

On Railway Strike And Industrial Relations

N. H. Tata

S. R. Mohan Das

Prof. R. C. Goyal



FORUM OF FREE ENTERPRISE

SOHRAB HOUSE, 235 DR. D. N. ROAD, BOMBAY-1

**"Free Enterprise was born with man and
shall survive as long as man survives."**

—A. D. Shroff

1899-1965

**Founder-President
Forum of Free Enterprise**

BASIC ISSUES BEHIND THE RAILWAY STRIKE

By

N. H. Tata*

The nation-wide Railway strike, deplorable as it is, is an event which has highlighted a few crucial issues involving our basic policy of industrial relations. In the charter presented by the railwaymen figure two main demands which the Railway Minister has turned down as non-negotiable, viz., Bonus and parity of wages with other public sector undertakings.

Bonus: The concept of bonus, unfortunately, has had a tragic origin. In enacting the Bonus Act of 1965, our Government unconsciously committed a blunder by giving its blessings to a provision for a minimum bonus of 4 per cent—unrelated to profit or productivity, to be paid even when an industrial unit has incurred losses. In fact, it was nothing short of a direct wage boost. Yet, strangely enough, it was enshrined in the Bonus Act, where it has no place. The tragic part of the story is that, although one of the important terms of reference of the Bonus Commission was to define the "concept of Bonus", the Commission ignored it, by failing to define it or clarify its meaning or connotation. Surprising still was the fact that over a period of time, our Tribunals, politicians and responsible Ministers through their frequent utterances have encouraged the belief of the trade unions that bonus is a supplemental or a deferred wage. Under commonsense connotation of the term, it should be nothing more than a share in the profit of a commercial or industrial unit, in the earning of which the employee is presumed to have contributed. If the Government had accepted this interpretation, perhaps, its task of excluding national service organisations would have been rendered somewhat easier.

* The author is President of the Employers' Federation of India. This article is reproduced, with kind permission of the Editor, from "Financial Express" of 18th May, 1974.

Under the unfortunate interpretation of bonus as a deferred wage, logically any employee — whether employed in industry, commerce, agriculture or any service sector — is legitimately entitled to claim it, on the plea that it is intended to bridge the gap between the wage earned and a living wage. Living wage is a term which for years has remained undefined due to complexities of criteria, in the context of our poor *per capita* income and as such at its best, it is an abstract term incapable of practical use. To make matters worse, despite the dubious concept of the term bonus, our Government, as a pre-election gesture, unilaterally increased the quantum of minimum bonus from 4 per cent to 8.33 per cent which inclusive of D.A. proved a windfall for a vast body of organised industrial workers. At the same time, following the prevalent application of the Act, our Government denied this additional benefit to a much larger body of workers in Railways, Post and Telegraph, Government and Municipal service, teachers, nurses, Police, Defence services, etc., who felt that they were discriminated against. They felt that they had every right to such supplemental wage. It is a great pity that, despite several warnings from responsible employers, pointing out the anomalous position, Government did not feel inclined to take corrective action. After a country-wide unrest following Labour Minister Mr. Khadilkar's declaration on bonus culminating into the appointment of a Bonus Review Committee, I respectfully pointed out to Government through the Chairman of the Bonus Review Committee and the Central Labour Minister that the best way out of this baffling situation would be to let the employers absorb the original 4 per cent bonus as a permanent part of the wage and whatever additional bonus which the Bonus Review Committee may choose to grant, should only be related to profit or productivity. Such corrective action even at that stage would have resulted in de-linking the wage from the concept of Bonus. With such ratification, the Government could have faced the Railway workers with a clean conscience that bonus is related to profit or productivity and had nothing to do with wages. Alas, such a constructive suggestion met with no response from either the Bonus Review Committee or Government. Even now, I frankly feel this suggestion is worth considering

before the Bonus Review Committee comes out with its final recommendation, in order to prevent our Bonus Act being contaminated by a feature which is extraneous to the concept of Bonus.

Parity of Wages with Public Sector Industries

The claim of the railwaymen on this score is understandable and deserves sympathy. However, when viewed from the totality of our national wage structure, it is difficult to concede their claim, however justified it may be. It is apparent that during the last two decades, the organised industrial worker has secured a modest bonanza in wages, in comparison with the wages of the unorganised non-industrial worker. For example, in some industries like engineering, cotton textiles, electricity undertakings and a few other units, the wages of an unskilled worker now range between Rs. 300/- to Rs. 500/- exclusive of fringe benefits. Stenographers in industrial houses receive earnings ranging from Rs. 700/- to Rs. 2,000/-; Motor Car Drivers from Rs. 450/- to Rs. 1,200/- and Peons from Rs. 350/- to Rs. 500/- exclusive of fringe benefits. In comparison, an I.A.S. Collector gets Rs. 900/-, whereas a double graduate after spending substantially his parents' hard-earned money can claim a starting salary ranging between Rs. 350/- to Rs. 500/-.

In such a lop-sided wage structure which is a product of the whims of tribunals, on sheer plea of social justice without specific guidelines, a grave injustice has been done to more than 85 million unorganised non-industrial workers in rural and even urban areas. They have not even enjoyed a morsel of social security in the form of a variety of fringe benefits such as Provident Fund, Gratuity, sickness insurance, dearness allowance, bonus, nor do they enjoy an iota of job security. Our trade union leaders who roar like lions in support of industrial workers have seldom spared a thought for this unfortunate section of our country's working population, who are ruthlessly exploited by rural employers in sweated industries, without the protection of even a Minimum Wages Act.

With such background of injustice to millions of unorganised workers, it does not lie in the mouth of our trade

union leaders to claim parity with public industrial undertakings, however justifiable their plea may be. In fact, our country has never tackled wage-fixation on scientific basis to reduce inter-industry or inter-regional disparities. Nor have we endeavoured to maintain a balance between wage and non-wage income or attempted to improve the lot of poorly paid unorganised worker before securing further embellishment in favour of the organised industrial workers. Moreover, our wage structure is neither employment-oriented nor do we attempt after years of collective bargaining to relate our wages to productivity. Consequently, I have often pleaded for formulating wage guidelines, and for establishing a High Power Wage Commission to evolve a rational wage structure after tripartite consultation, based on our national objective of economic growth with social justice.

With such imperfections as exist in our approach to wage structure, is there any wonder that our moderately rich organised industrial worker is becoming progressively richer? On the other hand, the languishing non-industrial rural worker has become progressively poorer. In such a context, the claim of the railway worker to secure parity is to relate their claim to a mythical yardstick which simply does not exist.

The Right to Strike

Another issue that has been highlighted by the current railway strike is the workers' right to the ultimate weapon of strike in a process of collective bargaining which presupposes a reciprocal right of the employer to a lock-out as his ultimate weapon. Incidentally, "the right to strike" unlike "the right to work" is not a fundamental right but merely flows from a Human Rights Convention.

The National Labour Commission advocated, as a general rule, collective bargaining with a right to strike. However, the Commission realising that in certain essential services, on failure of negotiations, the employer was not in a position to exercise the corresponding right to lock-out against a possible threat of strike, recommended that a short list of essential services should be laid down by Parliament, where the right to strike should be withheld. Unfortunately, the Government has not so far thought it fit to implement this

recommendation of the N.C.L. Under such a provision the two sides could have by mutual agreement voluntarily forgone their respective right to resort to their ultimate sanction and to reconcile their differences through a procedure of negotiations culminating into voluntary arbitration or compulsory adjudication. If this philosophy, which has a lot of logic behind it, had been accepted then there would have been no need to resort to D.I.R. and M.I.S.A. which are frankly safeguards against breach of law and order and has no legitimate place in the sphere of industrial relations normally. Under the N.C.L. proposal, as a natural consequence, all employees in essential services by an Act of Parliament are *ipso facto* presumed to be recruited on a contractual obligation. As such they cannot go on strike, which would endanger their job. However, they can raise a charter of demands, negotiate and bargain collectively, subject to arbitration or adjudication. Our Government which has in its wisdom amended our Constitution 33 times can certainly put through an amendment to this effect even now to avoid a nation-wide coercive action by an important section of workers.

Suspension of Labour Laws & Payment of Wages Act

One more issue raised by the Railway Strike is the suspension of labour laws and Payment of Wages Act. I presume that the Government had to resort to these extreme measures on the basis that as Railways have been declared an essential service, the strike by the workers is considered illegal. No one can blame the Government for taking effective steps to prevent paralysis of our entire economic life. To that extent all right-thinking sections of the public should support the Government in its stand. However, such actions are in strange contrast with Government's normal attitude during illegal strikes within the private sector. Scores of them have gone unpunished. What is stranger still is that several Labour Ministers in the States and in the Centre have often frowned on dismissals or on disciplinary actions of the management and it is not uncommon on the part of ministers to plead personally for re-instatement of workers held guilty of viol-

ence and gross indiscipline after investigations and tribunal hearings. I would appeal to the Government after their present experience with railways and other public undertakings, not to ignore the plight of the private employers in similar situations. I, however, definitely feel that suspension of Payment of Wages Act is an extreme step; it should not be used as a weapon for breaking the strike.

Finally, employers in private sector receive endless sermons from Governments and trade unions preaching us to resort to arbitration to settle expeditiously industrial disputes, in preference to adjudication or trial of strength through collective bargaining. Strangely enough in Railway dispute involving 1.3 million workers we have not heard even a whisper in support of arbitration from either the trade unions, or the employing ministry or Labour Minister. Could it be a case of "easy to preach but difficult to practice"?

BASIC FACTORS BEHIND THE RAILWAY STRIKE

By

S. R. Mohan Das*

It is unfortunate that in India whenever a strike in any industry takes place, we react not out of a positive process analysis—though it is very difficult for a man to do such a positive analysis in a conflict situation—but through a judgment based on emotional reactions. If the Railways do not run, we curse the workers for going on strike and holding the country to ransom.

We have carried over paternalistic and feudalistic attitudes from the British days, especially in a dynamic industrial system. In such a system, naturally interest groups act and react against each other, accountability of “bona fides” of all groups is essential. It forms the first principle in a democratic system. In the railways, where we have highly skilled workmen and management similar to any other industry, instead of treating the railways as an industry, there is a confusion because of the application of civil service rules. This confusion emerged from the days of British Charter Companies. The railway was viewed by the colonial Government as an ancillary to its control of society along with the defence and communication system. The industrial aspect of the railway system was only a byproduct of the later years with rapid industrial development. The railway management could not develop any accountability of “bona fides” as the Government did not want to encourage such accountability. Whenever a conflict arose, the Railway Ministry refused to accept its responsibility. This cultural block to industrial behaviour has continuously generated tensions in railways.

When India became free and the Government realised that the railway employees had assembled under the banner of

* This text is based on a lecture delivered under the auspices of the Forum of Free Enterprise in Bombay on 6th June 1974. The author is a well-known commentator on industrial relations.

the All-India Railwaymen's Federation, with Jayaprakash Narayan as the president, and was controlled by the opposition elements, the national leadership felt very anxious and, therefore, they encouraged the formation by INTUC of the National Federation of Indian Railwaymen. It was formed without any membership. Instructions were issued by the Government to the railway administration to recognise this rival union, of course with the only redeeming feature of not withdrawing the recognition granted to AIRF.

One of the preconditions for suitable industrial relationship is development of management as an institution and employees as an institution. However, if a machinery gets fragmented you get anarchic reactions. This fragmentation was created by railways as a short-term policy of expediency. In fact, when efforts were made to integrate both these rival unions under one international organisation, it fell through because the INTUC did not want to operate in terms of representative union effectiveness. Added to this was the civil service rules which prevented even capable railway managers and the Railway Board from taking decisions. Even on trifling matters, they were left to the mercy of the Government. This has created frustration even amongst senior officers. Only because the unions are articulate today, we know about the problems of workers. The frustration of others remains in the background due to absence of any outlet.

Railways in India operate as a horizontal industry and matters of both major and minor nature are made to pile up adding to tensions. We have to view the recent strike against this background.

The terms of reference for workers were very simple. They had an industrial job like any other public sector organisation, but their wages were low as compared to those in public sector units. Though some people oversimplified the railway strike in terms of the personality of a leader, the fact was that even if he were not available, the railwaymen would have found some other leader. As far as workers were concerned, it was only an industrial issue—"Why can't we get wages like any other public sector organisation?"

Some real trade union leaders felt that those who initiated the concept of a highly controversial bonus system were

really responsible for the strike. While the Bonus Act was introduced to settle scores with the private sector, eventually it boomeranged on the public sector.

While tackling the industrial issues with the railwaymen, the Government acted not as industrial management but as a Government. Even the Railway Board was not encouraged to take decisions and bargain, but instead the Railway Ministry and the Government were talking in terms of workers' "anti-nationalist" attitudes and strikers "damaging the economic system."

Last year craft-wise unions had raised a number of issues and the railway administration acted as management and came to a number of settlements. However, by arresting the leaders on 2nd May, the Government proved that it had considered it better to "push hard" through experiences gained while handling the earlier Indian Airlines and Life Insurance agitations.

The matter could have been handled better by negotiations with the railwaymen. Prevention of such agitations can also be made possible by repealing the Bonus Act and restructuring it. In the case of bonus, the dope-peddler's attitude of spoiling kids by teaching addiction and then beating the children to drop the habit seems to have been followed by the Government.

The basic requirements for running an industry effectively in the matter of industrial relations are: (1) Existence of cohesive and fairly integrated interest organisations in the industrial system consisting of management and employee organisations. (2) The availability of continuous flow of industrial relations. The industrial system produces various problems and conflicts which are very normal and natural. (3) Efficiently streamlined procedures to duly process these issues.

Unfortunately in India, we do not have this. In the public sector, we do not have managements but only bureaucrats. Every post is a temporary berth to wait for the next better posting. People who work in these institutions, after having looked at the persons running the industry and having found their attitude so loose, also develop greed and try to grab the fruits of the industrial system rather than think of inputs

into the system. Unions have also, therefore, developed parasitic attitudes.

In the case of the Miabhoy Tribunal Award, till the strike started the Government had not implemented even minor concessions. The operation of various power centres created another dimension to the dispute, with the Railway Ministry asking the Labour Ministry not to intervene in the strike. The Payment of Wages Act was suspended by a notification. In other words, the Government clearly indicated to the railwaymen that they were going to meet with a very raw power play.

The proper approach would have been to consider that every demand was discussable though it may not necessarily be concedable. While discussing, the Railway Board could have put counter demands to the union with regard to operational efficiency, application of manning logic etc. Even a payment in lieu of bonus could have been easily conceded. Workers were ready to receive such a nominal payment. The Government should have realised that the Indian worker—especially in a service industry like railways—is more interested in reporting for work and remaining in contact with public rather than going on strike.

In America there is a “jawboning exercise” whereby negotiations, however tough, are continued. Because of a number of barricades at the bargaining table, people get tired and come to a settlement. In India, the necessity is to own up the employees as members of a constituency and discuss issues with them across the table. This becomes very difficult for us in view of our culture. We are happy over our “we-they” dichotomy.

The strike, in spite of the claim of being successfully tackled by the Government, has led to considerable damage to the economy. Even during the strike, despite the claims of the Government about normalcy, the steel plants could not get their raw material, could not move their finished product, raising the price of steel per tonne by five times in the black market. Compared to the cost of this economic damage, a deal could have been worked out at Rs. 140 crores. Efficient management of the railways would have compensated for this additional payment to workers.

III

INDUSTRIAL RELATIONS IN A MIXED ECONOMY

Prof. R. C. Goyal*

The concept of industrial relations is historically the product of Western liberal democratic societies which have evolved a capitalistic form of industry, powerful autonomous trade unions, and patterns of collective bargaining between the unions and employers in which States have played a greater role.

In the process of historical evolution, a common body of knowledge has grown up, in which the term "*industrial relations*" has been used to refer to interactions between major actors on the economic scene, namely, the government, the employers and the employees. If the term "*industrial relations*" can be defined functionally, it would mean '*social relations in production*'.¹ Industrial relations would not be confined to relationships within industry only, but it extends to all spheres of human activity where people work together for an employer. It is in the field of industrial relations that work-rules are made and applied, and decisions are taken for distribution of the fruits of production amongst different groups of producers. Significantly, it is greatly influenced by the locus and distribution of power in a society at a given point of time.

The decision-making processes take place within an organized framework. For instance, collective bargaining between the workers and employers takes place within a framework of State regulations in our country. Industrial relations cover all branches of economic activity. They are not limited to industry alone, but exist equally in Government sector, and public and private sectors of industrialized free market economies, in socialist countries and also in less developed economies.

* Prof. R. C. Goyal is a Consultant and Head of the Industrial Management Group in the Indian Institute of Public Administration, New Delhi. This text is based on the A. D. Shroff Memorial Lecture delivered by Prof. Goyal under the New Delhi Centre of the Forum of Free Enterprise on October 27, 1973.

The three principal parties to industrial relations — the government, the employers and the employees — interact within an established system to achieve planned economic goals, i.e., producing more goods and services. They form the backbone of all economic activity. In order to understand the functional relationships in a more rational manner, the environment and the context within which these actors have to interact are also very important. Basically, the environment consists of many factors which can be grouped broadly into three. One is the stage of technological development in a country at a particular period of time, second, the market or economic context which is very significant, and the third, the locus and distribution of power in any society at a given moment of time, which is also very important.² These environmental factors determine the degree of interaction, and the collective relationships between the actors to achieve economic goals, and that is the territory covered by the term “industrial relations”, “Labour-management relations” or “Employee Relations”.

These relationships are vital for any economy at all times, but are particularly important in a developing economy which is striving for growth.

Moreover, perhaps the only capital which most of the developing nations has in abundance is the human resources, the manpower. And naturally they have to make the best use of this capital resource, which is entirely dependent upon the climate of industrial relations prevailing in an economy at a given period of time.

Industrial Relations — Key to Economic Development

There are various factors which influence and affect the rate and structure of industrial and economic growth, but one of the major factors is harmonious industrial relations, in the absence of which massive investment of capital or the inputs of modern technological revolution cannot yield desired benefits.

Implications of a Mixed Economy

After Independence, the concept of a mixed economy has

been accepted by the national government as a State policy. Thus, along with the Government sector and the public sector, the private sector also forms an integral part of the national economy. Of late, the concept of a joint sector has also been gaining ground.

Before Independence, the slow pace of development of industry in the country was due to the fact that a foreign colonial government was in power. The rulers were foreigners, and their own countrymen were also owners and controllers of almost the entire industry and commerce in this country. The development of industrial relations has been shaped by these historical factors and the pressures of a foreign dominated ruler-employer nexus, where industrial relations matters were treated as law-and-order problems.³

After Independence, the national government,—which had promised a fair deal to the working class,—tried to pass a large number of laws conferring rights and benefits on industrial workers. Its thinking has been mostly influenced by a feeling that the industrial workers were an oppressed section of society who were exploited by private employers, and, therefore, needed the protective arm of law for swinging the balance of power on their side. Thus the right to raise industrial disputes, and claim higher wages, higher dearness allowance, bonus, other fringe benefits, and security of service etc., have all been conferred on workers by law which are much higher than what industrial workers and their Unions have found for and achieved after more than half a century even in the advanced economies.

Most of the measures regulating the industrial relations policy were adopted with a view to coercing the private employers. Incidentally, the pendulum has now swung to the other side in the last two and a half decades in a mixed economy, and the Government has almost replaced the private employer in most industries and services.

It is common knowledge that the Government today is the single largest employer. With the rapid expansion of the public sector in industry, with the nationalisation of banks and insurance, and with the taking over of many industries in the private sector, the sphere of government control over a larger number of employees is increasing every year.

Besides, the Government has been actively interested in promoting joint sector undertakings, which means that there will be a major government holding and control in such enterprises, which will entail responsibility for more employees. There have been a number of successful examples of joint sector ventures such as Oil India, Indian Explosives and the Gujarat State Fertilizer Corporation, etc.

In a nutshell, one of the major characteristics of our mixed economy is a preponderance of employees under State control and therefore a greater responsibility for maintaining productive employee-relations rests with the Government.

Evolution of Industrial Relations Policy

Industrial relations is a concurrent subject. Both the Central and State Governments have passed legislative measures regulating the relationships between employers and employees. But it is the State level machinery which is responsible for day-to-day implementation and enforcement. Despite increasing Government intervention in industrial relations, it has hardly yielded the desired results. Perhaps Government has been subject to diverse pulls, which in the end seem to wind up in a rather clumsy working system.

The goals and objectives of the national government have been laid down in the five-year Plans. The First Five-Year Plan mentioned: "It is incumbent on the State to arm itself with legal powers to refer disputes for settlement by arbitration or adjudication. 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 reduce to the minimum, occasions for its intervention.

"A legal framework may 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."

This statement of objectives was rather general. According to a foreign scholar, "It betrays either inadequate under-

standing of labour relations or a conscious use of sweeping generalizations to cover government indecision and disagreement".⁵

The Second Five-Year Plan contained statements on similar lines. The Third Five-Year Plan also repeated similar intentions and placed more reliance on voluntary institutions e.g., the Code of Discipline and Works Committees. A new dimension was added. "A major programme for the period of the Third Five-Year Plan will be *progressive extension of the scheme of Joint Management Councils to new industries and units* so that in the course of few years, it may become a normal feature of the industrial system".⁶

The Fourth Five-Year Plan document did not devote much space to the subject, but summarized these objectives in a precise manner. It said: "*In the field of Industrial Relations priority will be accorded to the growth of a healthy trade union movement, the promotion of collective bargaining and the raising of productivity through labour-management co-operation*".⁷

The Approach Paper on the Fifth Five-Year Plan also mentioned: "Inadequacies of management and bad industrial relations are among the most important factors for delay and inefficiency in implementation of projects and under-utilization of capacity".⁸

Thus the proclaimed objectives of Government policy have been: (a) promoting a strong trade union movement; (b) laying more emphasis on voluntary collective bargaining; and (c) raising productivity. But it has not been clearly spelt out how these objectives were proposed to be achieved. After the legal compulsions have been in force for two decades, new voluntary measures like the Works Committees, the Code of Discipline, and Joint Management Councils have been emphasized without devoting any thought to the problem of their fitting into the existing legal framework. If one takes closer look at the results of such policies in the last few years, published data reveal rather disappointing facts.

As far as a healthy growth of the trade union movement is concerned, the legal Acts in force, and the executive policy decisions taken in the last 25 years, have led to diametri-

cally opposite results. During the last two and a half decades there has been growing fragmentation of the labour movement, which shows an increase in the number of trade unions and their federations, but at the same time a substantial decrease in the average membership of a trade union.

Published data reveal that while there were two all-India Federations before 1947, the number rose to six all-India Federations in 1965,⁹ and to eight in 1972. Apart from these all-India Federations, subscribing to the political ideologies of the then existing major political parties in the country, there has been an increasing tendency by each political party to form a labour-wing which has led to further fragmentation of existing trade unions.

While in 1951-52, there were 4,623 registered unions. in 1967—the number rose to 15,314—an almost four-fold increase, but the average membership came down from 781 to 546 in 1965.¹⁰

The legislative enactments, the pronouncements by Labour Courts and Tribunals, and the labour policy of the government all seem to have led not only to increasing inter-union rivalry, and growth of small *rival unions* in the same plant supported by different political parties, but also to *intra-union rivalries* in the same establishment within the same union. Industrial workers have been split into more and smaller trade unions. and also into several splinter groups within the same union. This trend has gained further momentum in recent years.

The provisions of the Indian Trade Union Act which was passed in 1926 allow formation of small unions by any seven workers, which have equal rights under the Industrial Disputes legislation. Such a legal framework, coupled with conflicting political ideologies, and support of outside political leadership in the Indian situation, has further contributed to fragmentation and weakening of the Trade Union Movement to a very large extent. But no change has been made in the law so far though almost half a century has passed.

While the Government had been proclaiming that its objective was to promote voluntary collective bargaining,

the primary instruments for regulation of industrial relations are embodied in the legislative enactments—namely the Industrial Disputes Act and similar other State legislative enactments. The legal sanctions have provided an easy outlet for both trade unions and employers to abandon voluntary negotiations and collective bargaining, and run to the governmental machinery for settlement of any industrial dispute, real or imaginary. These easy alternatives, provided under law, are working against the letter and spirit of voluntary collective bargaining. What is worse is that the Government has reserved discretionary powers to refer or not to refer an industrial dispute for compulsory adjudication to a court or tribunal, which forms the cornerstone of the industrial relations policy in India. While these discretionary powers have provided leverage to political parties ruling at a particular time, which they have operated to suit their own ends, the ultimate result has been that seeds of conflict have been sown, and allowed to grow. Consequently the number of industrial disputes has been increasing rapidly. A look at the statistics will show that during the last decade the number of industrial disputes, work-stoppages, and man-days lost have been mounting.¹⁰

	No. of Disputes	No. of Workers	Man-days Lost
1961	1,357	511,860	4,918,755
1970	2,889	1,827,752	20,563,381

The policies pursued have produced contrary results, and industrial unrest has affected production in all sectors. The Government policy has been “a complex mix of various techniques: compulsory regulation, encouragement to voluntary settlements, emphasis on promoting a tripartite consensus, direct wage-control through centralized authority, more decentralized control through tribunals and tripartite norms etc.”¹¹ This curious hotch-potch, lack of a clear policy, and the legal enactments and executive action have led to a plethora of problems. This is not to imply that this has not been realized, but several attempts to revise the existing legislation, to codify it, or to bring some order into this

chaos, have either proved abortive, due to pressure of politically vocal labour-federations, or the proposed legislation has either not been passed, or if passed, not enforced due to political expediency. It is a long and dismal history.

However, the position became critical in the sixties, and the Government of India had to appoint a National Commission on Labour in 1966, which went into the question of labour policy and industrial relations thoroughly, and in 1969 came up with a large number of conclusions and recommendations relating to industrial relations.

Some of the significant ones were:¹²

163. "In the absence of arrangements for a statutory recognition of unions, except in some States, and provisions which require employers and workers to bargain in good faith, it is no surprise that *collective agreements have not made headway in our country*".

165. "Conditions have to be created for promotion of collective bargaining. The most important among them is statutory *recognition of a representative union as the sole bargaining agent*".

175. "An *Industrial Relations Commission* on permanent basis should be set-up at the Centre and one in each State for settling disputes. I.R.C. will be an authority independent of the executive".

195. "Works Committees may be set up only in units which have a recognized union. The union should be given the right to nominate the workers' members of the Works Committee".

196. "When the system of union recognition becomes an accepted practice, managements and unions will be able to extend cooperation in matters they considered to be of mutual advantage and set up a joint management council".

197. "The Code worked in its initial stages with a certain measure of success and then fell into disuse".

After 4 years of publication of its report, the Ministry of Labour in a paper published in September, 1973, reported:¹³ (a) "*Some of the major recommendations of*

the Commission like recognition of trade unions, machinery for settlement of industrial disputes etc. could not be implemented due to lack of consensus among the trade unions”.

(b) “The scheme of Joint Management Council has, however, not made much headway due, perhaps, to the failure to develop new and positive attitudes, and institutions necessary for their successful working”.

These facts hardly call for any comments.

At present, the industrial relations scene in the country presents a very curious mix of legal regulation, and voluntary institutions coupled with fragmentation of unions, and political polarization of the trade union movement, and as a result of the complexity of these phenomena, there seems to be utter confusion.

It may be said that the futility of the legal measures was apparent much earlier but conditions became acute during the 1960's, and the search for a new industrial relations system is being made for over a decade now. According to the spokesman of the major trade union federations, they seem to be pretty dissatisfied with the present state of affairs. An INTUC spokesman has commented: “With the passing of time the conciliation machinery became ineffective, voluntary arbitration became time-consuming and costly. This Act (The Industrial Disputes Act, 1947) was largely responsible for converting the parties into perpetual litigants. The Act which was somewhat useful in its earlier years, has long since become outmoded.”¹⁴

As regards the recommendations of the National Labour Commission, doubts have also been expressed by spokesmen of the trade unions. The Vice-President of the AITUC commented upon them: “The National Labour Commission has made several proposals such as fixing the minimum number of persons who should be members for registering a trade union, the minimum statutory fees that is to be collected per year from the employee, the initial membership fee, the power to withdraw the certificate of registration by the registrar, etc., etc. These proposals are fraught with grave dangers to the independent, democratic functioning of the trade unions without governmental interference. It

should be pointed out that this has been opposed by all sections of the trade union movement in the country, namely, AITUC, INTUC, HMS, etc.”¹⁵

According to one left-wing critic among the Trade Union leaders, “the working of the industrial relations machinery — that is conciliation, labour courts, tribunals and national tribunals has been on the whole unsatisfactory”.¹⁶ Secondly, “The Industrial dispute laws place irksome restrictions on the right to strike during pendency of proceedings”.¹⁷ Thirdly, the proceedings before the quasi-judicial authorities are often long drawn and take years to conclude in view of appeals to the Supreme Court, and applications for writs to High Courts.¹⁸ Fourthly, the right to resort to tribunals is subject to the arbitrary discretion of either the State or the Central Government. This machinery will have to be radically modified”.¹⁹ It has also been observed that “It is usually the policy of the government that prolongs disputes and leads to strikes. Moreover, no industrial relations machinery however perfect, can mitigate the intensity of conflict unless government is able to stop its inflationary financing, hold the price line, and stabilise wages”.²⁰

With regard to Industrial Relations in the public sector, the trade union leader has observed: “The Central and the State governments in our country are together the biggest employers. If the government is true to its professions of socialism, its relations with its employees would be an acid test. *The record of the Central and the State governments, however, as employers, is a black one.*”²¹

It is a strange phenomena that trade union circles are opposed to the recommendations of the National Labour Commission and there is no accord among them, which is also perhaps holding the government from implementing those recommendations.

The views of employers need hardly be mentioned since they can perhaps easily be labelled as biased. If the labour for whose benefit government’s legal and executive measures have been adopted is critical of those policies and actions, then there is cause for concern.

Perhaps a very appropriate comment on the government's industrial relations policy has been made by an ex-Civil Servant who, after retiring from the Labour Ministry, wrote in a book: "Government's labour policy has been like starting on a long voyage with only a vague idea of the destination and with neither chart nor compass to mark the course. Fear of storms ahead makes the ship wander hither and thither, always seeking the calm, and avoiding the straight but difficult route traversed by expert mariners. Already she has wandered far and might never be able to get back into line. We are told that the ship of State is in delicate health and is not fit to face storms. But whether she can ever reach the destination is more than anyone can say".²²

Impact of Deteriorating Employee Relations

The evil effects of such vacillating policies in the last two decades are being felt now. They are: (a) There is almost a stagnation in industrial production both in the public and private sectors. (b) There is a big unutilized installed capacity in most of the industries. (c) This, in turn, has led to shortages of essential basic materials like steel, cement, fertilizers, power etc. and we are today faced with acute shortages. (d) The shortages and underutilization of installed capacity has led to increasing costs of basic raw materials and goods as in the case of coal and steel. e) Consequent upon taking over of services like transport or communications, or essential services like water and electricity, or commercial services like banking and insurance, wherever the government has taken over a particular organization or organizations under their control, there has been a considerable deterioration in the efficiency, and almost a corresponding rise in the price. Almost a magical transformation takes place whenever the ownership or control of an organization is taken over by government. While the organization, its employees, its physical facilities etc. all remain the same, simply the change of the name-plate to a '*Government of India Undertaking*' works wonders, and the attitudes of the employees change overnight.

These are only some aspects of Government policies in

employer-employee relationship in a mixed economy. Perhaps the future may have bitter fruits in store.

While increased productivity is the cornerstone of the edifice of a growing economy, this valuable aspect has been greatly undermined in the mixed economy. If we look at the wage increase granted by various tribunals and awards in the various industries in the last $2\frac{1}{2}$ decades, it will be clear that nowhere any linkage with productivity has been attempted or emphasized. Increases are given to neutralize the increased cost of living or to compensate years of service etc. The crowning glory has been the superimposition of payment of $8\frac{1}{3}\%$ bonus even when an organization makes a loss. In these circumstances, the effect on productivity can be imagined.

This analysis indicates that we are still clinging to an old legalistic and rigid system of industrial relations and trying to operate almost an out-dated system in the late 20th Century, at a time when our economy is heavily burdened with a fast growing population, massive unemployment, serious inflation and resultant evils. We are getting into the middle of the seventies with massive industrial unrest as a major problem in all sectors of the economy. Our Five-Year Plans are likely to suffer in the absence of a dynamic industrial relations policy, which is the key to productivity.

There can be little debate that the present legalistic and regulatory system has virtually failed. The fact that the major trade union federations have not been able to evolve a consensus on the major issues of union recognition, voluntary collective bargaining and joint consultation is sufficient testimony that the industrial working class does not perceive them in the same light as the Government.

Some Significant Issues

It seems, therefore, that in a mixed economy the challenges are much more formidable as compared to those in the so-called capitalist or Communist economies. Since the State has a major share of employees in the productive apparatus on its rolls, and since it has been pursuing a policy of encouraging employees to demand higher wages and other benefits without any *quid pro quo* in increased productivity,

it may have to face serious problems of wage-increases in those spheres which are Government-controlled.

The Trusteeship concept of Gandhiji was a compromise formula to deaden the edge of conflict when the employer was an individual capitalist or his family. With the development of diffused ownership in companies, corporations, etc., thousands of shareholders became capitalists. And with nationalisation, and State ownership of industries, now the President of India is replacing the capitalist. In theory, therefore, there should be no conflict, since the entire nation is behind him, whether it is exploitation, or gainful employment. In practice, however, we find that the dimensions and quantum of conflict are increasing every year, and assuming alarming proportions.

Based on past experience, one can try to make some projections about the shape of problems likely to arise in future years.

The economic climate of the last two and a half decades after Independence, and the building up of an extensive industrial jurisprudence, (which was primarily designed to control and regulate private industry), has led to a hardening of attitudes of employees at all levels. This may recoil on the State sector. Numerous awards given by Courts and Tribunals, enforcing increased wages in the context of rapidly rising costs of living, allowing even partial neutralization, will greatly increase the wage and salary Bill in the Government and public sectors. The anomalies and gaps are being bridged, and in the years to come, perhaps a uniform wage-structure will have to be enforced in all establishments. Such a uniform wage structure will be at a higher level than is warranted by the productivity obtaining in many of the industries, and the government sector and the public sector will be equally affected by it. The cement industry is a case in point, where the wages have recently been raised to Rs. 318/- p.m. for the lowest worker.

Apart from wages and dearness allowance, another significant component of the total pay-packet is the quantum of bonus. It has always been a bone of contention and has led to maximum number of industrial disputes (almost one-third of the entire disputes) in the past few years. It has a

very interesting history. While it originated as an **ex-gratia** payment after World War II, it has come to be regarded as a deferred wage. What is more disturbing is that though the Supreme Court had ruled in 1955 that bonus shall be payable only out of profits of a concern, their lordships changed their opinion within ten years. In 1965 the Supreme Court upheld a clause in the Bonus Act, under which 4 per cent bonus was payable by even those who incurred losses. Perhaps, at that time it was not sufficiently realised that such a provision was going to affect the public sector and the government sector also in course of time. Once the government had agreed, in an unguarded moment, to accept in principle that a losing concern should also pay bonus, it had opened the floodgates of demands for a higher bonus. In less than five years, the 4 per cent minimum bonus had to be increased to 8-1/3 per cent by the government. The Bonus Review Committee has not yet submitted its final Report, but it can be safely presumed that not only the losing public sector concerns shall be paying the increased bonus, but ultimately perhaps the commercial departments in the Government sector will also be forced to pay this bonus.

It has been mentioned earlier that all these increases in basic pay, dearness allowance or bonus have no relation or linkage whatsoever with productivity, which is not only against all canons of economic propriety, but also against the practices prevailing in other advanced countries of the world. Only lip service to increased productivity has been paid in several seminars and conferences. The trade unions so far have not accepted any linkage of an increase in wages with productivity, and may not be prepared to do so in future.

The consequences of such uncontrolled rise in wages, and stagnation in industrial productivity are already beginning to appear in the form of shortages in industrial production, bottleneck in essential services, and a runaway inflation, which is engulfing the entire economy and endangering the implementation of economic targets, envisaged in the Five-Year Plans.

From the above analysis, it becomes clear that the industrial relations policies of the Government which were inadvertently based on a foreign colonial government's philosophy and were primarily designed for usurping powers to control both employers and employees at a time of crisis like World War II have continued to plague our Government's thinking during the last 26 years. Perhaps in the early years after Independence, the Government thought that it was a handy tool to control both trade unions and employers, and bring about an amelioration in conditions of industrial labour, but the development of a mixed economy has completely changed the context, the environment, and the goals and objectives. Those levers, instruments and tools which a colonial foreign government had designed to suit its own ends, perhaps were inadvertently incorporated in the legislative enactments after Independence. They are now equally applicable to the government and public sector who are the largest employers. Economic laws are no respectors of persons or governments. The phenomena of conflict and unrest that we witness today is a culmination of the government's industrial relations policies during the last two and a half decades. Statistics show that during the year 1972, the Central sphere of undertakings and the public sector, together accounted for about 30 per cent of the total man-days lost which were 20.5 million.

The government has to realise that those old instruments and tools are no longer useful. They have to develop new policies, new tools and techniques to promote productivity, economic growth and a just society built upon sound economic principles.

It is on this front of the economy where the ambivalence in government policy is most clearly visible. Apparently there may be reasons which have impeded a smooth development of harmonious relationships but the history of the last two and half decades has clearly brought out the fact that the pattern of ownership of industry, or of any establishment where people work and produce goods and services, has little to do with employer-employee relations. If there have been strikes in private sector industry, "go-slow" and

"work-to-rule" have been almost the rule in most government establishments in the last decade.

It is, therefore, imperative that new approaches will have to be found to these vexed problems. This is not to suggest that the legislative measures and government-regulated collective bargaining have entirely failed, but it is to point out with emphasis that those measures are no longer perceived as adequate alternatives. A new thrust will have to be made so as to create an impact on the industrial relations climate. The practice of industrial democracy in reshaping and establishing human relations between hierarchical levels of management and groups of employees, and perhaps a reshaping of the work-structure will be necessary.

There is no longer a debate between compulsory adjudication or voluntary collective bargaining as a system. As a matter of fact, both have come under attack in different circumstances, by employers as well as trade union leaders.

One thing seems to be very clear that if we have to survive and make economic progress, tremendous changes will have to be brought about in the relationships between employers and employees. This may lead to consequential changes in the organisational structure of government managements and trade unions. This will also lead to a tremendous struggle by employees' organisations and trade unions for more power and prestige. This turmoil which is beginning to show signs now will be based not only on the fear of the unknown, but also on the self-preservation instinct of the worker himself and of his union as a political and economic organisation.

The magnitude of the problem is going to increase further, since employment under the government and its agencies is going to increase at a fast pace. Already, there are about 3 million employees under the Central Government, another 7 million under the State Governments and the local bodies, and perhaps another million in the public sector. The mood of the seething 70's is very different. A runaway inflation and the rise in cost of living is making a mockery of the III Pay Commission recommendations and wage increases

which are no longer acceptable to the employees. The recommendations of the Third Pay Commission have been rejected by all sections of government employees. Strike and lock-outs and work-to-rule are everyday occurrences in the government, and public sector.

The dearness allowance increases which have become operative due to the rise in cost of living will add a very substantial amount to the Wage Bill of the Central Government and yet they will not solve any problems.

The major recommendations of the National Labour Commission have not been implemented even after four years. A new Industrial Relations Bill is still in the drafting stage. There has been a lack of positive thinking and dynamic policy on the industrial relations front, which together with the deepening economic crisis is exposing the entire economy of the country to new tests. Only time will tell whether we are able to tide over the crisis.

*The views expressed in this booklet
are not necessarily the views of
the Forum of Free Enterprise*

REFERENCES

1. Robert W. Cox, "Approaches to a Futurology of Industrial Relations", Bulletin No. 8 (1971), ("International Institute for Labour Studies", Geneva, p. 141).
2. For further details see John T. Dunlop, "Industrial Relation Systems" (Henry Holt and Co. New York 1958).
3. For a fuller treatment see Ramesh C. Goyal, "Post-War Trends in Industrial Relations in India", (*The Eastern Economist*, New Delhi, 1955).
4. "The First Five-Year Plan—A Draft Outline", Planning Commission, Government of India.
5. Van D. Kennedy, "The Sources and Evolution of Indian Labour Relations Policy", *Indian Journal of Industrial Relations*, July, 1965, Shri Ram Centre, New Delhi p. 15.
6. "The Third Five-Year Plan" — Govt. of India, Planning Commission, New Delhi.
7. "The Fourth Five-Year Plan", Government of India, Planning Commission, New Delhi.
8. "An Approach to the Fifth Plan", Govt. of India, Planning Commission, New Delhi, January 1973 p. 60.
9. "The Indian Labour Year Book", 1969, p. 86.
10. "Indian Labour Statistics", 1972, p. 173.
11. Charles A. Myers and S. Kaurapan. "Industrial Relations in India"—Asia Publishing House, Bombay, 1970.
12. (Report of the National Commission on Labour, Government of India, Ministry of Labour and Employment and Rehabilitation, 1969, pages X, XI, XII, XIII and XIV).
13. "Indian Labour Journal" "Twenty-sixth Year of Independence—World in the Labour Field", Ministry of Labour & Employment, Government of India, New Delhi, September, 1973, p. 1286.
14. Mr. G. Ramanujam, General Secretary, INTUC, New Delhi, Paper presented at the Second ILO Seminar held in Bangalore in November 1973 (cyclostyled), p. 4.
15. Mr. M. S. Krishnan, Vice-President, All-India Trade Union Congress, Paper presented at Second ILO Seminar held in Bangalore in November, 1973 (cyclostyled), p. 4.
16. Mr. Sadhan Gupta, "Personnel Management in the Background of Political and Social Development", (*Industrial Relations*, Calcutta, Vol. XXIV, No. 6, November-December, 1972, p. 195).
17. Ibid.
18. Ibid.
19. 20, 21 Ibid.
22. Subramaniam, K. N. *Labour-Management Relations in India* (Asia Publishing House, Bombay, 1967).

"People must come to accept private enterprise not as a necessary evil, but as an affirmative good."

—Eugene Black

Have you joined the Forum?

The Forum of Free Enterprise is a non-political and non-partisan organisation, started in 1956, to educate public opinion in India on economic issues, specially on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets and leaflets, meetings, essay competitions, and other means as befit a democratic society.

Membership is open to all who agree with the Manifesto of the Forum. Annual membership fee is Rs. 15/- (entrance fee, Rs. 10/-) and Associate Membership fee, Rs. 7/- only (entrance fee, Rs. 5/-). College students can get every month one or more booklets published by the Forum by becoming Student Associates on payment of Rs. 3/- only. (No entrance fee).

Write for further particulars (state whether Membership or Student Associateship) to the Secretary, Forum of Free Enterprise, 235, Dr. Dadabhai Naoroji Road, Post Box No. 48-A, Bombay-400 001.

Published by M. R. PAI for the Forum of Free Enterprise. "Sohrab House", 235 Dr. Dadabhai Naoroji Road, Bombay-400 001, and printed by Michael Andrades at Bombay Chronicle Press. Sayed Abdullah Brelvi Road, Fort, Bombay-400 001.