. S. Pardasanik "Labour Conciliation and Arbitration in India," in A. N. Agarwala, ed., *Indian Labour Problems* (Allahabad, 1947), pp. 80–98. See also *Handbook of the National Planning Committee*, compiled by K. T. Shah (Bombay, 1946), esp. pp. 89–92.

42. Both Mr. N. M. Joshi and Professor R. K. Mukherji opposed the provision for compulsory arbitration of disputes. The former stated that he would "like to see the future State before he could commit himself to the principle underlying this resolution" (*ibid.*, p. 92).

43. For a review of the war period see International Labour Office, *Wartime Labour Conditions and Reconstruction Planning in India* (Montreal, 1946).

44. *Indian Labour Year Book*, 1949–50, p. 156.

45. As noted in Chapter I, the index of real earnings for industrial workers dropped from 100 in 1939 to 70 in 1943.

46. Source: Summaries of newspaper reports at the ILO Branch Office in New Delhi.

47. *The Indian Labour Year Book*, 1946, pp. 267–270.

48. *The Indian Labour Year Book*, 1947–48, pp. 119–120. Working days lost from labor disputes in 1946 were 12,717,762; and 16,562,666 in 1947, as compared to 4,054,499 in 1945. See Table I, p. 279 *infra*.

49. See B. V. Keskar, *Congress Hand-book, 1946*, All-India Congress Committee (Allahabad, 1946), pp. 286–287, for resolution.

50. Indian National Trade Union Congress, *Proceedings of the Inaugural Conference*, (New Delhi, May 3–4, 1947), Report of Mr. G. L. Nanda, secretary of the Sangh, p. 14. Mr. Nanda was the first general secretary of the Ahmedabad TLA, later labour minister of Bombay State and now Minister of Planning in the Government of India.

51. *Ibid.*, p. 15.

52. *Ibid.*

53. *Ibid.*, p. 12.

54: *Ibid.*, pp. 22–26, for full text of the Presidential Address by Sardar Patel.

55. *Ibid.*, pp. 31–38, for full text of the Constitution as adopted.

56. *Ibid.*, Article 4.

57. "Need for Introspection," *The Indian Worker*, No. 1, 5:3 (October 2, 1956).

58. *Presidential Address of M. K. Bose*, February 16, 1947 (published by Indu Bhusan Sarkar, Calcutta). Bose further criticized the Five-Year Labour Programme for having been formulated without prior consultation with representatives of labor.

59. Source: Summaries of newspaper reports at the ILO Branch Office in New Delhi.

60. For a review of this phase of Communist policy, see Masani, *The Communist Party of India,* pp. 87–98. Information supplemented by interviews with N. M. Joshi and M. K. Bose, January and February, 1955, respectively. See also, M. K. Bose, *Parties and Paradoxes: Plan of a Labour Party,* United Trades Union Congress (Calcutta, 1953), pp. 1–2. Bose says that after 1947 "a complete change in the attitude and policy of the Communist Party in the All-India Trade Union Congress took place. The spirit of co-operation was gone and a new one of party domination took its place. The Communist Party began to use its majority in the AITUC to advance the political purposes of the party. A split occurred . . . N. M. Joshi . . . resigned the general secretaryship . . . He was followed by several non-party trade union leaders. The AITUC thus became devoid very largely of its non-Communist elements."

61. See, for a report on this conference, Hind Mazdoor Sabha, *Report of the Calcutta Conference, 1948* (Bombay, 1948).

62. Hind Mazdoor Sabha, *Constitution* (Bombay, 1948).

63. *Report of the Calcutta Conference,* p. 3.

64. Interviews, Calcutta, February, 1955.

65. For a summary report on the conference, see International Labour Organisation, *Industry and Labour,* 1:377 (July–December 1949).

66. United Trade Union Congress, *United Trade Union Conference, Address by Mrinal Kanti Bose* (April 30, 1949), Calcutta, Jatin Chakravarthy, 249 Bowbazaar Street, 1949.

67. The INTUC position, stated in 1952, was as follows "the concept of free and democratic trade unionism based on non-violence and truth is totally at variance with the totalitarian outlook of the Communists. No unity in any shape or form with the Communists, or in other words, with the AITUC, is therefore acceptable to the INTUC. It is, however, desirable that closer relationship should be established between the INTUC and the Hind Mazdoor. . . ." (as reported in the *Hindu,* December 29, 1952, from the INTUC General Secretary's Report). More recently, such sentiments were reaffirmed in reply to Communist overtures for unity. Mr. Vasavada, the 1956 president of the INTUC, said: "The Communists are appealing for unity of labour. But the Indian workers will think twice before they actually associate and enter into an alliance with the Communist Party. The past record of the Communists is unpatriotic and is of a disruptive nature." (Statement on the occasion of the eighth annual session of the INTUC, as reported in *The Hindu Weekly Review,* May 14, 1956.) In explanation of the INTUC's attitude towards the HMS, it was stated that the Socialist Party's "purely Marxian approach has undergone radical transformation and the Gandhian philosophy seems to be the new creed of the merged party." (Indian National Trade Union Congress, *Annual Report,* 1951–1952, p. 3) In 1956, it was similarly asserted that the INTUC would coöperate with those "who believed in democratic methods and work on the lines of truth and non-violence. . . ." (*The Hindu Weekly Review,* May 14, 1956.)

68. See exchanges between HMS and UTUC in Mrinal Kanti Bose, *Parties and Paradoxes: Plan of a Labour Party, United Trade Union Congress* (Calcutta, 1953); and also details of unity efforts between AITUC and HMS.

69. See All-India Trade Union Congress, *Twenty-Fourth Session of the All-India Trade Union Congress, Report and Resolutions,* 1954, esp. p. 104.

70. An Indian student of labor problems, writing in 1955, was optimistic on the possibility of some unification among the four federations. He foresaw amalgamation between the INTUC and the HMS, and between the AITUC and the UTUC, leaving "two major rival federations, which could be described as democratic and communist . . . rendering the struggle for prominence rather sharp and keen-edged." Ramesh C. Goyal, "Postwar Trends in Industrial Relations in India," *Eastern Economist Pamphlet* (1955), p. 33. However, his hopeful anticipations have not been realized. On the con-

trary, in July, 1955, a fifth labor federation was established by the Akhil Bharativa Jan Sangh, a political organization to the right of Congress, placing considerable emphasis on the Hindu, as distinct from the non-Hindu, aspects of the Indian heritage. It was claimed that the new labor organization had the support of 76 trade unions, representing 56,000 workers all over India, and that it "is enemy number one of Communism. It is also opposed to capitalism." Furthermore, the new labor body "would oppose rationalisation tooth and nail, and endeavour to bring all trade unions on one platform on this issue." "India's Fifth Labour Body: New Organisation Proposed," *The Mail*, Madras, July 24, 1955. Another group, the Independent Labour Party, was sponsored in the forties by the late Dr. B. R. Ambedkar, the depressed-classes leader, and some adherents were reported during interviews in 1954–55 in Nagpur and Poona.

CHAPTER V

The Character of Present Indian Unions

1. Mathrubutham and Srinivasan, *Indian Factories*, pp. 608–609.
2. This represents a consistent decline in the average size of unions. In 1942–47 the average membership was 1418; and in 1949–50 it was 946. *Indian Labour Year Book*, 1953–54, p. 148.
3. *Indian Labour Year Book*, 1953–54.
4. A Bombay Government report comments: "It appears that generally speaking unions find it difficult to maintain adequately trained persons on their staff who can properly assist them at the time of the submission of their annual returns. This applies particularly to small unions in the *Mofussil* [an Indian term for inland areas]." Source: *Ibid.*, p. 2.
5. For text of the Constitution (as amended in 1927), see All-India Trade Union Congress, *Report and Congress Constitution*, 1928, pp. 144–157.
6. Figures supplied by official of the Ministry of Labour, Government of India, New Delhi.
7. *Ibid.*, The difference is explained largely by inflated claims of the federations, according to some government officials. A more recent INTUC claim (December 1955) was 1,426,621 members in 1171 separate unions. *The Indian Worker*, (Special UNESCO number), No. 6–7, 5:65 (November 12, 1956).
8. See the following newspaper despatch, "Railwaymen's Federation: Differences Settled," *The Hindu Weekly Review*, March 19, 1956.
9. Interview, August 1955.
10. *The Indian Labour Year Book*, 1953–54, p. 154.
11. *The Indian Labour Year Book*, 1949–50, p. 159.
12. The National Federation of Indian Railwaymen, *First Annual General Body Meeting* (November 20–21, 1955), pp. 45 and ff.
13. All-India Defence Employees' Federation, *First Annual Convention: Speeches, Proceedings, Resolutions*, November, 1954 (Poona, 1955), pp. 25–43 (General Secretary's Report).
14. *Ibid.*
15. See later discussion on Labor Leadership.
16. The 1926 Indian Trade Union Act states that "not less than one-half of the total members of the officers . . . shall be persons actually engaged or employed in an industry." (See V. B. Kher, *Indian Trade Union Law*, Bombay, 1954, for the Act as reproduced.)

17. The president of the Tata Workers Union, Michael John, was formerly a supervisor in the Tata Iron and Steel Company.

18. After a field study of trade unionism and collective bargaining in India, Professor Van Dusen Kennedy concluded: "One of the fundamental barriers to an effective in-plant role for Indian unions is the social gulf between worker and management representatives. Looking at Indian industry in general, this gulf is seen to be the result of caste, community and language differences, illiteracy or extremely low levels of education among workers, and strongly entrenched class or master and servant feeling between those wielding and those subject to authority in industry. Since these barriers are widely reinforced by strong managerial resistance to unionism and a lack of real understanding of collective bargaining, the chances for a free type of daily give and take between plant level representatives of employer and union are rare indeed." "The Role of the Union in the Plant in India," *Proceedings of the Eighth Annual Meeting of the Industrial Relations Research Association,* 1955, p. 260.

19. "Loyalty only to INTUC: New Regulation for Congressmen," *Indian Express,* July 28, 1955.

20. The 1947 Delhi Conference establishing the INTUC specifically mentioned that the organization shall be run on the basis of the Congress Working Committee Resolution of August 13, 1946 (*Proceedings of the Inaugural Conference,* p. 12). For the text of the 1946 resolution, see B. V. Keskar, *Congress Hand-Book,* All-India Congress Committee (Allahabad, 1946), pp. 273–275. Negotiation, conciliation, and arbitration, especially in vital industries, were emphasized in this resolution.

21. *The Hindustan Times,* December 31, 1953. Nehru's views were expressed in the context of open conflicts between the Madhya Pradesh Congress and the Madhya Pradesh INTUC.

22. On the basis of contributions from Ahmedabad textile workers, a sum of approximately Rs. 1,100,000 was collected in 1948 to establish a Gandhi Labour Memorial Trust in 1951. Among the trustees are the top leaders of the Ahmedabad Textile Labor Association, at least three of whom are prominent in the all-India leadership of the INTUC. *Declaration of Gandhi Labour Memorial Trust,* Majoor Mudranalaya (Ahmedabad, 1951).

23. K. N. Srivastava, *Industrial Peace and Labour in India,* Allahabad, Kitab Mahal (Allahabad, 1954), p. 118.

24. See, for instance, Hind Mazdoor Sabha, *Report of the Third Annual Convention,* Bombay, 1952, p. 10, and *Report of the Fourth Annual Convention,* pp. 8, 21–22, where the need for developing a cadre of trained trade unionists is stressed. Similarly, the All-India Trade Union Congress stressed this aspect, but admitted little had been accomplished. *Twenty-Fourth Session of the All-India Trade Union Congress: Report and Resolutions* (Calcutta, 1954), p. 84.

25. Government of India, Planning Commission, *Second Five-Year Plan: A Draft Outline* (New Delhi, 1956), pp. 172, 174.

26. Democratic Research Service, *Communist Conspiracy at Madurai* (Bombay, 1954).

27. Strategic considerations, as used here, refer to the allegations of non-Communist labor leaders during interviews that the Communists were settling across the table and working within the government adjudication system because international Communism's attitude toward the Nehru government had softened. Similarly, tactics may also change. Left-wing leaders indicated the dilemma confronting them as follows: "Shall we maximize the advantages within the present system, thereby anticipating the fruits of revolution?" or "Shall we minimize our efforts so that revolutionary fervor is maintained at a high pitch?"

28. Government of India, Ministry of Labour, *Proceedings of the Indian Labour Conference,* Twelfth Session held in Naini Tal on the 8th to 11th October, 1952 (Delhi,

1952), p. 237 (referred to hereafter as *Proceedings of the Indian Labour Conference, Naini Tal*).

29. *Ibid.*, p. 242.

30. *Ibid.*, p. 243, italics supplied.

31. For the UTUC reply to the Government of India questionnaire in 1952, see *ibid.*, pp. 255–262.

32. *Supra*, p. 138.

33. Mr. Kripalani, the congress president in 1947 and later chairman of the new Praja Socialist Party, in a 1952 statement stressed the contribution of Mahatma Gandhi to the evolution of Socialist thought and ideals. He concluded: "To recapitulate, then, the Socialists in India have discarded the Marxian doctrine of dialectical materialism. . . . In addition to material values which no living human being can possibly ignore, the Socialists of India believe in moral values which cannot be sacrificed for the fulfillment of ends. . . . They have repudiated the Machiavellian doctrine that 'ends justify the means.'" *Indian Press Digests*, No. 1, Vol. 2 (October, 1953), Berkeley, University of California, Department of Political Science.

34. *Janata* (Bombay), No. 47, Vol. 10 (December 18, 1955).

35. See HMS comment on the Final Draft of the First Five-Year Plan, in Hind Mazdoor Sabha, *Report of the Third Annual Convention*, 28 April—1 May, 1952 (Bombay, 1952), pp. 22–23.

36. For the full version see Socialist Party, *New Deal for Labour* (Bombay, 1951), pp. 15–24.

37. For full text of the answer see *Proceedings of the Indian Labour Conference, Naini Tal*, pp. 225–236.

38. See, for instance, the speech of Khandubhai K. Desai, INTUC leader (presently Minister for Labour), as reproduced in *Harijan*, Vol. XVIII, No. 14, 18:116 (June 5, 1954); and also the following extracts from the INTUC Memorandum to the Planning Commission: "India cannot afford the luxury of highly mechanised devices involving huge capital outlay except to a limited extent of developing the key industries. . . . the Second Five-Year Plan will have to give primary attention to development of village and small-scale industries throughout the country. The industrial expansion . . . will have to be so arranged as to meet the needs of the key industries and the productive industries consistent with the above-mentioned principles, namely, that of creating employment for as large a section of the people as possible by developing village and cotton industries." *The Indian Worker*, No. 48, 3:10 (September 5, 1955).

39. Article IV of the Constitution reads as follows:

> "(i) to establish just industrial relations;
> (ii) to secure redress of grievances without stoppages of work by means of negotiation and conciliation and failing these by arbitration or adjudication;
> (iii) where adjudication is not applied and settlement of disputes within a reasonable time by arbitration is not available for the redress of grievances, to have recourse to other legitimate methods, including strikes or any suitable form of satyagraha;
> (iv) to make the necessary arrangements for the efficient conduct and satisfactory and speedy conclusion of authorised strikes or satyagraha."

Source: *Annual Report*, 1952–53, pp. 225–226.

40. *Proceedings of the Indian Labour Conference, Naini Tal*, pp. 177–224, esp. pp. 182–183, 213.

41. G. Ramanujam, "Strikes and Lockouts in Industrial Relations," *The Indian Worker* (August 15, 1955), p. 8.

42. Indian National Trade Union Congress, *Annual Report,* October, 1950 to September, 1951 (New Delhi, 1951), pp. 123–126. Socialist criticism of the First Plan did not specifically comment on this point; however, the Socialist Election Manifesto (*New Deal for Labour*) specifically promised workers legislation for "fair wages" in the Socialist state. Criticisms on this point were also voiced by HMS labor leaders during interviews. The AITUC also sharply criticized the Plan. See B. T. Ranadive, *India's Five-Year Plan: What It Offers* (Bombay, 1953), pp. 177 and ff. In its Election Manifesto the AITUC declared that the Communist Government "will grant living wage to the workers." G. D. Binani and T. V. Rama Rao, *India at a Glance,* rev. ed. (Bombay, 1954), pp. 108–116, for the complete text.

43. For the text of the Labour Appellate Tribunal Award see *Labour Law Journal,* II, 1950, in the case between the Bombay Millowners' Association and the Rashtriya Mill Mazdoor Sangh (the INTUC "representative" union for the Bombay cotton textile industry). This award is discussed more fully in Chapter IX.

44. It was reported during interviews that such exemptions were granted in Kanpur. In March, 1955, the Labour Appellate Tribunal overruled an earlier award by an industrial tribunal, and granted exemption to mills in Madhya Pradesh which declared losses (*Hindustan Times,* March 25, 1955, "Bonus Awards Set Aside: Madhya Pradesh Millowners' Appeal Upheld").

The Bombay "representative" union for cotton textiles, the Rashtriya Mill Mazdoor Sangh, concluded a bonus agreement with the Bombay Millowners in March 1956, largely based on the "full bench formula." In this case, worker dissatisfaction in the loss-making mills erupted into wildcat strikes in opposition to the union's agreement. These strikes are described in the *Labour Gazette* (Bombay), 35:9-10 (May and June 1956).

45. These developments are discussed more fully in Chapter IX in the section on "Wage Disputes under Adjudication."

46. *The Hindu Weekly Review* (May 14, 1956), p. 6. The *Review* points out editorially that "the real opposition to it [the INTUC demand] . . . is likely to come from the Government and the Planning Commission who have prepared their plans on the basis of the State appropriating the bulk of the increase in product . . . for purposes of reinvestment." Apparently, however, both the Labor Minister and the Planning Minister have suggested this demand, while employers have opposed it. *Commerce* (December 1, 1956), p. 1021, and (December 8, 1956) p. 1075, and *The Indian Worker* (November 26, 1956), p. 3.

47. For a further discussion, see Charles A. Myers, "The Labor Problem of Rationalisation: The Experience of India," *International Labour Review,* No. 5, 73:431–450 (May, 1956) and also Chapter IX below.

48. Indian National Trade Union Congress, *Survey and Report,* May, 1949, to September, 1949 (New Delhi, 1949), pp. 2–5.

49. See the various issues of the *Indian Labour Gazette* for 1953 for increases in the figures of registered unemployed. The 1952 average was 383,991; the 1953 average, 477,575. For October, 1953, the total was 514,975; by December, 1953, it had reached a total of 522,360. *The Indian Labour Year Book,* 1953–54, pp. 14–16.

50. For the HMS resolution criticizing the Ahmedabad agreement, see *Hind Mazdoor* (January-February, 1953), p. 34. In April, 1954, the *Hind Mazdoor* demanded that during the current situation of "progressive decline in employment" the government should not permit any rationalization (No. 2, 2:1 April, 1954). The Delhi Agreement was termed outmoded by Raja Kulkarni, the HMS representative on the Cotton Textile Working Party. For the detailed Kulkarni statement, see Government of India, Ministry of Commerce and Industry, *Report of the Working Party for the Cotton Textile Industry* (Delhi, 1953), pp. 563–571.

51. *Twenty-Fourth Session of the All-India Trade Union Congress: Report and Resolutions* (Calcutta, May 27–29, 1954), pp. 96–99.

52. "Rationalisation with Least Lay-Off: House Adopts Resolutions," *Indian Express,* September 11, 1954.

53. "Comprehensive Inquiry into Rationalisation Urged: Inconclusive Discussions," *The Times of India,* April 14, 1954. The millowner was refused permission, although no decision on principle was taken. But the 1953 amendment to the Industrial Disputes Act (1947) came out of this dispute.

54. *The Indian Worker* (New Delhi), October 2, 1955, p. 7. Much of the opposition was concentrated on the introduction of automatic looms, which not only threatened displacement or increased work loads for machine weavers, but meant disaster to the handloom weavers in the villages. Other automatic machinery which did not carry the latter threat, such as improved winding, warping and spinning machinery, has been introduced in Bombay and other centers within the last three years without significant labor opposition. For this further information I am indebted to Mr. Ralph James, who spent 1955–56 in India completing a doctoral dissertation on rationalization problems in the Indian cotton textile industry. This dissertation (unpublished) is on file at the New York State School of Industrial and Labor Relations, Cornell University, Ithaca, New York.

55. The strike began on May 2, 1955, and was called off on July 20, 1955. Discussions on the strike were carried up to New Delhi to the attention of Mr. Nehru by Dr. Sampurnanand, the Chief Minister of Uttar Pradesh (see the following issues of the *Hindu:* "Arrests in Kanpur," April 30, 1955; "Kanpur Textile Workers' Strike," May 23, 1955; "Kanpur Textile Strike: Nehru Confers with Dr. Sampurnanand," June 6, 1955; "Kanpur Strike Called Off," July 21, 1955). The Communist Party played up the situation in Kanpur for all it was worth (see the following issues of the *New Age,* the official organ of the Communist Party of India: June 12, 1955, pp. 1, 11, 13, 14, 15; June 19, 1955, pp. 3, 4, 13; and July 3, 1955, pp. 3, 8–10).

56. *The Hindu Weekly Review,* April 30, 1956, p. 14.

57. S. D. Punekar, *Trade Unionism* p. 179; and Nirmal Kumar Bose, *Studies in Gandhism,* 2nd ed. (Calcutta, 1947), p. 211, for the position of the TLA.

58. *Supra,* p. 171, fn. 2 (of Chapter IV).

59. "The Outworn System," editorial in *Janata,* No. 29, 10:1 (August 7, 1955).

60. "Labour in Second Five-Year Plan: INTUC's Memorandum to Planning Commission," *The Indian Worker* (September 5, 1955), p. 10.

61. For a discussion of works committees, see Chapter V, p. 253.

62. *Proceedings of the Naini Tal Conference* (Delhi, 1952), p. 247.

63. G. D. Binani and T. V. Rama Rao, *India at a Glance,* rev. ed. (Bombay, 1954), p. 113.

64. *The Indian Worker,* September 5, 1955, p. 11. The INTUC emphasis on worker participation was undoubtedly instrumental in inducing the government to send its "Study Group on Worker Participation in Management" to Europe in 1956. The conclusions of the study group are generally in line with INTUC demands in this area. See *Report of the Study Group on Worker Participation in Management,* Government of India, 1957, pp. 74–81.

65. *Ibid.,* September 12, 1955.

66. *Ibid.,* October 24, 1955, p. 3.

67. See also "Workers' Participation in Management," in *The Economic Weekly* (January 7, 1956), p. 25, for reported lack of enthusiasm of some labor representatives on the Labour Panel of the Planning Commission.

68. For the INTUC position see *The Indian Worker,* No. 49, 3:9 (September 12, 1955).

69. *Annual Report,* 1953–54, esp. pp. 23–27.

70. Declaration of *Gandhi Labour Memorial Trust,* Majoor Mudranalaya (Ahmedabad, 1951).

71. See *The Indian Labour Year Book, 1953–54,* Appendix VI, pp. 377–410, for a list of large unions (with 1000 membership or more). The figures for Ahmedabad are broken down into separate figures for the different craft unions, and are also incomplete. Ahmedabad figures are given in the *Annual Report,* 1953–54, of the Textile Labour Association, p. 8.

72. "Kaharagpur Train Accident: Nehru Condemns Strikes' 'Monstrous Action,'" *The Hindu Weekly Review,* June 4, 1956.

73. *Ibid.*

74. *New York Times,* August 18 and 19, 1956. Fortunately the TLA in Ahmedabad opposed the demonstration.

75. *Ibid.,* July 8, 1956.

76. "Hind Mazdoor Sabha: May Day Manifesto," *Janata* (Bombay), Vol. XI, No. 14, 11:1 (April 29, 1956).

CHAPTER VI

The Managerial Response

1. This characteristic may grow, in part, out of the authoritarian nature of the Indian social structure, in which there is a hierarchy of castes and a joint family system with a patriarchal head.

2. Compare these statements with one by former United States Ambassador to India, Chester Bowles: "There are many competent and forward-looking Indian businessmen who understand the dynamic role of modern American capitalism. Unfortunately, there are a good many others who cling to the old traditions of monopoly, with its pattern of high prices and low wages, who grasp for the quick profits of trading and speculation rather than for long-term productive investment. The Indian government is certainly justified in being tough with destructive elements of this kind." *Ambassador's Report* (New York, 1954), pp. 167–168.

3. G. L. Mehta (present Indian ambassador to the United States), "Industrial Management," in C. N. Vakil, ed., *Papers in Economics,* Silver Jubilee Memorial Volume, University of Bombay, School of Economics and Sociology (Bombay, 1947), p. 131.

4. Naval H. Tata, "Our Present Labour Laws—Are They Based on Economic Realism?" *Commerce Annual Review Number,* December, 1952, p. A–40.

5. See presidential address of Shri B. M. Birla at the Twenty-Eighth Annual Session of the Federation of Indian Chambers of Commerce and Industry, New Delhi, March 5, 1955.

6. McKim Marriott, "Technological Change in Overdeveloped Rural Areas," *Economic Development and Cultural Change,* No. 4 (December, 1952), 261–272.

7. "India: Progress and Plan," *The Economist* (London), Supplement to vol. 174:7, no. 5813 (January 22, 1955).

8. This view is widely held outside of India, also. "Some firms, foremost among them the house of Tata, have been notable exceptions to the speculative outlook. The Tata group has undertaken all manner of long-term industrial investment, including India's pioneer iron and steel industry. There are some signs that their example is being increasingly followed by other firms. Such a development is essential if a solid, progressive, socially acceptable business leadership is to emerge in India." "India: Progress and Plan," *Economist,* p. 7.

9. *Main Report,* Labour Investigation Committee, pp. 384–385.

10. M. J. Gardner, quoted in *Capital* (Calcutta, March 24, 1955), p. 439.

11. After a breakdown in the arbitration machinery during 1953–55, the Millowners and the Textile Labour Association reached agreement in July 1955 on the resumption of the machinery. Earlier, the arbitration machinery had been by-passed between 1939 and 1952, when the parties used the dispute machinery provided under Bombay state legislation. The TLA was reportedly in favor of the Bombay Industrial Relations Act as a threat to maintain private arbitration in Ahmedabad.

12. Examples of these studies are: *The Group Norm Chart Method as an Incentive to Increase Production in the Loom Shed* (November 1952); *Motivation to Work: An Improvement in Motivation of Winders and Warpers and Its Effect on Loomshed Efficiency* (August 1953); and *An Analysis of the Attitudes of the Textile Workers and the Effect of These Attitudes on Working Efficiency* (September 1953). More recently, the Psychology Division of ATIRA has undertaken a study, in collaboration with the Industrial Relations Section at M.I.T. of the organizational structure and communication patterns in two textile mills, summarized later in this chapter.

13. Gardner Murphy, *In the Minds of Men* (New York, 1953), pp. 214. Dr. Murphy supervised a UNESCO study of human behavior and social tensions in India, and one of the studies was done in Ahmedabad by ATIRA.

14. A minority view, expressed several times in interviews with government officials, was that some foreign employers (British were mentioned specifically) prefer to deal with Communist unions because (a) government would take the employer's side in any dispute, to avoid strengthening the Communists, and (b) the employer can get a better agreement with Communists for this reason, because the Communists want to hold on. It is sometimes said that these employers fail to see the advantage of dealing fairly with INTUC unions and building up their strength. My own impression from interviews with some of the employers so charged is that they would prefer to deal with an INTUC union but cannot refuse to discuss problems with Communist union officials who show evidence that they represent a substantial number of employees, particularly clerical workers.

15. C. N. Vakil and P. R. Brahmananda, "Reflections on India's Five Year Plan," *Pacific Affairs,* No. 3, 25:254–255 (September 1952).

16. For further examples of this type of employer response to labor problems see George B. Baldwin, *Industrialization in South India: Case Studies in Economic Development,* Center for International Studies, Massachusetts Institute of Technology, (Cambridge, Massachusetts, 1957).

17. Andrew F. Brimmer, "The Setting of Entrepreneurship in India," *Quarterly Journal of Economics,* 69:553–576 (November 1955). For a corroborating view see S. D. Mehta, *The Indian Cotton Textile Industry: An Economic Analysis,* The (India) Textile Association (Bombay, 1953): "The proprietorial element is a fundamental determinant of the composition of top executive management. It sponsors heredity in management at the highest levels, and circumscribes the field of recruitment to a small, essentially noncompetitive group" (p. 84).

18. This information comes partly from interviews during 1954–55 and partly from the excellent study of the cotton textile industry by S. D. Mehta, *The Indian Cotton Textile Industry.*

19. *Ibid.,* pp. 62–63.

20. "Industrial Management" in *Papers in Economics,* Silver Jubilee Memorial Volume, edited by C. N. Vakil, University of Bombay, School of Economics and Sociology, 1947.

21. *Sir George Schuster on His Indian Tour—1952–53,* Federation of Indian Chambers of Commerce and Industry (New Delhi, April, 1953), pp. 6–7.

22. S. D. Mehta, *The Indian Cotton Textile Industry,* pp. 70–71.

23. H. C. Ganguli and S. Goswami, "Some Characteristics of Effective Supervision in a Government Engineering Factory" (Parts I and II, unpublished manuscript, Kharagpur, Industrial Psychology Section, Indian Institute of Technology, 1957). This study was financed by a grant from the Inter-University Study on Labor Problems in Economic Development, and was designed to test some of the conclusions of American studies of the relationship between productivity, supervision, and morale. The study was conducted in the machine shop of a government-owned and operated railway workshop employing 11,500 workers. Interviews were held with a sample of 140 workers, 13 first line supervisors (of a total of 31 in the machine shop), all of the "chargemen" (next higher level of supervision), three of the four assistant foremen, and the foreman of the shop.

24. Fixed-question free-answer interviews were held with the managing agents, the mill managers, and twenty-four department heads, assistants and supervisors (but not jobbers) in the weaving and spinning departments of these two mills during the first half of 1955. The study was done in collaboration with the Industrial Relations Section at Massachusetts Institute of Technology. For a brief report see Kamla Chowdhry and A. K. Pal, "Production Planning and Organizational Morale: A Case from India," *Human Organization,* No. 4, 15:11–16 (Winter, 1957).

25. S. D. Mehta presents a tabulation showing 313 changes in departmental head level and higher in 357 cotton textile mills between 1946 and 1947. *Indian Cotton Textile Industry,* p. 75.

26. Group interview, November 23, 1954. *The Report of the Working Party for the Cotton Textile Industry,* Government of India (New Delhi, 1953), deplores management's "anarchical relationship" with the technicians. Chapter IX, p. 58. There are exceptions, of course, but the general pattern persists.

27. An Indian psychologist has offered a further explanation for the gulf between supervisors and subordinates in Indian industry: "A recent study of inter-group relations revealed the tremendous damage that a policy of drift is doing to human relations in government and business administration. Most administrative heads, especially in small places, like to be guided by the written regulations. Many of the day-to-day problems of discipline can be solved easily through the conference method and through the officers maintaining a personal contact with men committed to their charge. This is avoided because it requires more intelligence, effort and time. The conventional method of demanding written explanation for minor lapses, quoting regulations in reply to the grouses and complaints of the staff, continues to be in vogue. In fact, many officers promote, in the name of efficiency, a spirit of impersonality in the establishments under their charge. This practice makes for charging the social atmosphere with suspicion. Many juniors who look for personal friendship with their colleagues feel frustrated and build phantasies of being rejected and persecuted." Dr. Pars Ram, "Human Relations on the Indian Scene," Presidential Address, Section of Psychology and Educational Science, 39th Indian Science Congress, Calcutta, 1952, *Indian Journal of Psychology,* 27:7, parts I–IV (1952).

28. Autonomous public corporations are governed by a board of directors, composed of some government officials, distinguished private industrialists, and possibly a trade union leader. There is no "managing agency" as in most private industry in India, and the managing director has full authority to act within financial limits set by the board of directors.

29. There is also a similar Management Consultative Committee for non-factory personnel.

30. For example, Dr. Paul H. Appelby, an American public administration expert advising the government of India on several occasions, stressed in his latest report the

need for giving a large measure of autonomy to state industrial enterprises and reducing the number of specific controls over expenditures now exercised by the auditor-general. *The Hindu Weekly Review,* August 27, 1956, p. 6.

Professor J. K. Galbraith of Harvard University has forcefully expressed a similar view. He develops the theme that "the public corporation should have autonomy in decision making. . . . Autonomy . . . is a requisite of success." He also observes that this "usefully helps the (Indian) goal of . . . decentralization. . . ." J. K. Galbraith, "Public Organization," *Studies Relating to Planning for National Development Economic Planning in India: Five Comments,* Indian Statistical Institute (Calcutta, March 1956), pp. 9–10.

31. *The Eastern Economist,* Annual Number (December 31, 1954), 1057.

32. When one of these was asked by the mill manager to sign letters of appreciation to department heads who had recently completed a special supervisory training course in Job Relations (JRT), he replied, "Why should we thank them; it was their duty to take the course." Yet his father, in introducing me as an invited speaker to assembled mill superintendents and department heads, stressed the very great importance of "good human relations!"

33. Statement by Clifford B. Marshall, vice-president, Standard-Vacuum Oil Company, reported in *The Times of India,* November 20, 1954. In the new Bombay refinery Indians were able to take over 90 per cent of the production and technical jobs, under the guidance of United States technicians brought over on short-term assignments, within eighteen months. Data supplied by the company for all employees show that the number of American employees has been declining at the end of each year. (A=American personnel; I=Indian personnel):

	1950		*1951*		*1952*		*1953*		*1954*		*1955*		*1956*	
	A	I	A	I	A	I	A	I	A	I	A	I	A (Nov. 1)	I
Marketing	55	4,950	58	5,199	68	5,268	75	5,399	65	5,354	60	5,408	50	
Refining	none		none		9	22	18	74	80	598	38	715	23	

Under 1954 the figure 80 represents the number of American overseer employees at the start of refining operations, June, 1954. Further substantial declines are expected over the next three or four years.

34. K. K. Das, "Management of American Enterprises in India," unpublished doctoral thesis, Cambridge, Massachusetts, Harvard University Graduate School of Business Administration, submitted July, 1956, p. 238.

35. "The figures of employment of Indians in foreign-controlled companies now released show that, while the number of foreign personnel employed today (7526) remains as large as in 1947 (7623), almost all the new employment created in these companies of about 15,000 has gone to Indians. These numbers relate to the pay groups above Rs. 300 per month; in the pay groups above Rs. 1000, Indians hold about 35.5 per cent of the technical and 38 per cent of the nontechnical posts, showing 5 per cent increase in both cases over the previous year. The proportion of Indians in higher categories is not known, but it is obviously much less. In plantations, jute, banking, and transport companies and agency houses, more than two thirds in the category above Rs. 1000 are foreigners and in nine other groups of companies they are above 50 per cent." *Eastern Economist,* No. 21, 25:779 (November 18, 1955).

36. Interview, March, 1955.

37. By 1956 another proposal was for a special recruitment scheme to tap the overage market of persons who have already acquired some experience. As the director of the Indian Institute of Public Administration explained, "There is some reason to be-

lieve that promotions to the highest managerial posts in the private sector in India still continue to be governed more by family or community considerations than by merit. It is possible that a number of able men now serving in the private sector at the second or third level below the top may be willing to offer their services to the public sector even if it involves some immediate sacrifice in the form of loss of pay or perquisites." S. B. Bapat, "Personnel Required for the Plan," in *India's Second Five-Year Plan,* Supplement to *The Statesman* (Calcutta, June 27, 1956), p. 19.

The director of the Public Management Studies of the Planning Commission indicated that the new Industrial Management Service would recruit "from within the public services as well as from outside" for managerial personnel needed to staff "state enterprises under the Ministries of Production, Transport Communications, Iron and Steel, and Commerce and Industry," P. C. Suri, "Business Management and Administration, *The Statesman,* June 27, 1956, p. 16. The Public Management Studies Section of the Planning Commission subsequently established a working group to assess "requirements for and resources of industrial management and ancillary technical personnel for both public and private sectors" to be conducted in 1957–58. *Manpower Programme for 1957–58* (preliminary statement), Government of India, Ministry of Home Affairs (Directorate of Manpower), May 15, 1957.

38. Quoted in "Greater Role for State in Industry," *The Hindu Weekly Review* (May 7, 1956), p. 10. *The Hindu* editorial on "Industrial Policy" in the same issue pointed out: "The 1948 [industrial policy] resolution emphasized the need for training of suitable industrial and business personnel to run public enterprises. That work has been hardly taken up yet" (p. 5).

Organizational problems facing public enterprises were also recognized in the May 1956 statement: "With growing participation of the State in industry and trade, the manner in which these activities should be conducted and managed assumes considerable importance. Speedy decisions and a willingness to assume responsibility are essential if these enterprises are to succeed. For this, wherever possible there should be decentralization of authority and their management should be along business lines. . . ." (p. 10).

Galbraith's Indian experience has led him to stress that the organizational problem is primarily one of organizational structure and only secondarily one of personnel selection. He states: ". . . the ministerial side of government emphasizes the importance of getting the right men in the right places. Good training and staffing are also important for producing enterprises. But, broadly speaking, the success of such enterprises depends on organization and not on individuals. It is often said that no organization will rise above the level of the people who comprise it. In fact, the reverse happens every day. Organization makes possible a level of achievement far above that of any individual. . . . In business enterprise of all kinds, organization props up the man far more frequently than men make organizations." J. K. Galbraith, "Public Organization," pp. 8–10.

39. P. C. Suri, "Business Management and Administration," *The Statesman,* June 27, 1956, p. 14.

40. S. Mathai, "The Structure of University Education," Chapter 1 in *The Teaching of the Social Sciences in India,* UNESCO (Paris, 1956), pp. 25–35. See also essays by Humayan Kobir and C. N. Vakil in this volume.

A study of 69 postgraduate male students at Delhi University in 1956 emphasized the preference that students have for continuing their studies instead of finding employment. Unemployment among the educated groups was partly responsible, but the implication was clear that many students liked the easy life of coffee houses and other recreation. The first preference of the students was for a government job, then a university post,

and only 19 per cent wanted a job in business or industry. *New York Times,* January. 27, 1957, p. 5.

41. Maurice Zinkin has pointed out the value of Indian universities in training clerks for the complex paperwork tasks of modern business and industry, but he calls attention to the "overproduction of lawyers" and the failure of parents to look ahead for careers of future importance. *Development for Free Asia,* Chapter 14 (Fair Lawn, New Jersey, 1956).

42. See C. N. Vakil, "The Teaching of Economics" in UNESCO *The Teaching of the Social Sciences,* pp. 48–49 (on commerce courses).

43. Early in 1957 the All-India Council for Technical Education (a government body) approved the establishment of 5 new engineering colleges, 22 polytechnics, and 61 junior technical schools, as well as 3 new higher technological institutes. *The Hindu Weekly Review* (March 4, 1957), p. 4.

44. A few details on the latter will illustrate the potential interest that there is in effective management training in India and the contribution it can make to better management. Thirty-six middle-management men from a variety of industries all over India were registered for this course; 23 were plant managers or superintendents, 13 were engineers and other staff specialists. Fourteen of the 36 came from government enterprises. Lectures were deëmphasized and more attention was given to cases, role-playing and discussion of actual management problems. The reaction of those participating was enthusiastic, and private conversations with a number of them at the end of the course emphasized the value of meeting men from other firms and exchanging experiences on common problems. Altogether, the handling of this course was comparable with the best short executive-training courses in the United States.

45. This distinction between "business management" and "industrial administration" grew out of a belief that a similar distinction existed in United States and British management education, although the grounds for this are questionable.

46. Postgraduate evening programs were started at the School of Economics and Sociology, University of Bombay; Delhi School of Economics, Delhi University; All-India Institute of Social Welfare and Business Management, University of Calcutta; Department of Economics, University of Madras; Victoria Jubilee Institute, Bombay; and Indian Institute of Science, Bangalore. Most of these programs drew junior management people as students in the part-time evening courses, with some of the staff also recruited from business and industry. Only Bombay started a full program in 1955; in the others "facilities are developing at a slow pace." Report of the Inter-Secretarial Working Party on Trained Personnel for Economic Development, Economic Commission for Asia and the Far East, United Nations Economic and Social Council, 8th Session, 24-31, January 1956, Bangalore, p. 33 (mimeographed).

47. I met with the participants of the first Tata Management Conference in Khandala, near Bombay, in March, 1955, to discuss "executive development." The discussion, and the questions asked, were as good as might be found in any comparable management group in any advanced industrial country. A second conference was held in Poona in March, 1956. For details of the 1955 and 1956 Conferences see *First Tata Management Conference* and *Second Tata Management Conference,* Tata Industries, Ltd., (Bombay, 1955 and 1956).

48. Quoted in *Tata Monthly Bulletin,* No. 5, 11:3 (May, 1956).

49. G. D. Birla, "Education for Business Management," *The Hindustan Times,* May 30, 1953, pp. 1 and 10.

50. Interviews in Ahmedabad during November 1954.

51. One highly-placed company official admitted at a meeting: "It's common knowledge that when the managing agent calls in department heads in many mills it is not

for a conference of equals but of the top man giving orders to subordinates who remain standing in his presence." Perhaps this difference between Indian managements and many in industrially-advanced countries is not qualitatively different, however.

52. Data provided by Clifford Fee, ILO expert who, with Stephen R. Pearson, conducted these projects.

53. There were also several management training programs run by private management consultants. One of the best, which attracted over 100 management people from all levels, was conducted in Bombay by the Associated Industrial Services.

CHAPTER VII

Labor-Management Relations at the Plant Level

1. Article 49 of the act. For text of the act, see Mathrubutham and Srinivasam, *Indian Factories and Labour Manual, Madras Law Journal* (Madras, 1952).

2. See, for example, the *West Bengal Factories (Welfare Officers) Rules, 1950,* Labour Department, Government of West Bengal, 1954. Ten broad duties are listed.

3. The Inter-University Board at its 1947 annual meeting urged expansion of training programs for labor welfare officers in existing universities. *Indian Labour Gazette,* No. 1, 6:31 (July 1948).

4. For a good discussion, see "Whither Personnel Officers?" *Industrial Relations,* Journal of the Indian Institute of Personnel Management, No. VI, 4:232–240 (November-December 1954)

5. Instances are reported where labor officers were assaulted by infuriated workers. In one jute mill, for example, a labor officer checked the timekeeper's wage records and found that he was paying absent workers their wages and taking a 50 per cent cut. The guilty timekeeper then told the workers that the labor office was docking their pay, and they swarmed into the office, overturned furniture, and physically assaulted the senior labor officer.

6. P. J. Collins (employee relations manager, Standard-Vacuum Oil Company, Bombay), "Training of Labour Welfare Personnel," address given at first All-India Conference of Labour and Welfare Officers, Bombay, April, 1953.

7. Van Dusen Kennedy, "The Role of the Union in the Plant in India," *Proceedings* of the Eighth Annual Meeting, Industrial Relations Research Association, 1955, p. 13. (Professor Kennedy spent thirteen months in India during 1953–55 in a study of Indian industrial relations.)

8. "The Role of Personnel Officers in the Second Five-Year Plan," *Industrial Relations,* No. 4, 3:186 (July-August 1956).

9. In a resolution on "Organization of a Personnel Department in Large Industrial Undertakings," the All-India Conference of Labour and Welfare Officers recommended at its December, 1955, meeting that "the duties of the Personnel Department are primarily advisory in character except in the administration of welfare activities which are executive in nature." *Industrial Relations,* No. 6, 7:222 (November-December 1955).

10. P. C. Chakravarti, "Personnel Management," *Sindri News* (May 1954), p. 7. Reprinted in *Industrial Relations,* Journal of the Indian Institute of Personnel Management, No. 6, 6:299–231 (November-December 1954).

11. For full discussion of the significance of this act see N. H. Pardasani, "The Bombay Industrial Disputes Act, 1938," *The Indian Journal of Economics* (Allahabad), No. 80, 21:49–66 (July 1940). This act was preceded by the Bombay Trade Disputes and Conciliation Act of 1934 and the central government Trade Disputes Act of 1929.

In neither piece of legislation was the labor-management relationship structured as much as in the 1938 Bombay Act.

12. A "representative union" was designated as any union with at least 15 per cent of the employees in a particular plant or industry in a local area, and if two unions so claimed, the one with the greater membership was selected. Failing to meet this membership test, a union with at least 5 per cent could be registered as a "primary union," and, failing this, a "qualified union" with at least 5 per cent membership among the workers in a given occupation could be registered. The single dominant union among these had the right to represent workers in discussions with the employers and in proceedings before conciliation and adjudication. An "approved union" category was also established, with special privileges accruing to it in return for voluntary submission of disputes to arbitration. INTUC unions usually qualified as "approved" unions if they met the other tests.

13. For fuller discussion of this and other dispute settlement acts, see Chapter VIII.

14. Reference was required in "public utility" industries such as railways, post and telegraph, power, light, water, public sanitation, and certain others declared a public service (coal, cotton textiles, foodstuff manufacturing, iron and steel, and other transport). Strikes and lockouts were prohibited in these industries.

15. Section 10 (2). Charges of favoritism to INTUC unions under this section have been made by other unions.

16. The INTUC union claims between 20 and 30 per cent of the 230,000 Bombay textile workers as members; the HMS and Communist union groups were much weaker. According to one association official, "We are definitely much better off with the INTUC. The workers are less rowdy, there is a better attitude and fewer strikes. In the past, Bombay workers were used to spectacular leadership, but the INTUC has calmed them down." A 1950 strike called by the HMS (Socialist) textile union was broken, and the HMS never regained its strength.

17. During 1954, for example, a case involving action taken in 1950 was being argued before the Bombay bench of the Appellate Tribunal. The tribunal's decision was handed down early in 1955.

18. For the text of this agreement, see Appendix A.

19. For further discussion, see Chapter VIII and also Appendix A (full text).

20. *The Indian Worker,* No. 8, 5:161 (November 19, 1956).

21. The agreement was summarized in these words: "Firstly, it is distinctive because it is all-comprehensive. Secondly, it clearly defines the respective functions, duties, responsibilities and privileges of both sides, the lack of understanding of which by managements and unions leads to many a strike in this country. Thirdly, without paying lip homage to many common sentiments that have crept recently into the field of industrial relations, it effectively associates the workpeople with the management in scientifically setting standards of production in all the machine centers, in job evaluation and fixing of rates and also in the day-to-day running of the industry by an elaborate grievance procedure. Fourthly, not only the wage rates and bonus rates are scientifically linked to production, but here for the first time a union proclaims in unambiguous terms that bonus payment made by industry on the basis of profits is unsound, unscientific and not to the interest of the workers. P. N. Krishna Pillai, "Highlights of the Second Five Year Agreement," *Indalumin Bulletin,* Special Issue, Monday, September 3, 1956 (Indian Aluminium Company, Calcutta), p. 2.

22. According to the company's personnel manager, the 1951 agreement "was the first freely negotiated labour-management contract ever to be signed by a management and a trade union in this country which covered the comprehensive terms and conditions of employment. The experience gained by both sides in these five years has reassured us of the great potentiality in collective bargaining and settling of differences by

direct negotiations. In these five years, though there had been occasions where there were strong differences of opinion between the management and the union, we had never approached the conciliation machinery or adjudication machinery of the state to settle the differences. We always settled them by mutual negotiations. The experience thus gained convinces us that effective collective bargaining does not breed mutual hatred, but, by the interplay of forces and mutual respect of the respective rights and responsibilities of parties, creates a mutuality of interest which will guarantee higher standards of living for workpeople and greater productivity for industry." *Ibid.*, p. 2.

23. Letter from P. N. Krishna Pillai, personnel manager, Indian Aluminium Company, Calcutta, January 25, 1957.

24. The full text of the agreement is reproduced in Appendix A.

25. *Janata,* official organ of the Praja Socialist Party, has described the Agreement as follows: "[The] Jamshedpur Agreement . . . is the hope for higher standard of life, good working conditions . . . job and social security that become the basis for cooperation. That is the reason why . . . [it] is more significant to the labour's interest than the Ahmedabad experiment. . . .

"The Jamshedpur Agreement, in short, is a fine piece of collective bargaining. It will open a new chapter in the labour-management relations in our country. It will also have wide repercussions on the methods and practices of trade unions in promoting labour interest. Apart from ensuring industrial peace . . . the Agreement has shown how a trade union should combine its protective functions with the representative functions in a harmonious blending of labour interest." "The Jamshedpur Agreement," *Janata,* No. 51, 10:1 (January 15, 1956).

26. *The Indian Worker,* weekly political journal of the INTUC, with which the Tata Workers Union is affiliated, commented editorially: "The recently concluded agreement between the Tata Workers Union and the Tata Iron and Steel Company is a landmark not only in the history of the Union, but also in the history of trade unionism in India. . . . In our view the agreement is a pointer to the social change which is taking place in India. It gives concrete shape to the concept of workers' participation in management of industries, thereby implementing the resolution on the subject adopted at the Eighth Annual Conference of the INTUC at Surat. In the words of Michael John, President of the Tata Worker's Union, "The agreement would provide opportunities to the workers to acquire knowledge and skill so essential for managing industries and when India achieved her goal of socialist pattern of society, they would be well prepared to play a full and effective part in running the country's industries." No. 45, 4:3 (August 20, 1956). (Compare this interpretation with that of Mr. J. R. D. Tata, chairman of the company, in the next footnote.)

27. "Tata Steel Company: Workers' Share in Management," *The Hindu Weekly Review,* August 13, 1956, p. 15. For text of this agreement, see Appendix A. Mr. J. R. D. Tata, Chairman of the Company, subsequently stated: "The question whether the Company should not have waited until all-India policy had been evolved on the subject was discussed by the Company's Board who ultimately decided to ratify the draft agreement. This decision, which I am convinced was right, is in consonance with the accepted view that freely negotiated agreements are much to be preferred to imposed settlements. The Agreement was negotiated in a fine spirit of mutual frankness and cooperation and represents an honest attempt to devise means of understanding each other better and working closer together. I have every hope that it will prove workable in practice, provided both parties respect the intentions recorded in the Agreement and try to read into its provisions neither more nor less than they contain. This will apply particularly to the Joint Consultative Council of Management.

"So far as we are concerned, we shall not seek to fetter the discretion of this Coun-

cil in discussing such matters as will enable its members, and particularly those representing labour, to acquire a better understanding of the industry and its problems. At the same time, the Company has no intention of surrendering its managerial functions and responsibilities." Speech of the chairman at Forty-Ninth Annual General Meeting, August 30, 1956, reported in *The Economic Weekly,* No. 35, 7:1050 (Bombay, September 1, 1956).

28. No specific studies were made of these experiences, but efforts have been made by each of these ministries to establish collective relationships with one union by pressing for unity among competing unions. On their part, the unions have also favored unity, as in the All-India Defence Workers' Union, and, until the recent split, the Railwaymen's Federation. When unity involves the Communist unions, however, there are dangers. One critic has commented: "It is a fact that while in private industries there is a terrific conflict between democratic trade unions and the Communist unions, in nationalised industries, the conveniences and requirements of the nationalised management often pressure the rival unions into forced unity. This has happened uniformly in the Posts and Telegraphs, in the Defence industries, and this process will continue in all nationalised industries in the glorious name of 'One Union One Industry.' In many instances the nationalised industry's owner, the State, hands over hundreds of thousands of good workers on a gold plate to the disruptors of the country and labour to suit the conveniences of the nationalised management." *Free Labour Herald,* journal of the Association of Free Trade Unionists, no. 26 (Bombay, November–December, 1955), p. 5.

29. Memorandum of Settlement Filed by the Parties between the Bombay State Road Transport Corporation, Bombay and Its Employees (except Class I and II Officers) employed under it represented by the State Transport Workers' Union (Federation), dated April 25, 1956.

30. Editorial in *The Indian Worker* (weekly journal of the INTUC), June 18, 1956. The editorial contains a scathing denunciation of management in public enterprises: "There is little doubt that a chosen set of Government representatives who head the administration in various capacities in public undertakings are not very well equipped to view the industrial relations in the fashion it is possible and it should be done. As it is, the administrative powers and the control rest with high Government officials of the IAS and ICS cadre who have scant experience in running industries and handling the industrial relations. A man who works in an administrative capacity for as long as twenty years could not be expected to handle the delicate question of industrial relations effectively and efficiently. There is no surprise, therefore, that an employer in the private sector would any time prefer to have conditions which today obtain in the public sector with a view to avoid trade unions. It would not be far wrong to say that unions, wherever they exist, are either by-passed or attempt is made to form a rival union. Another grouse which the workers nurse is with regard to the fact that their grievances are attended to in a bureaucratic manner."

Corroboration of this view comes from Walter Reuther, who visited India in May 1956, at the invitation of the INTUC. An account of his visit reports that Reuther "told a New Delhi Press conference how shocked he had been to hear from the manager of the government's Chittaranjan locomotive plant that union organizing is not permitted, warning that 'the bosses there may be bureaucrats, but they're still bosses.'" Selig S. Harrison, "Reuther in India," *The New Republic,* no. 21, 134:11 (May 21, 1956).

31. Industrial Disputes Act, 1947, Section 3(2).

32. The *Indian Labour Gazette* reported that 1196 works committees had been established by September, 1950.

33. Provided by the Ministry of Labour, New Delhi, June, 1955.

34. *Indian Labour Year Book, 1953–54,* p. 172.

35. *The First Five-Year Plan,* Government of India, Planning Commission, (New Delhi, 1953), p. 577.

36. *Annual Report,* 1953–54, Textile Labour Association (Ahmedabad, 1954), p. 9. For further details on this experience see Van Dusen Kennedy, "The Role of the Union in the Plan in India," *Proceedings* of the Eighth Annual Meeting of the Industrial Relations Research Association (Madison, Wisconsin, 1955), pp. 249–264.

37. According to statistical summaries supplied by the company, "favorable" meant that some or all of the worker's claim was upheld.

38. A summary of the Central Labor Advisory Committee's work during a twelve-month period in 1953–54 showed that of 37 cases, 9 decisions were favorable to workers, 11 were unfavorable, 1 was not pressed, and 16 were still under consideration. Punishment (dismissals and discharge) and claims for reëmployment with unbroken service after suspension of illness or physical unfitness were involved in 27 of the 37 cases. Fewer of the departmental level decisions were favorable to workers than during the preceding year. Sixty-three of 81 cases were decided against workers in the departments, but only 24 were taken up by the union to the Mill Labor Advisory Committees.

39. Textile Labour Association, *Annual Report,* 1952–53, pp. 43–44.

40. Textile Labour Association, *Annual Report,* 1953–54, pp. 56–57.

41. *Ibid,* p. 9.

CHAPTER VIII

The Role of Government

1. For a survey of the progress of Indian labor legislation, the following standard works may be consulted: R. K. Das, *History of Indian Labour Legislation* (Calcutta, 1941); Sir Atul C. Chatterjee, "Federalism and Labour Legislation in India," *International Labour Review,* Nos. 4–5, 49:415–445 (January-June 1944); P. S. Narasimhan, "Labour Reforms in Contemporary India," *Pacific Affairs,* No. 1, 26:57–58 (March 1953); International Labour Office, *Recent Developments in Certain Aspects of Indian Economy* (New Delhi, 1955), esp. pp. 1–11, dealing with "Labour Legislation in India, 1953–54." The *Indian Labour Gazette* and the *Indian Labour Year Book* may also be consulted for dependable summaries of Indian legislation. For a well edited, annotated introduction to Indian legislation, consult S. N. Bose, *Indian Labour Code* (Central), 2nd ed. (Calcutta, 1950). The *Labour Law Journal* (Madras, Madras Law Journal Office), published regularly since 1947, is another excellent nonofficial publication.

2. An authority on Indian legislation points out: "What little legislation there existed . . . was confined to making breaches of certain acts of service criminal offences. . ." Alan Gledhill, *The Republic of India: The Development of Its Laws and Constitution* (London, 1951), p. 254.

3. For a good treatment of this early phase of Indian labor legislation up to the first World War, see R. K. Das, *The Labor Movement in India* (Berlin, 1923), Chapters I and II, pp. 1–20.

4. On the economic situation in the country, particularly as it affected workers, see Vera Anstey, *The Economic Development of India,* (London, 1949), esp. the section dealing with "Prices, Wages, and the Cost of Living," pp. 445–469.

5. On the impact of the ILO, see V. K. R. Menon, "The Influence of International Labour Conventions on Indian Labour Legislation, *International Labour Review,* No. 6, 73:551–571 (June 1956); and Subbiah Kannappan, "The Impact of the ILO on Labor

Legislation and Policy in India," in *Labor, Management and Economic Growth,* Robert L. Aronson and John P. Windmuller, eds., Institute of International Industrial and Labor Relations, Cornell University (Ithaca, N. Y., 1954).

6. Government of India, Labour Investigation Committee, *Main Report* (New Delhi, 1946), p. 10.

7. *Congress Presidential Addresses* (Madras, 1934), pp. 895–896.

8. Indian National Congress, *Resolutions on Economic Policy and Programme, 1924–54,* All-India Congress Committee (New Delhi, 1954), p. 3.

9. *Ibid.,* pp. 3–6, 8.

10. *Ibid.,* pp. 10–11.

11. *Ibid.,* p. 10.

12. *Ibid.,* p. 14.

13. For an indication of the Congress approach, see R. K. Das, *Principles and Problems of Indian Labour Legislation* (Calcutta, 1938), Appendix "Congress Labour Programme," pp. 270–276. Das concludes: "it must be said that the Indian National Congress has adopted a very progressive policy and drawn out a bold programme for action. . . ." For a somewhat opposed view, see S. D. Punekar, *Trade Unionism in India,* pp. 103–106.

14. For details see N. S. Pardasani, "Labour Conciliation and Arbitration in India," in A. N. Agarwala, ed., *Indian Labour Problems* (Allahabad, Kitabistan, 1947), p. 92.

15. *Ibid.,* pp. 92–93; see also "A Decade of Labour Legislation in India, 1937–48, Part II," *International Labour Review,* 59:513–514 (January-June 1949).

16. International Labor Office, *Wartime Labour Conditions and Reconstruction Planning in India* (Montreal, 1946), p. 37.

17. "The Institution of a Tripartite Labour Organization in India: the Influence of the I.L.O.," *International Labour Review,* No. 1, 43:1–21 (January 1943).

18. *Main Report,* p. 10.

19. From speech by former Union Labor Minister Jagjivan Ram, "Congress and the Workers," in *Jagjivan Ram on Labour Problems,* Chachi Rani Gurtu, ed. (Delhi, 1951), p. 14.

20. B. V. Keskar, *Congress Hand-Book, 1946,* All-India Congress Committee (Allahabad, 1946), pp. 273–275.

21. Government of India, Ministry of Information and Publication, *Square Deal for Labour,* 1951, p. 7.

22. For complete text of the Act, see Mathrubutham and Srinivasan, *Indian Factories, and Labor Manual* (Madras, 1952), pp. 647–682.

23. An "approved" union also has the right to submit disputes to arbitration; while unions under the Central Government's Industrial Disputes Act have only the obligation to submit disputes to arbitration.

24. For the subsequent developments relating to the Industrial Disputes Act, see *The Indian Labour Year Book, 1953–54,* pp. 119–125; on the Bombay Act, *ibid.,* pp. 127–130. Although not strictly a labor relations statute, the Preventive Detention Act of 1950 has been invoked by the government in major labor disputes when union (usually Communist) leaders were jailed to prevent local or national disorders affecting the peace. This extreme measure was renewed, after debate, in 1955.

25. Implementation of Employees' State Insurance was delayed until February 1952, and then introduced initially in only a few states. By September 1956, it was in force in 31 centers and covered slightly over one million workers. *The Indian Worker,* No. 47, 5:1 (September 3, 1956).

26. For a fuller discussion, see V. Jagannadham, *Social Insurance in India* (Amsterdam, 1954).

27. Government of India, *The First Five-Year Plan* (New Delhi, 1952), p. 571. For

full texts of the labor sections of the First and Second Five-Year Plans, see Appendix A.

28. *Ibid.*, pp. 572–573.

29. *Ibid.*, pp. 573 and 581.

30. *Ibid.*, p. 583.

31. *Ibid.*, p. 586.

32. *Ibid.*, p. 581.

33. For a brief indication of the progressive use of the tripartite machinery, see *The Indian Labour Year Book, 1953–54,* pp. 167–179, and also previous issues. Very little is known, however, about the actual functioning of the Development Councils under the Industries (Development and Regulation) Act of 1951.

34. In his opening speech at the twelfth session of the Indian Labour Conference held at Naini Tal in October, 1952, Mr. Giri said: "Compulsory adjudication has cut at the very root of trade union organisation. . . . If workers find that their interests are best promoted only by combining, no greater urge is needed to forge a bond of strength and unity among them. But compulsory arbitration sees to it that such a bond is not forged. It stands there as a policeman looking out for signs of discontent and at the slightest provocation takes the parties to the court for a dose of costly and not wholly satisfactory justice. The moment the back of the policeman is turned, the parties grow red in the face with redoubled determination, and the whole cycle of litigation starts over again. . . . Let the trade unions become strong and self-reliant and learn to get on without the assistance of the policeman. They will then know how to organize themselves and get what they want through their own strength and resources. That will also be the means of their achieving greater self-respect. It may be that until the parties have learnt the technique of collective bargaining, there are some unnecessary trials of strength, but whoever has heard of a man learning to swim without having to drink some gulps of water?" *Proceedings of the Indian Labour Conference,* Twelfth Session Held in Naini Tal on the 8th to 11th October, 1952 (Delhi, 1952), pp. 6–7. The Ministry of Labour had distributed a questionnaire to labor and management organizations prior to the conference, seeking their views on compulsory adjudication.

35. *Ibid.*, pp. 237, 243. See Chapter IV *supra* for a fuller discussion.

36. More recently, Mr. Giri, as a member of the Labour Panel of the Planning Commission and as a member of the Lok Sabha, has resumed his plea for abolishing compulsory adjudication and encouraging direct collective bargaining. *Hindustan Times,* New Delhi, July 22, 1956. Replying to this view during the debate on the Industrial Disputes (Amendment and Miscellaneous Provisions) Bill in July, 1956, Mr. Khandubhai Desai, Union Labour Minister, stated that he had always felt that voluntary agreement to refer questions to arbitration was the best solution, and the bill provided that such agreements should be given legal sanction. But, he added, "Complete *laissez-faire* is out of date. Society cannot allow workers or managements to follow the law of the jungle. Therefore, as a last resort, the Government has taken powers to refer disputes to adjudication." *Hindustan Times,* July 25, 1956.

37. In his public letter of resignation, August 30, 1954, Mr. Giri asserted that modification of the Bank Award meant that workers and their organizations would lack confidence in the integrity of tribunal awards in the future. He also charged that government had failed as "model employer." "It has been my fervent wish that Government should be the model employer, inspiring other employers to follow its example. But I have to confess that the possibility of this hope being fulfilled has become remote. . . . There is a growing feeling among the employing Ministries [such as Railways, Communications, Irrigation, and Public Works] that each can have its own way and its own labour policy, thus rendering the Labour Ministry almost superfluous in shaping Government policy in their behalf." *Times of India,* September 9, 1954.

38. See footnotes 36 and 40.

39. No less a person than Prime Minister Nehru, of course, has taken a strong position in favor of limiting the right to strike or lockout. He has developed this theme in a number of speeches, emphasizing that in a planned economy such as India's there is little justification for strikes. In his talk to the tenth annual meeting of the Association of Scientific Workers of India, he said: "While it is necessary to have trade unions for protecting workers' rights, at the same time it is also necessary to look to the bigger interests of the country. . . . I do not see any wisdom in trying to solve problems in the industry by indulging in fights and clashes or by the show of force or strength. All problems must be solved by mutual consultation in an atmosphere of good will and friendship." *The Hindu Weekly Review,* January 9, 1956, p. 14.

40. The influence of Gandhi's emphasis on duties and obligations, pointed out earlier in connection with his role in the development of the Textile Labour Association in Ahmedabad, is important here. For views similar to the one quoted, see the 1950 and 1952 addresses of Khandubhai Desai as president of the Indian National Trade Union Congress (Union Labour Minister since 1954). In 1950 he contrasted the two approaches to labor-management relations: "The one based on principles of conciliation and arbitration initiated and worked out by Gandhiji . . . has proved successful, while the other (direct action) has not suited our country." In 1952 he said: "We have, however, to admit that the objective conditions in our country differ to a great extent as compared to Western countries. Workers are illiterate, their unions with a very few exceptions are not very strong, and very few unions have trained personnel to combat resources and intelligence that the employers can utilize. While, therefore, aiming at self-reliance and evolving trade union sanctions, we in our own interest cannot agree to elimination of compulsory adjudication in cases where employers are recalcitrant. When the country is trying to increase its wealth by planned economy on the one hand, it has to be given due protection by state intervention in industrial disputes which would otherwise strengthen disruptive elements among labor or diehard capitalists" (*1952 Address,* p. 7).

While it is critical of some aspects of government labor policy, as we have seen, INTUC officials still emphasize the right to secure justice as opposed to the right to strike. Mr. G. Ramanujam, a member of the Working Committee of INTUC, has written: "There can be no lawful strikes or lockouts in industrial relations. At best, it can only be a strike or lockout which is 'not illegal.' For the right to strike . . . is gradually become an outmoded conception. . . . With the attainment of our freedom, the conception of strike and lockout . . . had to undergo a further change; i.e., instead of . . . being weapons of *last* resort, they had to be the weapons of *least* resort. This necessity became particularly pronounced as we entered an era of planned economy. Proper planning should make strikes and lockouts wholly unnecessary in industrial relations." "Strikes and Lockouts in Industrial Relations," *The Indian Worker* (INTUC, New Delhi), August 15, 1955, p. 8.

41. International Labor Conference, Provisional Record No. 11, June 10, 1955.

In the summer of 1957 Prime Minister Nehru was forced to address himself to the question of what to do when the goal of strong, independent trade unions comes in conflict with economic planning. Strikes for wage adjustments were threatened among such heterogeneous, yet strategic, work groups as the Bombay dock workers, the civil aviation employees, and the post and telegraph workers. Nehru lashed at "the language of threats and defiance," expressed the view that "these demands for higher wages . . . however justified they might be, are at the present moment more in the nature of a political rather than an economic approach. . . ." *The Hindu Weekly Review,* July 22, 1957, p. 3. The Bombay dock workers called off their strike threat one hour before their deadline. *Ibid.* However, a Presidential ordinance outlawing walkouts in essential services, making participants subject to penalties of imprisonment, or a fine, or both,

was necessary to forestall the strikes in civil aviation and post and telegraphs. See *New York Times,* August 9, 1957, p. 5, and *The Hindu Weekly Review,* August 12, 1957, p. 3.

42. Private employers in India do not often give the "management prerogative" reason for opposing compulsory adjudication, but this view was forcefully put forth by a former high official of the Railway Ministry, who said: "Government has the final responsibility for running railroads, and it can't delegate any part of this to a tribunal. I favor direct negotiation, and I am willing to permit the right to strike. One good strike might mean there would be no more later, and anyhow the possibility of a strike may help bring agreement" (Interview, February, 1955).

Apparently a majority of employers, however, favor continuance of the present system of compulsory adjudication. In its "Analysis of Indian Business Opinion" based on a poll of business leaders, the Indian Institute of Public Opinion concluded: "The present system of compulsory adjudication is generally believed to be working reasonably well and the alternative might easily be a combination of exploitation by the more unscrupulous employers and violence by the more extreme workers." Certain modifications, similar to those discussed below, were suggested by the respondents. *Quarterly Report* of the Indian Institute of Public Opinion, No. 4, 1 (January 1955).

43. For example, one union leader stated in an interview: "The tribunal system is bad; it encourages legalism and results in unions depending on the tribunal rather than developing their own strength. The best way is to settle things around the table." Yet even the socialist union leaders are not willing to leave weak unions at the mercy of strong employers, and they favor ultimate access to the tribunal system.

44. Data provided by the Ministry of Labor, Bombay State, show that in 1950, 1951 and 1952 the percentage of cases in which adjudication was granted was about the same for INTUC and HMS unions, but higher than for Communist and "independent" unions. In 1953 the percentage of cases referred to adjudication for INTUC unions was 68 per cent, as compared to 54 percent for HMS unions, but in the first six months of 1954 (the latest then available) the percentage was again almost identical—72, as compared to 70 per cent. The Labor Minister of another large State, however, said in an interview that "the INTUC is wedded to and allied with the Congress."

Replying to charges in the Lok Sabha of favoritism to INTUC, Khandubhai Desai, Union Labor Minister, said these were "absolutely baseless." He stated that during 1954–55 INTUC unions requested adjudication in 2243 cases, but only 1063 or 47.4 per cent were referred to adjudication. Comparable figures for the other union groups were: AITUC—1769 cases, of which 874 or 49.4 per cent were referred; and HMS—1077 cases, of which 592 or 55 per cent were referred to adjudication Mr. Desai concluded: "I think this is the last charge, and it will not be repeated." *Hindustan Times,* July 25, 1956.

45. A series of cases in 1955 brought the union demand for abolition of the Appellate Tribunal to a head. One of the most important of these involved the closure of the Madras Electric Tramways. In 1953 an industrial Tribunal awarded the workers a 50 per cent share in the reserve funds of the company, with half a month's basic wage for every completed year of service up to a maximum of six months' salary as retrenchment compensation. In August 1955, the Appellate Tribunal reversed the lower tribunal's decision, and denied the workers any share in the reserve funds of the company. *Mail* (Madras), August 10, 1955.

46. *The Gazette of India Extraordinary,* Part II, Section 2, No. 39 (New Delhi, September 21, 1955), pp. 431–432.

47. The bill also contained a provision (Sec. 8) for private voluntary arbitration if the parties chose this at any time before a dispute had been referred to a labour court or tribunal or national tribunal. The Draft Outline of the Second Five-Year Plan com-

mented on this and the other provisions of the bill as follows: "Considerable emphasis should be placed on mutual negotiations for the settlement of disputes and on voluntary arbitration. Government intervention should be resorted to only in intractable cases. The proposed amendment of the Industrial Disputes Act is therefore a move in the right direction." *Second Five-Year Plan: A Draft Outline,* Planning Commission, Government of India (February 1956), p. 272.

48. "Statement of Objects and Reasons," *The Gazette of India Extraordinary,* p. 431. A "limited number" (1 per cent of the total employed, but not less than 5 or more than 100) of representatives of workers were to be given protection against discharge regardless of whether their action was connected with the dispute or not. This was intended to prevent "victimization" of union leaders. Despite this, during the debate in the Lok Sabha, Communist members were opposed to any change in Sec. 33. *Hindustan Times,* July 22, 1956.

49. Interview, March, 1955.

50. Quoted in report on conference in *Industrial Relations* (journal of the Indian Institute of Personnel Management, Calcutta), No. 6, 7:22 (November–December 1955).

51. Interview, February 1955.

52. Reply to debate in the Lok Sabha on the Industrial Disputes (Amendment and Miscellaneous Provisions) Bill, *Hindustan Times,* July 25, 1956.

53. This was implied by the Union Labor Minister, Khandubhai Desai, when he stated in the Lok Sabha in July, 1956, that the number of adjudications ordered in 1955 were 2804 by both central and state Governments. The success of the industrial relations machinery, he added, could be judged by the number of strikes, which accounted for 16.5 million man-days lost in 1947 and "the number has now come down to about 33 lakhs" (3.3 million). He added that in the last year or so there had been a number of voluntary agreements between management and labor. *Hindustan Times,* July 25, 1956.

54. S. D. Punekar, *Industrial Peace in India,* Library of Indian Economics (Bombay, 1952), p. 110.

55. "Hartals," the short work stoppages (usually a day) to register protest or express sympathy for a particular event, usually unconnected with industry, are not considered industrial disputes as such. They are likely to be political in character, in protest against arrests of political leaders (as in pre-independence days) or in sympathy for the death of a prominent leader, such as a depressed classes leader. Sometimes hartals have also been resorted to in protest against delays in referring a labor dispute to adjudication or in making an award. See Punekar, *Industrial Peace,* p. 40.

CHAPTER IX

Problems of Government Labor Policy

1. The practice of paying a lump-sum bonus based on profits for the year is an old practice in Indian commercial and industrial companies. But before the war it was usually at the discretion of the employer, even though unions contended that it should be paid as a matter of right.

2. Much of the factual material is taken from B. N. Datar and S. Mongia, "Industrial Awards in India," *Indian Economic Review,* No. 1, 2:61–79 (February 1954), and the authors' longer unpublished monograph, "A Study of Industrial Awards" (New Delhi, 1954). This involved an analysis of 1000 out of 4000 awards on wages since 1951, and supplements the earlier monograph, *Industrial Awards—An Analysis,*

Government of India, Labour Bureau (Simla, 1951). Recent information is drawn from "Problems of Industrial Wage Policy in India," by Philip Kotler, unpublished doctoral dissertation, Massachusetts Institute of Technology, Department of Economics, (Cambridge, Massachusetts, 1956).

3. *Report of Fair Wages Committee,* p. 32.

4. This is generally known as "The Full Bench Formula," *Labour Law Journal,* 2:1247 (Madras, 1950), p. 1247. The Industrial Disputes (Appellate Tribunal) Act of 1950 specifically for the first time established bonus as a legitimate issue before the tribunal system.

5. "Textile Mills of Madhya Pradesh *versus* Their Workmen," 1952, reported in V. B. Kher, *Companion Volume to Digest of Labour Law Cases* (Bombay, 1954), pp. 509–510.

6. "Burmah Shell, Bombay *v.* their Workmen," *Labour Law Journal,* 2:246 (1953). Following this decision, an industrial tribunal in Bombay refused to increase the 1952 bonus above the amounts awarded in 1950 and 1951 (3½ months' basic wage) to clerical employees in three foreign oil companies. The Petroleum Workers Union in Bombay had demanded seven months' bonus, based on basic wages plus dearness allowance. The tribunal's decision stated: "In the matter of bonus, we have to be guided by certain set formulae and certain set principles enunciated by the Labour Appellate Tribunal. The employees of a monopolistic concern cannot have a higher quantum of bonus merely on the ground that they happen to be the employees of such a concern. . . . Nothing worth the name has happened during the year 1952 necessitating a deviation from those principles. . . . To grant a token advance (over what was awarded last year) would be a step in the wrong direction and would have no principle on which it can rest. In the *Tata Oil Mills* case the Labour Appellate Tribunal condemned the practice of granting token advances without justification as having an unhealthy effect on industrial relations." *Bombay Government Gazette,* Part 1-L (March 25, 1954), pp. 644–646.

7. The 1952 voluntary arbitration agreement in Ahmedabad broken down over the settlement of the 1953 bonus when twenty of the city's sixty-six mills showed losses. In February, 1954, the Bombay state government introduced a bill to pool profits for bonus determination, but it was subsequently withdrawn following strong criticism from industry. *Commerce,* April 3, 1954, p. 610.

8. A resolution adopted at the Seventh Annual Session of the INTUC in January, 1955, stated: "The conduct of some concerns in each industry creates difficulties for the workers by their showing losses instead of profits, especially when the price atmosphere indicates profits and even when a majority of the concerns show handsome profits. The question of these loss-making units has created an atmosphere of distrust, suspicion and discontent." *Seventh Annual Session: A Brief Review,* Indian National Trade Union Congress (New Delhi, 1944), Appendix A, pp. 5–6.

9. *Annual Report* (New Delhi, 1955), pp. 6, 100–101. The INTUC textile union in Bombay made these part of its major demands in the 1952 bonus case, heard by the Appellate Tribunal in 1954. The tribunal's January 1955 award made a concession in the direction of raising basic wages and merging dearness allowance, but other union demands were rejected.

10. Sample opinions are found in the *Quarterly Report* of the Indian Institute of Public Opinion No. 4, 1 (New Delhi, January 1955). For example, one group of replies opposed a major change, except that the Labour Appellate Tribunal formula should be made statutory, pending a full enquiry by an expert commission and recommendation of a better formula, if necessary. But another section held that the rate of bonus should be entirely controlled by the prosperity or profit earned by the company. Some respondents favored a profit-sharing scheme, and others believed that bonus should be abolished.

One view was that the "annual wrangle on the question of bonus . . . is the greatest cause of industrial unrest in this country. Any alternative would be preferable."

11. At the Seventh Session of the Indian National Textile Workers' Federation in April 1955, G. D. Ambekar, president of the INTUC, asserted that the bonus formula of the Labour Appellate Tribunal had caused great discontent among workers, and in calling for abolition of the tribunal, he said that "instead of introducing uniformity of principles, the Appellate Tribunal had . . . made confusion worse confounded and helped the capitalists to exploit consumers and workers more and more." Quoted in *Mail*, Madras, April 24, 1955.

12. Text of "Agreement," signed on June 27, 1955, by H. G. Acharya, secretary, Ahmedabad Millowners' Association and S. R. Vasavada, general secretary, Textile Labour Association. See Appendix A for full text. (Mr. Vasavada is also president of the Indian National Trade Union Congress.) The agreement covers twelve folio-sized printed pages, and contains detailed examples of the computation of bonus under hypothetical situations. The Arbitration Agreement, signed by the same principals, is a renewal of the earlier agreement.

13. Many employers, of course, also object to the year-end profit sharing bonus for business reasons. They report that some profits for the year are set aside in a reserve for bonus awards applying to that year handed down by tribunals several years later. If the award is larger than estimated, prices cannot be raised retroactively, and in any case, funds which might otherwise be reinvested or paid out in dividends are immobilized pending the bonus award. These points have considerable validity, but are not likely to hold much weight in bonus discussions centered on the labor relations aspects exclusively.

14. As an illustration, it is widely reported by trade union officials and company labor officers that workers count on the payment of an annual lump-sum bonus to get them out of debt (or reduce their indebtedness) and to provide funds for such important family obligations as the marriage of a daughter or son, religious festivals and other events.

15. Datar and Mongia, "Industrial Awards in India," p. 71.

16. In July 1952, the Central Government appointed a Dearness Allowance Committee (Gadgil Committee) to consider the question of treating some part of the dearness allowance of government employees as basic wages. The committee recommended that 50 per cent of the dearness allowance be merged with basic wages or salaries. This recommendation was subsequently implemented. See *Report of the Dearness Allowance Committee* (New Delhi, 1952).

17. *The Indian Worker,* No. 47, 4:1 (September 3, 1956).

18. *The Indian Worker,* No. 11, 5:2 (December 10, 1956). On January 28, 1957, a Tripartite Central Wage Board was established for cotton textile industry.

19. The 1954 bill, which was prepared by the Labour Ministry but never reported out of the Central Cabinet because of the opposition of other ministries to some of its sections, contained a provision for an "industry bargaining agent" when a union represented not less than 25 per cent of the workers in all establishments in a specific industry in a local area and not less than 10 per cent of the workers in each of not less than 75 per cent of the establishments in the industry in the area. Such a union would have sole rights to bargain on wages, dearness allowance, bonus, and leave. Failing to attain this status, a "recognized union" was a registered union (under the Trade Union Act of 1926) with not less than 15 per cent of the workers in a particular establishment. It could bargain for all workers in the establishment on all matters. The 1950 bill, which contained somewhat similar provisions, was introduced in the Parliament, but lapsed when adjournment occurred without passage.

20. *Hindustan Times,* July 25, 1956. He stated that there were about 4000 registered

unions and 90 per cent were recognized. He offered his "good offices to bring about voluntary recognition" and said a law would not be necessary.

21. Interview, October 1954.

22. *Second Five-Year Plan: A Draft Outline* (February, 1956), p. 172. The other suggestions for "strengthening the trade union movement" include "restricting the number of outsiders in the trade unions . . . protecting officebearers against victimisation, and improving the financial base for the trade union movement from within its own resources," but no further detailed suggestions are given.

23. *Industrial Relations,* No. 1, 8:42 (January-February 1956).

24. This charge has come particularly from unions affiliated with the HMS and AITUC, but claims are difficult to evaluate. One student of the Indian labor movement reports that the INTUC cotton textile union in Bombay was designated the "representative union" by the Registrar only a few months after a one-day protest strike called by the Communists and Socialists in December, 1947, brought out 209,000 workers and closed all but one of the city's mills. See Morris David Morris, "Labor Discipline, Trade-Unions and the State in India," *Journal of Political Economy,* No. 4, 63:303 (August 1955). Morris goes on to point out that in 1950 the Socialist-Communist groups called a protest strike against the 1950 bonus award, which lasted 63 days. This was subsequently broken and INTUC "Congress-supported union, although itself reduced in membership, emerged with no effective opposition against it. Since 1951 the union has increased its ability to force workers to operate through the formal channels of protest, over which it has a government-supported monopoly" (p. 302).

25. Curiously, the Communists do not appear to favor the secret ballot or even recognition of the most representative union to the exclusion of others. A Communist member of the Lok Sabha introduced a bill in March 1955, providing for compulsory recognition of all registered trade unions, provided they had 5 per cent membership of the employees in the industry or in a company under the same management. The Union Labor Minister, Mr. Khandubhai Desai, opposed this on the grounds that it "would perpetuate eternally the rivalry among unions in the same industry." The bill was rejected by a voice vote. *The Statesman* (New Delhi), March 19, 1955.

26. Some of these differences of opinion came out in a one-day seminar held in Bombay in December 1954, under the auspices of the Association of Free Trade Unionists, which had published a paper on "Problems of Indian Trade Unionism and Labour Relations," by Van D. Kennedy, Associate Professor of Industrial Relations at the University of California (Berkeley) and a Fulbright scholar who spent some thirteen months studying industrial relations in India during 1953–55. Kennedy had proposed an integrated program to strengthen Indian unions and promote collective bargaining. One of his proposals was to "make worker support as shown by secret ballot vote, not membership, the test of a union's majority status and the deciding factor between rival unions."

27. Resolution of the Bihar Central (Standing) Labour Advisory Board, Labour Department, Government of Bihar, Patna, January 23, 1952. According to one official, "Absolute impartiality between competing unions, whether Congress, Socialist, or Communist, is necessary to make this procedure work." A similar procedure has been developed in Mysore State, where it applies to the individual plant and not to the industry in the region as in Bombay.

28. The following statement in an article in the Indian Socialist journal is an extreme example of this point of view. "One of the principal causes of the stagnation and frustration in labour today is the obstinate refusal of Government to permit workers to freely choose their own bargaining agents, to build up their own organisations without official interference and its refusal to exercise elementary administrative fairness and impartiality as between various trade unions. The Government continues to show the

most flagrant favouritism to INTUC unions, gives the INTUC disproportionate representation on tripartite bodies and virtual monopoly in I.L.O. conferences and committees. The administrative and even the law and order apparatus of the Government are freely and ruthlessly used to disrupt and crush non-INTUC unions. Decisions of the INTUC unions are foisted on unwilling workers even in the face of High Court rulings and even when it leads to work stoppages as in Nagpur recently. Such favouritism and interference in trade union matters undermine the very foundations of industrial peace and negate progressive labour policies.

"It is idle for Government spokesmen to deny the favouritism shown to the INTUC. Instances can be cited from every industry and State. If an impartial inquiry is undertaken into this question, the case against the Government can amply be proved." "Labour Policy in Second Five-Year Plan," by "Mehnatkash," *Janata,* No. 28, 9:5 (August 15, 1956).

29. During the debate on the Industrial Disputes (Amendment and Miscellaneous Provisions) Bill in July 1956, Mr. V. V. Giri, the former Union Labor Minister, pointed to the absence of any provision for compulsory recognition of unions. He recalled the 1947 Amendment and said: "I do not see why the Government should not consider and see that the law is not in a state of suspended animation, but is put into effect. If necessary, a tripartite conference could be called to remove deficiencies of that measure and bring it into force." *Hindustan Times,* July 22, 1956.

30. There are conflicting reports on how effective this protection has been. Possibly officials of the stronger unions, which can more easily bring cases before tribunals, are protected more than officials of minority unions.

31. *The Gazette of India Extraordinary,* Part II, Section 2, September 21, 1955, p. 424. The number of "protected workmen" in any establishment would be limited to 1 per cent of the total number of workers employed, with a minimum of 5 and maximum of 100 protected workmen. This provision was opposed in a memorandum to government from the Indian Institute of Personnel Management, which stated: "The Institute also views with apprehension the introduction of a privileged class of 'protected workmen' in industry, since it will be neither to the advantage of industry nor a sound trade union movement to have persons with a vested interest in trade union leadership. It is the experience of Institute members that the plea of unfair labour practice is nowadays raised in practically every case of dismissal that goes to adjudication. Therefore, management is not in a position to dismiss lightly any employee known to be an active member of a union. This is sufficient deterrent to unfair discrimination against an active trade unionist." *Industrial Relations,* No. 8:36 (January–February 1956).

32. One state act, the Mysore Labour Act, 1942, provided that "associations of employees in private industrial undertakings may take on two members who are not employed in the industrial undertaking, with a view to their appointment as officers. Associations of employees of Government concerns may for a similar purpose admit two Government servants, employed elsewhere, as honorary members." Quoted in *International Labour Review,* No. 4, 46:458–459 (November 1942).

33. A proposal discussed in New Delhi in 1955 involved restricting certain offices in the union to those who were either employed in the industry at present, or who had been so employed for a specified number of years. Exceptions might be made for office-holders of ten years' service or more. The Draft Outline of the Second Five-Year Plan suggested "restricting the number of outsiders in trade unions," but no specific proposals were made. Subsequently, the Industrial Relations subcommittee of the bipartite Labor Panel of the Planning Commission was reported to have reached agreement that the number of outsiders on the executives of primary unions should be reduced from 50 per cent to 25 per cent or to 4, whichever was higher. Persons who had worked for at least five years in the same industry were not to be considered as outsiders.

For an alternative proposal, requiring a "recognized" trade union to have paid officers holding government diplomas in trade unionism from government-approved one-year courses at universities, see K. N. Drivastava, *Industrial Peace and Labour in India* (Allahabad, 1954), p. 165.

34. Union officers from all countries in South Asia and the Far East can attend this school for the 13-week residential training programs. By February 1955, some sixty Indian union leaders had completed the program, and a number of rank-and-file unionists from the Tata Workers Union in Jamshedpur had benefited especially from it.

35. Michael John, president of the Tata Workers Union and former president of the INTUC, has urged the checkoff and the union shop as a way of providing stability of trade union members and finances. *Presidential Address,* Bihar branch of Indian National Trade Union Congress, February 1955. Subsequently, his union signed a notable three-year agreement with the Tata Iron and Steel Company in January 1956, one provision of which noted the company's agreement "in principle" to measures of union security such as maintenance-of-membership and the checkoff. The company expressed its willingness to join the union, if necessary, in approaching the government for any alterations that may be required in the law to permit the bringing into effect of such provisions. For the full text of the agreement, see Appendix A. Other union leaders, however, have objected to the checkoff on the grounds, as one put it, that it "would prevent even the very limited contact the union leaders have today with workers through collection of subscriptions (dues)."

36. Opposition to rationalization which involves the introduction of new machinery also springs from the pronouncements of Mahatma Gandhi. He favored the development of self-sufficient villages, with the use of machinery only in its proper place. Specifically, concerning textiles he wrote, "I think that machinery is not necessary for us at all. We should use khadi (home-spun cloth); and, therefore, we do not require mills. We should try to produce all the necessary cloth in the villages, and we need not be the slaves of machines. I am afraid, by working with machines we have become machines ourselves, having lost all sense of art and handwork." Quoted from Mahatma, 4:238–239 by D. P. Mukerji, "Mahatma Gandhi's Views on Machines and Technology," *International Social Science Bulletin,* UNESCO, No. 3, 6:418–419 (1954).

37. *First Five-Year Plan,* 1952, Paragraph 60. These principles were earlier developed by a conference of labor and management representatives convened by the government in Delhi in February, 1951. This became known as the "Delhi Agreement" and was a pattern for subsequent regional agreements, as in Ahmedabad. Industrial tribunals earlier established standards for retrenchment and compensation of workers affected by rationalization. See "Retrenchment," *Indian Labour Gazette,* No. 3, 8:165–179 (September 1950).

38. *Second Five-Year Plan: A Draft Outline,* Planning Commission, Government of India (February 1956), p. 43. In June 1956, the government sanctioned the installation of 14,600 automatic looms for production of cloth for export and 2.1 million spindles in an integrated program for the expansion of the textile industry. According to Mr. T. T. Krishnamachari, then Indian Minister for Commerce and Industry, the new installations were likely to be spread over a period of years, and would not offset the "employment position" of weavers. *Times of India,* June 19, 1956. However, the emphasis on protection of the handloom sector is even evident in this permission for the importation of automatic looms. To assure that exports will be increased, and to protect village handloom interests, restrictions have been imposed on the use of the new automatic looms: each loom must produce a minimum of 2400 square yards per year, and all production from the new looms is to be earmarked for export. If a mill

fails either to meet its production quota or export its total output on these looms, a sizeable penalty tax is to be imposed. *Times of India,* June 24, 1956, p. 3.

39. For a fuller discussion see Charles A. Myers, "The Labor Problems of Rationalisation: The Experience of India," *International Labour Review,* No. 5, 73:431–450 (May 1956). Also reprinted in *The Indian Worker* (Independence Number), Nos. 43 and 44, 4:44–48 and 54 (August 15, 1956).

40. A recent study of increasing capital: output ratios in Indian industry explains these, in part, as a consequence of other government labor policies: "The effect of government policy has been both to raise labor costs directly in terms of higher wage and amenity costs, and to greatly reduce 'the area of manageability' of labor. The latter factor, especially, which operates, for example, in such a manner as to make the reduction of labor force difficult, encourages management to build new plants with a minimum labor force and to attempt to reduce the permanent labor force in older plants by natural attrition. Where an industry is expanding rapidly, it is possible to introduce more automatic machinery in the newer or expanded plants without reducing labor force; where an industry is expanding only slowly (as in cotton textiles), the problem of introduction of new machinery raises serious difficulties between management and labor." George Rosen, "Capital: Output Ratios in Indian Industry," *Indian Economic Journal,* No. 10, 3 (October 1956).

41. This is part of the United States International Cooperation Administration (ICA), and the name has been retained throughout the alphabetical changes occurring in the parent body: MSA and FOA. The Colombo Plan (composed largely of Southeast Asian and British Commonwealth nations) has also had a program of technical assistance in labor-management relations in India, limited largely to the furnishing of a British management engineer-educator who helped to establish the short course for production managers at the Indian Institute of Technology in 1953.

A summary of the team's activities and recommendations is given in Ministry of Labour, Government of India, *Report on Workers' Education,* March 1957.

42. The second ILO Mission was headed by Professor Hy Fish of Roosevelt University, Chicago, who had earlier helped to establish a National Productivity Center in Israel. He was succeeded by Mr. H. N. Nanjundiah, now Deputy Chief Advisor, Factories (Ministry of Labour), and in charge of the National Productivity Center in Bombay. He was responsible earlier for the management training programs at the Indian Institute of Technology. Details of the Productivity Center's activities in 1956 were given by Mr. Nanjundiah in a talk to the Bombay Management Association, January 10, 1956 (mimeographed text). The quotation above is from this talk. See also "Engineering Industry—Steps to Raise Productivity," *Hindu Weekly Review,* September 17, 1956, p. 16.

Some difficulties with the productivity missions in India are discussed in "I.L.O. Productivity Missions to Underdeveloped Countries: II," *International Labour Review,* No. 2, 76:158, August 1957. The report emphasizes that, even if productivity missions succeed in training middle management, there is no guarantee that top management will use them effectively. They illustrate with regard to India: "In one of the most important projects, on which an I.L.O. expert had been engaged for eight months in 1955–56, it was found that only one of the men trained on the productivity improvement courses was still actively engaged in this field. The executive who had been made head of the new industrial engineering department had left to take up a better-paid position, other trainees had been transferred to other branches and the remaining representatives of management had returned to their supervisory duties and were not able to do much industrial engineering work. Although all the projects initiated during the period of training had been put into effect, little additional work had been carried

out. . . . Some of the enterprises which took part in the Bombay project . . . showed similar failures to understand the importance of industrial engineering. . . . Even where work was being carried on, it was often spasmodic and there seemed to be a marked lack of drive" (p. 157).

43. A joint Indo-United States agreement providing for this Institute was signed by the two governments on June 3, 1953. The official description of the project contained the following: "It is proposed to establish under the project a central Labour Institute for the purpose of promoting industrial efficiency and increased productivity by encouraging improvement in the safety, health and welfare of industrial workers. There is a growing consciousness in India of the need for an agency which will conduct activities and programmes aimed at the human factor in the industrial development of the country. Such an agency will function as a centre for research on problems involving the well-being of industrial labourers and as a centre for specialized training in labour problems."

44. A full account of the proposed activities of the Institute was presented by the Director, Mr. N. S. Mankiker, Chief Adviser, Factories, Ministry of Labour, Government of India, in "Central Labour Institute," *Management Topics* (Bombay), No. 6, 1:11–14.

45. Former ambassador to India, John Sherman Cooper, stated in an interview in June 1956: "Our own Point Four programs are good, but I believe they will have to be improved in terms of assurance of continuity and the assurance of, and delivery of, capital goods from the United States, and a larger training program for workers in new industries." *Boston Herald,* June 3, 1956.

46. Although not part of the technical assistance program, the April 1956 visit of Walter Reuther, vice-president of AFL-CIO and president of the United Auto Workers Union, was helpful in many ways. He came at the invitation of the Indian National Trade Union Congress, and made innumerable speeches during an extensive trip. The press reports from India and within India were uniformly favorable, *e.g.,* "Indians Acclaim Reuther's Visit," *New York Times,* April 15, 1956.

47. In March, 1956, according to one report, the Soviet government and the Indian government agreed that 300 Indian skilled workers and 135 engineers would be sent to the Soviet Union for metallurgical training, while resident Soviet specialists would train 4500 Indian workers and 500 engineers. Paul Wohl, "Soviet Aid Expands," *Christian Science Monitor,* August 10, 1956. None of the American government programs is this ambitious, but a private American firm, Kaiser Engineering, has contracted with the Tata Iron and Steel Company to build the expanded plant at Jamshedpur and this involves some training of a few Indian engineers in the Fontana, California, plant of the Kaiser Steel Company.

CHAPTER X

Conclusions and Implications

1. Khandubhai Desai, Labor Minister and former General Secretary of TLA, was defeated for reëlection for his Ahmedabad Constituency in the March 1957 general elections. It is doubtful whether this has any trade union implications; rather the Gujerati opposition to the central government's state reorganization decision may have been expressed in the vote against a cabinet minister.

2. The April 1956 report of the Ministry of Community Development, Government of India, states that 220,000 villages and 130 million villagers are now covered. "India's

Quiet Revolution Spurs Farm Production in Villages," *New York Times,* April 7, 1957, p. 4.

3. For a similar interpretation, see Oscar A. Ornati, in "Current Issues in International Labor Relations," "Problems of Indian Trade Unionism," *The Annals of American Academy of Political and Social Science,* 310:161 (March 1957).

4. Labor unions in Russia clearly have a different function from those in Western countries. In the words of one student of Soviet affairs: "Soviet labor unions differ in functions and objectives from similar groups in capitalist countries. They are completely creatures of the state, the employers of their members. As such their chief goal and purpose is to stimulate in every way possible the growth of production and worker productivity." Harry Schwartz, *Russia's Soviet Economy,* 2nd ed. (New York 1950), p. 554.

5. See George B. Baldwin, "Nationalization in Britain: A Sobering Decade," *The Annals,* pp. 39–54; *Beyond Nationalization* (Cambridge, Mass., 1955).

6. Americans who come to India often seem to forget that our own collective bargaining system, probably the freest in the world, was developed and influenced by direct government intervention during the thirties and regulated by a form of compulsory arbitration during our emergency periods of the second World War and the Korean War. Furthermore, the varying degrees of freedom from government control of other Western collective bargaining systems are not fully recognized. See, for example, the McNair Report on freedom of employer and worker organizations, made at the direction of the Governing Body of the ILO in 1956.

7. Max F. Millikan and Walt W. Rostow, *A Proposal: Key to an Effective Foreign Policy* (New York, 1957).

APPENDIX A

First Five-Year Plan

1. *First Five-Year Plan,* Government of India, Final Report, Planning Commission (New Delhi, December 1952).

APPENDIX B

Second Five-Year Plan

1. *Second Five-Year Plan,* Government of India, Planning Commission (New Delhi, 1956), chapter XXVII, pp. 571–587.

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