

NOTES AND ARTICLES

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A FEW FUNDAMENTALS OF THE LABOUR SITUATION

(By K.N. Subramanian)

I should like to comment briefly on just a few subjects which I consider to be of fundamental importance in relation to a long-term labour policy for our country in the context of the conditions obtaining in the country today. These views may be read in conjunction with the views expressed by me on certain subjects in the notes circulated separately.

1. The background of economic development

The first subject I wish to take up for comments is, with all due respect to the Commission, its failure, in my opinion, to provide the necessary background against which the various problems enumerated in the questionnaire are to be viewed by witnesses. The Commission's covering letter accompanying the questionnaire rightly emphasises that labour problems have necessarily to be a part of the overall problem of development. But having said so, neither the covering letter nor the questionnaire takes any specific stand on the problem of development, or poses even possible or likely alternatives in regard to the rate of development, and leaves that problem entirely to the fancies of the person responding to the questionnaire. This I consider a vital, if not fatal, deficiency in an otherwise excellent and exhaustive questionnaire. Let me explain this matter further as I feel that it must be crucial to the Commission's whole range of work.

The terms of reference of the Commission calls for a review of the existing provisions relating to labour and seeks advice as to how far those provisions "serve to implement the Directive Principles of State Policy in the Constitution on labour matters and the national objectives of establishing a socialist society and achieving planned economic development." Echoing this broad-based objective, the Commission's letter forwarding the questionnaire hopes that in answering questions and making suggestions "due account will be taken of the present stage of the country's economic development as well as the perspective in which the Commission's recommendations may have to be implemented." The first part of this directive, namely, that due account be taken of the present stage of the country's economic development, is capable of fulfilment at the hands of knowledgeable witnesses who have made a study of the results of planning. But as for the second part, practically no witness can take a realistic account of the perspective in which the Commission's recommendations

may have to be implemented, as such a perspective is at present wholly non-existent.

Where are the perspectives? The perspectives mentioned in the Five-Year Plans have all tumbled down. The idea of perspective planning barely put in its appearance in the Second Plan; it was to be a desirable and even necessary feature of all long-term planning. "An important question", said the Plan, "is what developments are envisaged over the next ten or fifteen years, rather than the level of existing or immediate demands." It said: "This expanding perspective has to be the background for formulation and execution of programmes for the immediate future."

The idea of the perspective took a more concrete shape in the Third Plan. Chapter II of that Plan gave the perspectives up to 1976. True, the Second Plan had mentioned certain figures in respect of long-term planning, but fresh perspectives became necessary because of the realization (page 21) that "having regard to the increase in population and the likely trends, even with a sustained rate of growth in the national income of around 6 per cent per annum, it would be difficult to fulfil the intention expressed in the Second Plan of doubling the 1950-51 level of income per head by the middle of the Fifth Plan." So new perspectives had to be drawn up in order to bring intention in line with reasonable possibility.

The Third Plan said that at 1960-61 prices "the national income should rise from about Rs. 14500 crores at the end of the Second Plan to about Rs. 19000 crores at the end of the Third Plan, about Rs. 25000 crores at the end of the Fourth and about Rs. 33000 to 34000 crores at the end of the Fifth Plan."

p.28

The assumptions on which these targets were based were:

- i) An expected population growth of 2 per cent per annum - a rate which more recently has been admitted to have risen to 2.5 per cent or more;
- ii) A cumulative rate of growth as close as possible to 6 per cent per annum;
- iii) At this rate the increase in the aggregate national income during the Plan period would be of the order of 34 per cent, i.e., Rs. 14500 crores + 34% of it = Rs.19000 crores.

- iv) The maintenance of conditions of economic stability and keeping down the costs of living for the bulk of the population;
- v) Mobilization of domestic savings of the order of over 12 per cent of the national income;
- vi) Building up on the possibility of a successful Third Plan, the Perspective Plan reckoned on a one-third increase in national income in each of the Fourth and Fifth Plans, thereby taking the national income to Rs. 25000 crores and Rs. 33000-34000 crores;
- vii) Allowing for a 2 per cent increase in population, the per capita income "should go from around Rs.330 at the end of 1960-61 to about Rs.385, Rs.450, and Rs.530 in 1966, 1971, and 1976."
- viii) Net investments as a proportion of national income would have to rise from about 11 per cent at present (1960-61) to 14-15, 17-18, and 19-20 per cent per annum by the end of the 3rd, 4th, and 5th Plans;
- ix) Domestic savings would have to rise in corresponding measure from 8.5 per cent at present to about 11.5, 15-16, and 18-19 per cent of the national income at the end of the 3rd, 4th, and 5th Plans;
- x) By the end of the Fifth Plan, the economy will be strong enough to develop at a satisfactory pace without being dependent on external assistance outside of the normal inflow of foreign capital.

As a result of the poor performance of the Third Plan, the national income in 1965-66 (at 1960-61 prices) was Rs. 15930 crores as against the target of Rs.19000 crores and the per capita income came to Rs. 325 as against the target of Rs.385 and the actual figure of Rs.326 attained in 1960-61.

Let us see what progress we have achieved during each of the three Plans. This is necessary to enable us to realize what degree of austerity and sacrifice would be needed to take us to the ambitious targets we so constantly fix but seldom achieve.

(See next page for the statement of targets and results)

Targets and Results

	<u>First Plan</u>		<u>Second Plan</u>		<u>Third Plan</u>	
	<u>Target</u>	<u>Result</u>	<u>Target</u>	<u>Result</u>	<u>Target</u>	<u>Result</u>
Increase in national income during Plan	11%	18.4%	25%	20.4%	34%	12.5%
Annual rate of increase in national income	2%	3.4%	5%	4.0%	6%	2.5%
Increase in per capita income during Plan	5%	8.2%	18%	8.6%	17%	Nil
Annual rate of increase in per capita income	1%	1.64%	3.4%	1.72%	3%	Nil
Annual rate of domestic savings (last year of Plan)	-	7.0%	10%	8.5%	11.5%	10.5%
Annual rate of net investment (last year of Plan)	-	8.0%	11.5%	11.5%	14.0%	14.0%
Wholesale price index at end of Plan (1952-53=100)		92.5		124.9		165.1
Cost of living index (1949=100)		96		124		169

In the First Plan, which was a very modest one, the targets fixed for increase in the national income and in the per capita income were exceeded by a comfortable margin. In the Second Plan, the increase in the national income fell short of the target by about 20 per cent, and the increase in the per capita income fell short of the target by about 50 per cent, largely because of the miscalculations in the rate of growth of the population. In the Third Plan, the increase in the national income was short of the target by 65 per cent, while there was no increase at all in the per capita income, that is, it was short of the target by 100 per cent. The annual rates of domestic savings and of net investment were, on the whole, as planned.

The extent of deficit financing had been of a substantial order (vide page 420 of the 4th Plan Draft) during the whole of the Third Plan, culminating in a deficit of Rs.385 crores in 1965-66. The Draft of the Fourth Plan solemnly says (page 19) that "Deficit financing will have to be avoided," and that "Neither relative price stability nor adequate development will be possible unless the domestic savings required for planned development can be assured out of the current national income." At the beginning of 1967-68 the Finance Minister said that there would be no deficit financing, but he ended the year with a

deficit of over Rs.300 crores after making a statement half-way through the year that his assurance of no deficit financing was meant to apply to the whole of the year and not to any particular month. For 1968-69 he has not been rash enough to make any impossible promises; he has boldly planned for a deficit of some Rs.290 crores in the year. This is now sought to be justified, but what is relevant here is that the eschewing of deficit financing contemplated in the Perspective Plan as late as the end of 1966 has already been thrown overboard.

The Draft of the Fourth Plan (page 25) grudgingly admits that the perspective set out in the Third Plan "has now to undergo some change in the light of the performance of the economy during the Third Plan period... and the outlook for the immediate future as it emerges from our Fourth Plan proposals." Then it states what it calls the three imperatives of the current position. The first refers to the speedy termination of dependence on external credits for the continuing economic growth of the country. The second emphasizes the need for the speedy building up of the country's capacity for both capital formation and adequate consumption. The third says that these objectives are to be achieved consistently with price stability and absence of inflationary finance. Then it goes on to say that the perspective targets set out in the Third Plan document for 1970-71 and 1975-76 would not be achieved.

Since all the perspectives so confidently set out in the earlier plans have tumbled down, what targets of national growth are we now to assume for evolving a suitable labour policy? This is a very vital question. Many of the decisions in the field of labour policy will be immediately affected by the efforts and sacrifices required of the nation in the matter of economic development.

The question to be answered, from the point of view of the labour policy, is this: What degree of national effort at development are we visualizing for the plan periods immediately ahead? For instance, which one of

these rates of growth of the national income are we aiming at, that is:

- i) 1 - 2 per cent per year, or
- ii) 3 - 4 per cent per year, or
- iii) 5 - 6 per cent per year or more?

What is going to be the country's policy in the matter of seeking external aid? Would we be actively seeking reduction of such aid to defined levels within fixed periods of time so that we have correspondingly to increase our rate of domestic savings?

The effort needed to mobilize the domestic savings necessary for each of the three levels of development mentioned above, and the attendant austerity and sacrifice forced on consumers, increase from step to step phenomenally. The Fourth Plan Draft tells us (page 7) that the rate of growth of the economy prior to planning was 1 per cent per annum when the net investment was 5.5 per cent of the national income (page 14). At that time the population growth was presumed to be at the rate of 1.25 per cent per annum as against 2.5 per cent or more today. The annual growth brought about by market forces in an essentially laissez faire economy more or less equalled the annual growth in the population. In the days of the 1 per cent growth, nobody paid any particular attention to the problems of growth; but today with a population growth of 2.5 per cent we would have to pay quite some attention to savings and investment merely for the satisfaction of stagnating where we are. This effort may, however, not be very great, and we should more or less be free to decide, each for himself, how much we should consume and how much save, and to advocate any or all of such popular objectives as that a wage policy which aims at a structure with rising real wages requires to be evolved (2nd Plan, p.578), that the accent of the socialist pattern is on the raising of living standards (2nd Plan, p. 24), that in principle it would be appropriate to link dearness allowance with the cost of living (4th Plan, p.393), that the right to strike "cannot be denied and should not be curtailed unduly" (1st Plan, p. 572), etc.

If we are aiming at the second degree of growth, that is, 3 to 4 per cent per year, all these considerations substantially change. In fact all these 15 years our economic growth has been in the 3 to 4 per cent range. The Fourth Plan Draft puts the rate of growth at a compound rate of 3.8 per cent per year for the first 14 years, the 15th year being too unfavourable for inclusion. For this performance, we have admittedly had to make large efforts to mobilize and utilize resources - efforts which have created serious hardships all round, led to price increases of the order of 30 per cent during the Second Plan (3rd Plan, p.121) and of 36 per cent during the Third Plan (4th Plan Draft, p.4), raised dearness allowance to very great heights, fed a spiralling inflation, accentuated shortages, left the economy moving at a snail's pace, and left everybody angry and discontented and apparently free to indulge in violence, 'bandhs', and 'gheraos'. Obviously even this modest rate of growth has been difficult despite such large-scale efforts and serious sufferings.

If now we must aim at a 5 to 6 per cent or more of growth as the obsolete perspectives counselled us to do or as the current Planning Commission is reportedly trying to be doing or as we ourselves might be tempted to do, the effort needed, the austerity demanded, and the suffering implicit would be unprecedented, especially as many of our planners are coming to realize that foreign credits have started slowing down and are trying to make a virtue of necessity by themselves shouting that dependence on foreign aid must soon come to an end. For sustaining a compound rate of growth of 5 or 6 per cent of the national income, the total investment would have to be at the rate of 20 per cent or more of the national income. Working on a 5.5 per cent growth and on the assumption that by the beginning of the Sixth Plan a stage will be reached when further economic growth will no longer require any net increase in our foreign indebtedness, the Fourth Plan Outline says (page 28): "This would mean that, as contrasted with the figures given in the table above (the table which says that investment in 1970-71 would have to be 17-18 per cent and domestic savings 15-16 per cent) both savings and investment rates will have to be higher in the revised perspective. Further

if we are to reduce our indebtedness, the savings rate will have to be higher than the investment rate, as savings have not only to be sufficient for creating maintenance imports but also (for covering) the balance of payments gap arising from interest and debt repayment charges in the Fifth Plan period." This is something new to us as we have all along been in the habit of estimating domestic savings at some 2 or 3 per cent below the rate of investment. In future the position will have to be just the reverse. The Outline goes on to say: "Concretely this could mean by the end of the Fifth Plan period (i.e., by 1975-76) an investment rate of 19-20 per cent, a savings rate of 20-21 per cent, a reduction in the rate of population growth by 20 to 30 per cent, etc." This still leaves us with an arithmetical problem, namely, recalculation of these rates if the expected reduction in the rate of population growth does not materialize.

If we seriously mean a 5 or 6 per cent growth with only limited foreign aid, the whole labour policy will have to change; the whole attitude of management and labour will have to change; the current policy of direct action on the part of labour to bring employers and the Government to their knees will have to give place to a policy of active and ungrudging co-operation; the bulk of the profits of industry will have to be requisitioned for plough-back; prices and incomes will have to be closely controlled; managerial rewards will have to be increasingly related to the level of the country's economy; wages will have to be regulated - whether we call the process freeze, restraint or regulation - and efforts will have to be concentrated on production rather than consumption.

I hope it is now clear how the rate of development of the economy will completely alter the basic approach and attitude of the Labour Commission to the numerous problems confronting it. Here the lessons of history on economic growth should serve as a corrective to persons who clamour for quick social progress. I have shown in my earlier notes how real wages dropped drastically at the height of development in every developing country - England, Japan, and Russia. To add to the information

earlier given, here are some further observations on the state of real wages in developing countries:

"In Southern England the level of real wages of builders in the first few decades of the 19th century (when development was actively taking place) was much about the same as it had been five and a half centuries before in the late 13th century."

(D.J. Robertson, Economics of Wages, page 144)

"Wages in England were rigidly held down because the enforced abstinence of the workers was set side by side with the voluntary abstinence of the capitalist as the twin beacon light of national prosperity."

(G.D.H. Cole, History of the British Working Class Movement).

In Germany during the 100 years from 1801 to 1902 industrial production increased 49 times, but it was only after 1870 that there was a slight tendency for real wages to rise and it took the German worker 30 years to add 23 points to his real wages as compared with 1900.

In U.S.A. the real wages of labour remained steady between 1899 and 1919 when industry expanded enormously.

It should be realized that except in Russia in the 20th century, economic development was not centrally planned and its pace was not deliberately hastened with a view to achieving specific targets by defined dates. We are trying to imitate the Russian patten of planning and to attempt accelerated development within short periods of time. The efforts and sacrifices needed for such an enforced pace are immeasurably greater than those needed in the less wilful forms of development that took place in the 19th century. That being so, there can be no demand for maintenance of real income, including real wages, at any pre-determined level. One should not be surprised if these fell, though obviously efforts would have to be made to see that the resultant hardships are kept to the minimum. If the State means business, it will necessarily ensure a certain minimum standard of subsistence to the weaker sections of the community - not necessarily the so-called need-based minimum evolved at the 15th Session of the Indian Labour Conference - which would enable health to

be maintained in a reasonably efficient state. I am not here going into the details of a minimum wage policy and am only concerned with showing that sacrifice is inevitable.

When labour is subjected to so much of hardship in the interests of rapid economic development, it goes without saying that a corresponding degree of austerity and sacrifice will have to be imposed on the rich, the profit-takers, the high-salaried managers and others whose lot is immeasurably better than that of workers. Unless serious efforts at ensuring equality of suffering are made, the necessary psychological atmosphere would be wanting to force further hardships on a working class that has lived at the best of times from hand to mouth. I do not believe that freedom of private enterprise necessarily carries with it the freedom to imitate and expect the fabulous salaries and profits and the ostentatious living of the West, regardless of the pitiful plight of the vast majority of the people.

It is not my purpose here to choose the right level of development for the country in the coming years. I am not recommending a 5 to 6 per cent growth any more than I am recommending a 1 to 2 per cent growth. That is the responsibility of the planners, of the politicians, of the legislators, and of the Government of the day. Even the Commission may not feel free to hold out for any specific level of achievement. And yet if the Commission does not make some assumptions in regard to the rate of development, I submit that it cannot proceed very far. The financial and economic consequences of aiming at a high rate of growth cannot be ignored. Planning cannot consist in choosing high rates of targets and vague rates of mobilization of resources. Unless the two are properly matched, there must be much waste and consequential suffering and little results. I do not know whether the country is prepared for sacrifices commensurate with the high targets of development we so often hear talked about, but there are substantial advantages in our knowing realistically what each level of growth will cost us. We should at any rate refuse to be imposed upon by people who promise us the Moon but would not be honest enough to warn us of the perils on the way.

So I submit that unless the Commission knows or assumes what level of development would, or should, be aimed at for the economy in the next 10, 15 or more years, it cannot validly evolve policies in many fields of labour - a wages policy, a bonus policy, a policy in regard to productivity, a policy in regard to collective bargaining or compulsory adjudication, a policy of better labour-management relations, etc. The freedom with which the Commission would be able to support or deny demands made on the basis of social justice will vary greatly with the level of development aimed at and the sacrifices demanded of the working class.

2. Politics and trade unionism.

Another fundamental matter which must seriously affect the growth of the trade union movement in India and all national efforts at development, that is, the very future of both labour and industry, is the somewhat regrettable way in which the trade union movement has been developing, particularly with the birth of a number of central organizations of labour after Independence. The trade union movement today is not truly or primarily an economic movement at all. It is politically led and politically motivated. If the movement exerts itself in the economic interests of its members, as it undoubtedly does with diverse results, the result is a by-product, or perhaps a necessary intermediate product, of its pre-occupation with long-range political goals.

I have referred to the political affiliations, motivations, activities, and rivalries of the trade union movement in various sections of my book. The trade union movement was founded on politics, split on politics, and proliferated on politics. For greater details, the following sections of the book may usefully be referred to:

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The "outsider" problem is really an important aspect of the problem of politically-oriented trade unionism. The outsider leader is generally a political leader or one who is close to the political party and takes his orders from the party concerned. The link between the outsider problem and the problem of subordination of the trade union movement to the political movement has been referred to at page 516 of my book. The number of outsiders who do not feel themselves bound by political considerations must be small indeed. The suggestion made in my book for the gradual, but complete, elimination of the outsider from trade unionism has as its direct object the lessening of political motivation and the gradual building up of a united and economically-based trade unionism. There is no direct method of eliminating political interference in trade unionism; but an indirect way of achieving this is to keep out the people who come in with a political motive, that is, the "outsider".

The main conclusions arrived at in my book may, for the purpose of ready reference, be extracted as follows:

"One of the usual complaints against trade unions in India is that they take more interest in politics than in economics and that their entire approach to trade unionism is coloured and even distorted by their political predilections." (P. 191)

"In India the position is just the reverse of what it is in the U.K. and U.S.A. In the latter countries trade unions resort to politics to such extent as is necessary to make their economic activities, which in fact are their prime objectives, a success. In other words, trade unions use politics for their ends. In India it is substantially true to say that political parties use trade unions for their ends and that the objective is at least as much political as it is economic." (Page 194)

"The very fact that each of the more important political organizations has virtually 'adopted' a central organization of labour and indoctrinated it with its ideologies is sufficient to prevent the central organizations from effectively co-operating with one another. Since because of their political ties they cannot dissolve their separate existence, their main idea is to gain strength at the cost of one another." (Page 196)

"... the identification of trade union interests with political activities immediately leads to the creation of rival unionism. Rival unions spring up not because the labour situation justifies it but because the balance of power between the political parties requires the setting up of their brands of trade unions in the field." (Page 524)

"A matter of considerable concern and disquiet to every believer in the orderly development of labour-management relations in the country is the growing tendency on the part of political parties to use workers as pawns in the political game - as the spearhead of their offensive against the government of the day or against other interests they wish to oppose or overawe." (Page 598)

"Our object in focussing attention on this problem is to emphasize the great harm that is being done to the trade union movement by its being dragged, willy-nilly, into every political agitation that is launched in the country." (P. 600)

"It is idle to pretend or suggest that it would be easy to break the link between the trade union movement and the political movement, but it is up to Government and the growing number of inside leaders to make a determined attempt to liberate trade unions from the oppressive control of political parties. If strong national unions are built up over a period of years, it is quite possible that they may play a role quite different from that of the existing central organizations of labour. All that can be said here is that the domination of the trade union movement by political parties is doing irreparable harm to the former and that the building up of strong national unions, which will refuse to be bound hand and foot by political parties, is necessary for ridding the movement of many of its major ills." (Page 524)

In short I have come to the conclusion that what passes for a trade union movement in the country is but a set of four parallel political movements doing duty in the economic sphere - movements which owe allegiance and devotion to their political bosses and are ready to respond to any demands made on their services in support of political agitations and demonstrations.

Let us see how far these views, developed over a period of years, are in accord with contemporary thinking on the subject.

The latest tripartite representative bodies to express an opinion on politics in trade unionism are the four Regional Study Groups on Industrial Relations set up by the Labour Commission. At the time of the writing of this note I have with me the reports of the Study Groups for the Southern, Western and Northern Regions.

The Southern Region's Report: This report should be a great eye-opener to all in regard to the havoc played by politics in industrial relations. The unanimous recommendations of the Group (page 18) have been stated in the following terms:

"It is an undisputed fact that political influence on trade unions has adversely affected the growth of healthy industrial relations. If Government intervention in industrial disputes is reduced to the minimum, as indicated above, there will be no scope for politicians to lead the unions for their narrow political ends." (P. 19)

"The entry of politics into trade unions is the main cause for union rivalries." (Page 22)

"At present many trade unions who belong to the Government political party do not show any interest in settling disputes by bipartite negotiations, because they feel that by securing ministerial intervention, employers can be forced to concede more of their demands." (P. 23)

This plain-speaking supports every major stand I have taken in the book.

The Report gives specific instances of political subversion of the trade union movement. A few typical extracts tell the tale:

Andhra Pradesh

"Trade union leaders were in many cases 'outsiders'. Union leaders as well as employers were critical of political influence in trade unions. A trade union representative said that in one case the Labour Department refused to intervene in a dispute as one of the Ministers was interested in the subject matter." (P.3)

Kerala

" A number of unions had been registered in Kerala - probably due to recent political developments.

Politics has obviously entered the plantations." (P.8)

Madras

"Many unions have an outsider leader... In the former politics generally plays an important role in union activities. This is not normally the case in unions which had no outside leadership."

"As a result of the failure on the part of police effectively to intervene and put down acts of violence, certain political elements were encouraged to incite workers to intensify acts of violence." (Page 12)

"Government ... was bringing pressure on Managements to yield to coercive tactics adopted by labour. Such pressure was being brought about at the ministerial level, and when it was apparent to everybody that there was no effort at the ministerial level to put down violence and to give adequate protection against violence, there was nothing to deter certain political parties, who had no regard for industrial peace or the rule of law, from taking advantage of the situation to create confusion and chaos in the industry." (P. 12)

Mysore

" Politics, as in other places, has a place in unions' activities and organization." (Page 14)

The Western Region's Report: This report, though less elaborate, has come substantially to the same conclusion as the Southern Region's Report, as the following extracts show:

"The machinery of the Government also provides temptations in the present political situation to be used as weapons of political play with no relevance to industrial relations considerations.

This is happening at an alarming rate all over the country, seriously politicalising industrial relations problem.

In some states, important norms of industrial relations, great achievements, etc. all realized after a great deal of sacrifice, suffering, etc. have been overnight shattered and labour administration itself paralysed to promote political requirements." (Page 17)

"Two members of the Study Group are opposed to banning non-worker membership and leadership, while three members felt that outsiders should be prohibited from membership and leadership of unions."
(Page 18)

The Northern Region's Report: While the reports of the Southern and Western Regions have given detailed consideration to the vicious influence of politics in trade unionism, the report of the Northern Region has all but avoided noticing the problems. There are only one or two rather casual observations on this vital subject:

"The main factors responsible for such multiplicity are the influence of outside leadership and political parties, etc." (Page 39)

"Broadly speaking, all the three parties under the industrial relations system have contributed to the multiplicity of unions, the trade unions because of their political affiliations and outside leadership." (Page 40)

The Labour Minister, conventionally a model of discretion in the matter of criticising outsiders and politicians, has of late felt bound to express his misgivings in regard to the havoc played by politics in trade unionism. He is reported to have said at the Indian Labour Conference in April last that "the problem of inter-union rivalry had bedevilled industrial relations" and that "the intensity of this rivalry went beyond all bounds in a tragic incident which ended in the murder of a trade union leader last year."

More pointedly he is reported to have remarked, while inaugurating a training course held by the Shri Ram Centre on the 25th April 1968, as follows:

"Today the trade union movement remains divided on the basis of political ideology with consequences which are known to all of us.

Once you conceive of trade unions as the labour front of a political group, you are bound to mix up matters. This is precisely what has been happening in our country."

He was advocating the creation of a professional cadre of trade union executives to have the trade unions free from political links.

That politics underlines much of the trade unionism of today is not denied even by top trade union leaders. One important trade union leader is reported to have remarked at the last Indian Labour Conference that "inter-union rivalry was purely a creation of employers and the Government as well for political and vested purposes."

Another important labour organization is reported to be keen on reviewing its position vis-a-vis its parent political organization. Its President recently said: "We assert on an autonomous and independent position, and take a stand in each case in keeping with our commitment to the values of secularism, democracy and socialism."

Commenting on recent trends in the field of trade unionism a perceptive observer (K.C. Khanna) wrote in the Times of India early March 1968 as follows:

"An attempt has been made lately by some of the Central Trade Union Organizations to break loose from the apron strings of their political foster-parents. The aggressive declaration of 'independence' from the Congress Party by the General Council of the Indian National Trade Union Congress in Bombay last May was one straw in the wind. The vehemence with which H.M.S now disavows the dominance of the Praja Socialists in its hierarchy is another ... Even the communist-controlled All India Trade Union Congress is in a way going against the grain of the dictum that India's labour movement has no future unless it functions as the trade union wing of a political party... the widespread use of workers for 'gheraos' and 'bandhs' by communists, Samyukta Socialists and several smaller groups represents a qualitative extension of politicians' influence over labour.....

Against this background, INTUC's declaration in May can be seen more as a protest against the failure of the Congress ministries to promote working class interests than as a forthright assertion of the principle that trade unions should 'independently' look after the workers' cause."

It remains to be seen whether the parent political organizations are prepared to grant independence to their economic wings or would find it expedient to coerce them into obedience.

Inaugurating the quarterly general meeting of the Southern India Chamber of Commerce and Industries on the 20th February 1968, the Madras Labour Minister "criticized the interference by political parties in labour movement which prevented the conclusion of an amicable settlement." He said that the State Government "would not recognize any union run by political parties, including those by the D.M.K." This last reference was to attempts reported to have been made by the ruling party in Madras, namely the D.M.K., to organize a trade union wing of its own.

Shri C. Subramaniam, while Cabinet Minister at the Centre, had some very pertinent observations to make on the subject in Parliament. A press report said: "Speaking in Parliament, Mr. C. Subramaniam made a forthright comment that the labour policy of the Government was responsible for the labour troubles in public sector industries and that the Congress Party was as much at fault as the other political parties for keeping trade unions under party domination. The 'original sin' of the Indian trade union movement, said the Minister, was the party base of the trade unions and all parties, including the Congress Party, subscribed to the concept of the party-based trade unionism. Because of this, there was a multiplicity of unions not only reflecting the multiplicity of the political parties in India, but even further, the factional splits that occurred even within one single party, as in the case of the Communist Party, Congress or P.S.P. between 'left' and 'right' wings."

It is unnecessary to multiply authorities for the political base and the political motivation of the trade union movement. My firm and regrettable conclusion is that the Indian trade union movement has never been anything but an economic wing of the political parties and that it is used, and sometimes misused, by such parties to suit their current political franchises. It has undoubtedly rendered service to labour, but such service has been either a by-product of political activities or at any rate one rendered without prejudice to the movement being wielded as a political weapon as occasion arose. If the trade union movement does not deliberately detach itself from its political moorings and develop strength and purpose of its own, its future and the future of the industrialization of the country would both be bleak and barren. The elimination of the outsider in the manner advocated by me can prove to be the first, and perhaps most effective, step in liberating the trade union movement from the vicious clutches of politics.

I have devoted so much attention to this problem as I feel that it is so fundamental that the Commission cannot take a single step forward in the direction of progress without tackling it successfully. All the Commission's strenuous efforts at evolving labour Codes, a uniform labour judiciary, a consensus for recognition, and the like would be so much wasted effort if the organizations making use of them did not genuinely seek

economic rather than political goals. There would be nothing but chaos in the country if the rapidly-growing numbers of industrial workers were used as the spearhead of a continuing political vendetta rather than as the bulwark of a progressive economic system.

3. Collective bargaining versus adjudication

The third matter to which I should like to draw particular attention as one of considerable importance to the future of industrial relations is the need to put the basic technique of regulating labour-management relations on a proper basis before we proceed much further with our industrialization. Adjudication as a method of settlement of disputes has had its day; it is now on its wane and almost stands discredited.

Many of its defects have, during the last two decades or so of its operation, come to the fore. Among the more important of these are 1) its inhibiting effect on the development of collective bargaining and hence on the proper growth of trade unionism itself, 2) its creation of an atmosphere of antagonism between the parties and of a bitter feeling of dissatisfaction with the results, 3) its unintended effect of sapping all self-confidence and self-reliance and of turning the parties into litigants and suppliants, and 4) the prolonged delays involved in the original adjudication and in the subsequent stages of write and appeals which seem inevitable in a system of contest rather than conciliation. Of these I consider the robbing of goodwill and the creation of an air of antagonism the most pernicious. Referring to the evils of adjudication, the Third Five Year Plan itself says: "... the spirit of litigation grew and delays attendant on legal processes gave rise to widespread dissatisfaction."

I have dealt with the respective merits of collective bargaining and compulsory adjudication at some length in my book. I would in particular invite attention to the summation in the section entitled "Collective Bargaining - the Ultimate Goal" at page 556. The conclusions arrived at by me have been stated in the following terms (page 593):

- i) In a political democracy practising industrial democracy, collective bargaining should be the king-pin of adjustment of labour-management relations;
- ii) The earlier the policy of compulsory adjudication is reversed to that of collective bargaining, the better for the success of collective bargaining;
- iii) If the industrial relations system must develop democratically and in a way conducive to long-term planning, it must be based primarily on collective bargaining and only to an inescapably small extent on compulsory adjudication;
- iv) The change-over from adjudication to collective bargaining can be gradual and can coincide with the ten-year period suggested for the elimination of outsiders from the executives of unions; and
- v) After the change-over is effected, compulsory adjudication should be available only in what may be called economically important industries and in public utility services.

I notice that the Study Group on Industrial Relations for the Northern Region has substantially accepted my plan at page 59 of its report. The Western Region Report has come to the same conclusion when it says (page 22) that "there has to be active and sometimes compulsive promotion of collective bargaining and bi-partite activities in the treatment of issues, with the State's role reserved only for prescribing the fair rules of the game." The Southern Region's Report, whilst extolling the virtues of collective bargaining, is less specific in its recommendations. It calls for discontinuance of the present practice of Government intervention the moment a dispute arises and of indiscriminate reference of disputes to adjudication. (page 24)

Despite growing support for a policy of collective bargaining in replacement of that of compulsory adjudication, the reluctance to give up what is perhaps deemed the "safe haven" of compulsory adjudication is undoubtedly deep-seated. How else is one to explain the dismissal of so vital a subject in the draft of the Fourth Five Year Plan in one brief statement (page 387) that "greater emphasis should be placed on collective bargaining"? Here and there, there is mention of

voluntary arbitration as if that were an efficient substitute for collective bargaining on the one hand and compulsory adjudication on the other. The real trouble with the concept of voluntary arbitration is that as a process there is little difference between voluntary arbitration and compulsory adjudication, trade unions preferring the former only because, under the law, it excludes the possibility of appeals to the Supreme court. Both require a decision by a third party who, however, impartial and well-meaning, may know little of the industry and less of the true interests and expectations of the parties.

In adjudications or arbitrations pertaining to wages, bonus, and similar matters involving large sums of money, there are no generally accepted standards of determination. The nature of wage arbitration is well brought out in the following passage in Bernstein's Arbitration of Wages:

"Emerging as it does out of collective bargaining, wage arbitration operates on the same bases and is bounded by the same limitations. Bargaining rests ultimately, of course, upon the right of union or management to withdraw labor or jobs. ... Sophisticated parties expect that the neutral's decision will approximate what they would voluntarily have agreed upon themselves. Hence he is obliged to consider not only the general standards of wage determination but also the parties' relative bargaining power. If he fails to do so, he may well undermine his basic function - keeping the peace." An experienced wage arbitrator was compelled to admit:

"The Board has applied no a priori principles of wage determination to the welter of evidence and argument developed by the parties.... Candor requires it to be said, however, that the Board, in deliberation, advanced its thinking at once to an area within the narrow limits to which direct collective bargaining, as made known on the record, had brought the parties when deadlocked.... Principles forged by the parties themselves are fair guides."

Referring to the various criteria for wage determination impressively set out in books, Bloom and Northrup say in their Economics of Labor Relations (page 394) :

"The criteria ... play an important role in narrowing the range of possibilities in wage determination. In many cases, however, the wage which is finally agreed upon is a reflection of sheer bargaining power, and talk of intra-industry standards or cost of living changes is mere rationalization pressed into service to support demands or concessions which need justification. Even arbitrators write these criteria into their opinions to support decisions already arrived at for other reasons."

Both processes, unless they involve a continuation of the thinking already started by the parties, are a mere leap in the dark by an arbitrator whose contacts with the industry and concern with the matter end with the signing of the award. The arbitrator cannot be expected to know whether a profit of Rs.2 lakhs will be too little or a profit of Rs.20 lakhs too much for the healthy growth of the industry. The employer's approach to the problem of profits would, in the final analysis, represent a balance between his self-interest on the one hand and the pressure of his obligations to the workers on the other. While the point of equilibrium between interest and obligations cannot be reduced to precise figures, the employer knows intuitively how far to yield to the pressure of the obligations and where to stop. This is not an exercise that any arbitrator can be expected to perform on his own. In fact an employer can often assume a far greater burden with greater confidence than a burden imposed by a third party. For the workers too the satisfaction derived from a mutual agreement arrived at without having to run the gauntlet of the law courts would be great indeed.

At page 302 of my book I have referred to the last occasion on which employers' and workers' organizations and other interested parties were consulted comprehensively in regard to the discontinuance of adjudication and its replacement by collective bargaining as a method of settlement of disputes and differences between labour and management. Barring one workers' organization and one employers' organisation all others felt that there was need for the continuance of compulsory adjudication. The subject was discussed at some

length at the 12th Session of the Indian Labour Conference, referring to which I have said at page 307 of my book that "while there was much lip sympathy for the policy of mutual negotiations and collective bargaining, there was really no support for the bold line of action advocated by Shri Giri." Shri Giri, winding up the conference, said that "a leap in the dark, as the protagonists of compulsory adjudication would consider its abolition, is often a frightening experience, and while, in my opinion, risks have sometimes to be taken if the ultimate goal is to be achieved, I cannot blame those who would prefer to postpone the ordeal as long as possible and until they are better prepared for it." (page 308)

Some three years later, when the Second Five Year Plan was drawn up, the disillusionment of some of the workers' organizations with the results of adjudication had become complete. They had campaigned long and ardently for the abolition of the Appellate Tribunal on the ground of its contributing to delays. But these delays had turned out to be even more embarrassing after the abolition of the Appellate Tribunal than before because of the greater recourse of the parties to the Supreme Court. At the same time the reluctance to rely exclusively on collective bargaining had continued to influence the attitude of the workers' organizations. That was why they mounted another campaign in favour of voluntary arbitration in the hope that it would manage to give them the benefits of compulsory adjudication without its defects in the form of delays in appeals. In this, however, they had reckoned without the employers, who could not so easily be persuaded to give up the right to appeals which the law gave them in the process of adjudication. I have said at page 329 of my book: "... voluntary arbitration, like collective bargaining, cannot thrive so long as compulsory adjudication is available for the settlement of disputes. After the withdrawal of compulsory adjudication, voluntary arbitration will find increasing scope. Its main utility will, however, be confined to the settlement of grievance disputes."

It would be interesting to see what a foreign expert, Mr. Robert Gavin of the Ford Foundation, had to say very recently, on the 16th April 1968, about our approach to collective bargaining. Speaking at a meeting organized by the National Institute of Labour Management, he said that the Government paid only lip-service to the ideal of collective bargaining because of its canalising many industrial relations problems through 'regulations'. "The stepping in of the Government in regulating the wage and service conditions of the workers through the framing of the standing orders under the Factories Act, fixation of minimum and fair wages through the wage boards and determination of bonus payment through the bonus legislation, created the impression that India had rejected collective bargaining." Again he said: "The stipulation regarding the resolution of industrial disputes by their reference to adjudication and conciliation machinery was to say the least Government's paternalism in its worst form." Mr. Gavin went on to say: "the encouragement to collective bargaining could alone usher in this country a responsible trade union movement, standing on its own legs, free from political and inter-trade union bickerings."

Let us assume for a moment that the virtues of collective bargaining have been over-rated and that a country which has embarked on planned development cannot afford the luxury either of an unrestricted increase in emoluments or of an unlimited exercise of direct action as might, according to the planners themselves, be feared to happen in a system of uninhibited collective bargaining. In other words let us assume that compulsory adjudication is the sure and safe remedy for our industrial ills. The question that has to be answered is: Can the State manage to provide industrial tribunals in the numbers and of the calibre that will be needed to cope with the growing number of disputes in the industrialization of the future? In the third of a series of four articles on 'Labour Policy in a Developing Economy' published by me in the Economic Times in January 1968,

I made a rough calculation of the magnitude of the task involved. I invite reference to that article, copies of which I requested might be circulated to the members of the Commission, for the details of the calculation. There I mentioned that a mere generation hence, by 2000 A.D., we would have left behind the billion mark in our population long ago, that if by then the country would have become sufficiently industrialized, our non-agricultural labour force, calculated at a mere 5 per cent of the total population (as against 34 per cent in the United States and 19 per cent in Russia some years ago) would be over 50 million as against an outer limit of some 10 million today and that the number might even go up to 100 million if the percentage goes up to 10 depending upon the pace and extent of industrialization. Today when we have less than 10 million workers making use of labour laws to varying degrees, not more than half of whom being active in making substantial demands, we have some 30,000 and odd disputes (33,538 in 1964) annually referred to the industrial relations machinery of the Centre and of the States for attention by way of conciliation and adjudication. Some 10 per cent of these finally get referred to adjudication. Even with this limited number of adjudications, unions have been protesting against what are called inordinate delays. One has merely to imagine what the state of affairs would be if all these numbers got multiplied 5 or 10 times. In the United States 98 per cent of over 100,000 wage agreements in force are arrived at in straight collective bargaining, only 2 per cent being sent to arbitration by mutual consent. Then I said in the article that "Mere contemplation of the magnitude of these numbers and of the number of disputes and adjudications the governmental machinery will have to handle is enough to convince anybody of the utter insolvency of the very idea of adjudication as a long-term arrangement." Even if a Super-State found itself competent to provide the vast numbers of tribunals needed for the purpose - it being understood that litigation, like gambling, is a self-multiplying process - what a colossal waste of public effort would be involved in the process - effort that could and should be more purposefully employed in the service of the development of a country teeming with untold millions of human beings.

The question before the Commission is: Will the State in the year 1990 or 2000 A.D. insist on the parties' settling their disputes without making excessive demands on the attentions of public authorities or will it make an extraordinary effort to provide the biggest well-developed labour judiciary the world has ever seen, attended by the largest army of labour law advocates, for dealing with the tens of thousands of industrial disputes which the system of compulsory adjudication will inevitably encourage?

4. Protection of trade unionism.

If a trade union movement liberated from the thralldom of politics and released from the paternalism of Government emerges, through its own considerable efforts at consolidation and unification, as a democratic force wedded to responsible and constructive collective bargaining, it will certainly need adequate legal protection against onslaughts made on its independence and integrity by both unsympathetic employers and rival unions. Three such areas of protection will be mentioned in this section. Barring a few, though growing number of, honourable exceptions, Indian employers generally have come to tolerate trade unionism only because they cannot avoid it in the modern world. That trade unionism is as necessary for a healthy democratic economy as free enterprise itself is something they cannot bring themselves to believe though they have been known to pay lip service to it for the sake of conformity with prevailing thought. True, the misbehaviour of trade unions from time to time is partly responsible for this spirit of antagonism, but employers as a whole have not emerged from the era of old-world ownership and paternalism. Given a free hand, many of them might still try to get rid of unions or at any rate to make them play the company tune. Against such unhelpful employer mentality, trade unionism must be effectively protected by the enactment of necessary laws. The first of these relates to unfair labour practices. I have dealt with this subject at page 524 of my book and would not wish to repeat what I have there said. What is important is that a trade union movement managed by the working classes themselves must be completely reassured that legitimate trade union activity will not cost office-bearers and the more active workers their jobs.

Another important aspect of union protection - one that is concerned with enabling unions to discharge their primary function of collective bargaining - is the enactment of a law to regulate the problem of representation. There is by now, I believe, unanimity of opinion that such a law is necessary, but there would still appear to be differences of opinion regarding the concept of the "majority union", the ways of designating and certifying such a union, and the rights of representative unions in face of the continued pressure of minority unions. I have dealt with this important

subject in more than one place in my book. Reference is invited in particular to the section entitled 'Problems of Representation and Recognition' at page 445 which gives the historical background to the question and to the sections entitled 'Problem of Representation' and 'Election through Secret Ballot' at pages 527 and 530 which critically examine the problems with a view to arriving at conclusions. Those conclusions are (page 541) :

- i) It is necessary to build up and recognize as representative unions or bargaining agents only "majority" unions;
- ii) "Majority" means a majority of the votes polled in a representation election;
- iii) Representation elections should be by secret ballot.

Subsequently I dealt with the problem of recognition and of the representative union in an article entitled 'Misconceptions About Recognition' which was published in two parts under different captions in the Economic Times on the 16th and 17th April, 1968. Copies of these have been furnished to the Commission.

There seems to be a broad measure of agreement between all parties concerned that the concept of the "representative" union should be encouraged and even embodied in law so that the representative union would have the exclusive privilege of collective bargaining with the employer. There, however, seem to be differences of opinion over two important matters in the implementation of this agreement. The first is : Should representative status be decided by election through secret ballot or should it be settled by verification of the membership strengths of rival unions? The second is : After a representative union is brought into existence and invested with the powers of exclusive bargaining, should minority unions be permitted to espouse the personal grievances and problems of their members? The basic principles of representation provide the answers to both. The need for election by the entire body of workers and the irrelevance of membership checks of unions have been dealt with in the references cited above, and more particularly in the article. But let me restate my views on these points for facility of reference.

The whole concept of the "representative" union, which comes to us from the experience of the industrially advanced democratic countries, revolves round one central principle, namely, that the representative union represents all the workers of the unit for all purposes. If it is held to mean anything else, we are talking at cross purposes.

Let us see whether we can, and why we should, accept this principle. Let us assume that the representative union represents not all the workers of the bargaining unit but only the unionized members, so that the checking up of union strengths might not be an inappropriate way of selecting the representative union. In that case who will represent the non-unionized workers? Have they to bargain individually or create yet another rival union for the purpose - the very defect we are trying to cure - or again blindly sue for and accept the terms of the agreement entered into by the representative union? Moreover why should the majority union gaining representative status be required to represent the members of an unsuccessful rival union when it could ignore non-union workers? A rival is, after all, more dangerous than a neutral, and the instinct of self-preservation would suggest that the successful union could well afford to represent completely innocuous non-union members but not the members of a potentially dangerous rival. In short, a representative union would, if it did not represent all workers, represent only its own members and none else - whether members of a rival union or non-unionized workers. Is this the result that is desired?

It may be argued that a representative union, declared as such after a membership check, would be willing and even required to represent all workers, at any rate, for collective bargaining. Even if that be so, how can it represent non-unionized workers who have had no say at all in its selection as their representative? No person can represent another unless the latter is given a suitable opportunity to express his preference.

Again, will such a representative union agree to undertake only collective bargaining on behalf of non-members and not agree to handle their grievance cases? (We put it this way because of late unrecognized unions have been permitted

to take up the grievance cases of their members). If so, should a rival minority union have to be created to look after the grievance cases of non-members? Or should non-members be compelled to handle their grievance cases personally without the support of any union? There is yet another aspect to this question. It should be remembered that collective agreements invariably include elaborate provisions relating to the processing of grievances and stipulating which officers and agencies of the recognised union would be associated with each step of the grievance procedure. This part of the collective agreement cannot be implemented if the representative union takes up the attitude that it would have nothing to do with the grievance disputes of non-members.

If a representative union did not represent all workers of the unit for all purposes, what justification would it have to call out all workers on strike when a need for it arose? Or would it call out only its own members or at best all unionized workers on strike and leave non-unionized workers to join the strike or not? Imagine a case, as so often happens, where a representative union calls a strike to protest against the dismissal of a union member. Would non-unionized workers, whose dismissal cases are not handled by the representative union, be, in the least, interested in supporting such a strike?

We are running into endless absurdities if we do not accept the main proposition that a representative union must represent all workers of the unit for all purposes - collective bargaining as well as grievance disputes. The question would, no doubt, arise why a representative union should exert itself so much on behalf of workers who have not thought fit to become its members. This raises the question of union security, which we propose to discuss later on in this note.

If we accept the basic principle that a representative union represents all workers of the unit for all purposes, the controversy over election through secret ballot versus membership check immediately vanishes. One cannot represent another without giving the latter an opportunity to express his wishes. Hence all workers automatically gain the right to designate or, shall we say, elect their representative. Membership check then becomes meaningless as that could not be a common yardstick for measuring the preferences of workers with memberships and those without memberships. Election

through secret ballot alone can make sense.

I have mentioned both in the book and in the article that while all workers of a unit should constitute the electorate, a practical method of cartifying success is for a union to gain the majority of the votes cast and not of the entire electorate. The reasons for this have also been stated. If no union gets a majority of the votes cast either because of the votes being split between too many unions or because too many voters have voted 'No union' for which provision should be made in the ballot papers, such a bargaining unit would not have a bargaining agent entitled to enter into collective bargaining. The unit will have to regulate its labour-management relations in some other way.

I believe that objections have been raised to the idea of elections on the ground that it would "politicalize" the trade union movement and that an atmosphere of election would vitiate production consciousness. I wonder whether this does not amount to saying that democratic processes should not enter the industrial field. Trade unionism, in fact, rests on the firm foundations of industrial democracy - a subject discussed at some length at pages 493 to 501 of my book.

Election through secret ballot certainly "politicalizes" the process if that is the most appropriate word for indicating what is no more than a democratic procedure. But that would not be the first time we would be "politicalizing" a trade union procedure. The rules under the Industrial Disputes Act already provide for the election of the workmen's representatives on works committees through secret ballot. There are elaborate rules for the preparation of electoral constituencies, the nomination of candidates, the scrutiny of nomination papers, the holding of elections, etc. Obviously there need be no difference between electing a bargaining agent who is expected to protect and advance the rights and interests of the workers of the unit and electing a Member of Parliament who is expected to protect and advance the rights and interests of the entire electorate. Both derive from the principles and processes of democracy. Neither party can say: "You did not vote for me or you voted against me, and so I shall not advocate your cause".

According to press reports, the Commission itself is said to be probing into the possibility of evolving a novel

formula for settling recognition. The formula seems to be :
"An organization for the registration of trade union membership would be set up. Every employee would have to get his name registered with the organization which would maintain the list of members of every union and the management would be informed of the strength of each union for the purpose of recognition." I am not going into the practical difficulties of this arrangement, as I am at present concerned only with its principles. The press report is not very clear whether this amounts to compelling every employee to join one union or another prior to the certification of the bargaining agent. If that is the intention - I might not object to compulsion as such if done properly - an employee may be compelled to join some union and it may so happen that another union may eventually get certified. If, however, that is not the intention and no compulsion is to be used at this stage, there will be a number of workers who have not joined any union. They should have an opportunity to express their intentions in the matter of the choice of the representative union. In short, what the Commission is probably trying to do is to make the membership check of unions above board, but it does not still meet the basic objections to the principle of membership check itself.

The third matter which I should like to emphasize is the need to give the representative union, when elected, "union security". The grant of union security in the form of, say, union shop arrangements, whereby every employee should, after an initial period of service, join the representative union and continue to be a free-paying member as a condition of continued employment, is considered a potent remedy against raiding by rival unions. A worker paying dues to one union is unlikely to be tempted to join another unless he is so dissatisfied with the former that he proposes to disown it in favour of the latter. The justification for compulsion of this sort is that if the representative union has to represent all workers, there is no reason why it should be supported and financed by only some workers and not others who also would be reaping the benefits secured by the union. All who benefit must equally pay. There can be no "free riders". Such an arrangement leads to the building up of the representative union and to the killing of all rival unions. But this is as it should be. A candidate defeated at the polls should not somehow gate-crash into Parliament. Sometimes such compulsion is called coercion. Here is what two authors, Clinton Golden and Harold Ruttenger, say

about this: "Of course, it is coercion. That is what all the argument is about : the right to force someone to do something against his will. But this is not a legitimate objection to the union shop, as coercion is the fundamental basis of organised society. In fact, civilization can be said to have attained maturity when men became intelligent enough to order their affairs and compel the recalcitrant man, the ignorant man, to submit to certain compulsory rules for the common good of all men." Quoting this passage, Paul Sultan says in his Labour Economics (page 278) : "To these authors, the essential difference between a democracy and a fascist state is whether the minority or the majority do the ~~coercing~~ and they point out that union security provisions are supported by the majority of the workers." If the office-bearers of a representative union become irresponsible or dictatorial, the members would try in the first instance to replace them with more satisfactory individuals, but they have also the eventual remedy of organizing a rival union and throwing out the unsatisfactory one in the elections that can be claimed after the lapse of the stipulated period.

5. Productivity

In my note entitled 'Approach to the Problem of Wages', submitted to the Commission last October, I discussed the imperative need for increasing productivity and said that "the one weapon, above all, with which to fight poverty is productivity." I also discussed at some length how both capitalist and communist countries swore equally by increased productivity and what great feats of productivity had been performed in Russia since the commencement of her First Five Year Plan in 1928. There is no need to repeat what I have mentioned in that note.

Wage increases in relation to productivity increases:

I should like to begin this section by referring to Question 169 of the Questionnaire which reads :

"169. Have increases in productivity matched with wage increases in the years since Independence? Please give supporting statistics."

I submit, with great respect, that this is an extremely vague and indefinite question which, in its present form, serves little purpose. Of what is the productivity discussed - of the economy as a whole, of industry as a whole (organized and unorganized), of organized industry, of particular industries,

of particular establishments in some industry, or of what? This point is not an academic one inasmuch as the relationship between productivity and wage increases will be wholly different depending on what productivity we are considering. The term "wage increases" similarly hides an ambiguity as to whether money wages are referred to or real wages. The question also conveys the impression that "productivity" - whatever that may mean - is expected to be matched with wage increases.

The questionnaire does not also make it clear whether "productivity" refers to the productivity of all factors of production or to the productivity of labour, as more commonly implied, that is, output per manhour. I presume, as does the I.L.O. publication on Higher Productivity in Manufacturing Industries, that "when the word productivity is used without further qualification, the productivity of labour is understood."

The difference between the productivity of the economy as a whole and the productivity of an establishment, industry or sector of the economy from the point of view of its contribution to social progress is well brought out in the following quotations from the I.L.O. publication :

"Provided those in employment remain a constant fraction of the total population, an increase in the productivity of labour in an economy as a whole means an increase in the amount of wealth produced per head of the population." (page 9)

"...the productivity of labour ... is much less significant, and it may even be seriously misleading, to relate the output of a particular establishment, industry or sector of the economy to the input of labour in that establishment, industry or sector. For the productivity of the labour engaged in any particular establishment may be increased by purchasing components or partly processed materials instead of raw materials from elsewhere, or by installing capital equipment which may be thought of as 'embodying' labour from elsewhere in the economy; in other words, not all the labour which should properly be regarded as having contributed to the output of a particular establishment is in fact counted." (page 10)

These differing consequences of productivity are reflected in the extent of wage increases permissible to workers on the ground of increased productivity. The I.L.O. publication says (page 29):

"In circumstances in which it is considered desirable that money wages should rise more or less in step with increases in productivity, it would seem that wage

increases should be related rather to the rate of growth of labour productivity in the economy as a whole than to the rate of growth of labour productivity in particular industries."

"The reason for this is that the scope for increased productivity is vastly greater in some branches of production than in others, and the extent to which productivity increases in different industries over a period of time often bears little or no relation to the relative efforts and sacrifices made by workers in them."

Apart from this basic lack of justification for relating wage increases to the rate of growth of productivity in particular industries, the I.L.O. mentions a serious practical difficulty in doing so :

"If wages in each separate industry were to increase in proportion to increases in productivity in that industry, relative wages in different industries would soon get badly out of alignment and the results would be highly inequitable."

The same views are echoed in Wage Determination by Jules Backman, where it is said (page 197) :

"The fundamental defect of comparisons between real wages and output per man-hour within an industry is that such comparisons ignore the changing position of a company or an industry in the national economy. In a dynamic economy, the relative value of an industry's services, as reflected in the prices for its products or services, changes over time. Under some conditions it may become more valuable; under other conditions, it may become less valuable Industries in a mature or declining phase may have braked their price increases, even under inflationary conditions, in order to retain their limited markets. Other industries may have found it necessary to go counter to the national price pattern to penetrate broader markets. These diverse changes in prices alter price relationships and affect the exchange position of industries."

"Although the national level of living and real wages have risen with increased productivity of the economic system, there has been no direct correlation between the rate of increase in output per manhour in specific industries and the changes in wages and non-wage benefits in such industries. In new or rapidly growing industries, there are often relatively tremendous increases in output per manhour in short periods of time. Nevertheless, wages and non-wage benefits in those industries have not paralleled such increases in output per manhour. If they had, wages in those industries would have been completely out of line with comparable skills or jobs in other industries."

The late Professor Sumner Slichter, a well-known authority, gives two basic objections to increasing wages in a given .

company or industry in proportion to the rise in the output of that company or industry brought about by better management or technological progress:

"One reason is that such increases would introduce unjustified inequalities into the wage structure of the community. The rate of technological progress varies greatly among industries. If wages were increased in these various industries in proportion to the rise in productivity, the wage structure would soon have little relationship to the skill and responsibility required of the workers Common labourers in technologically advancing industries would be receiving far more than skilled workers in other industries."

"The second objection to increasing wages in a given industry in proportion to the increase in output per manhour in that industry is that such an increase would prevent the economy from producing the largest possible output and thus would limit the rise of the standard of living. The inequalities in the wage structure would prevent industry as a whole from producing the largest possible product because the rise of wages in the industries where labour productivity was increasing most rapidly would tend to prevent these industries from reducing their prices to consumers and thus from expanding output and employment. Thus the growth of employment would be impeded at the very points where labour was gaining most rapidly in productivity."

Attempts to set wage increases in progressive industries, where productivity rises faster than in the economy as a whole, in line with productivity increases in these particular industries contribute to inflation. The reason is that such wage rises are transmitted, after a short while, to the less progressive parts of the economy which cannot absorb the rise in labour costs without a rise in their selling price. (vide page 199 of Backman)

This reference to the inflationary potentialities of setting wage increases in progressive industries in line with productivity increases in those industries, that is, in excess of the productivity increase in the economy as a whole, may be particularly noted. It runs at variance with the recommendation made in the report of the Steering Group on Incomes, Wages and Prices Policy (page 29) that "Employees in those sectors where productivity rises faster than the national average may have a claim to get increases in wages somewhat higher than the national average increase in productivity, especially where this is warranted by the contribution of labour to productivity." There are other implications of that recommendation into which we need not go, for the qualification starting with "especially" introduces a different element into the subject. Where labour's contribution is direct and

contribution and without being limited to the productivity of the economy as a whole or of the industry concerned.

Backman's conclusion is that "attempts to set wages on the basis of output per manhour in specific industries lead to the unhappy alternatives of wage inflation or a chaotic wage structure."

Thus any comparison between the rate of increase of wages and the rate of increase of productivity must be in respect of the economy as a whole reckoned on a long-term basis. Backman has illustrated with specific figures the dangers of making this comparison for short-term periods of even upto 10 years. (page 200). What is long-term is a matter for one's choice. In our case the last 17 years of planning at any rate would have to be included in the long-term.

Though on a long-term basis it would not be unreasonable to compare the rate of increase of the productivity of the economy as a whole with the rate of increase of real wages, this comparison would be meaningful only if there is no inflation in the economy more serious than a creeping one. When inflation has gone beyond this stage, comparison of wages with productivity may not be the most appropriate criterion. Davis and Hitch say :

"....the principle (that wages should move in relation to productivity changes) appears to be valid primarily in periods of high-level employment when inflation is not present. During many other periods, factors other than changes in productivity should be contribute most to stability. In periods of intense inflation or deflation, or when there are severe maladjustments in wage-price-profit relations that first need correction, some other relationships may be far more important than the stabilized average unit labor costs that would result from having wages move in line with productivity changes."

If we are thinking in terms of money wages, it is obvious that the rate of increase of wages since Independence has been in excess of the rate of increase in the productivity of the economy as a whole reckoned on a long-term basis. There are no official statistics for making such a comparison. According to studies undertaken by the Employers' Federation of India, between 1948 and 1959 the index of productivity for the industrial sector rose by 41

Controlling in arriving at a wage policy that would

per cent while the index of money earnings rose by 55.3 per cent and the index of real earnings by 24.6 per cent. In recent times money earnings have shot up enormously and the disparity between the indices of productivity and of money wages must have widened. The index of real wages is, however, a different matter.

Sharing the gains of productivity: I.L.O.'s conclusion on this, which is in/with the opinions held by exports is (page 179):

"The share of workers in the benefits of higher productivity may take the form in part of higher wages, in part of lower prices for the goods produced, and in part of better working conditions, including shorter hours, social services, and workers' housing. Increases in wages and improvements in working conditions made possible by higher productivity should be determined, wherever possible, by collective agreements."

Jules Backman says (page 189):

"The ultimate goal is a balanced relationship between prices, wages, and profits. Those industries in which marked gains in productivity are possible must pass along to workers in industries less fortunately situated and to other members of the nation some of these gains in the form of lower prices, so that real living standards will continue to advance for all. If labour claims too large a share of the net gain in productivity for itself, then the incentive for new investment will be impaired and the broadened markets resulting from price reductions will not be created."

Posing the question as to what constitutes an equitable share for workers in the benefits of higher productivity, the I.L.O. publication says (page 24) that "Canons of equity are subjective and there is little that can usefully be said on the subject in general terms." Then it proceeds to set out certain propositions, with which, it says, "most people would probably agree." These propositions are:

- 1) Workers should be compensated for any additional efforts or sacrifices which they may make to achieve greater productivity.
- 2) Since it is not through the greater efforts of workers that productivity can be increased, provided that workers are compensated for any increased efforts or sacrifices, they appear to have, over and above, this, no claim in equity to receive a larger share of the benefits of higher productivity than other people in the same income group.
- 3) As national income increases through higher productivity, there is a case for a better distribution of income in favour of the less prosperous sections.

- 4) In the interests of efficient production it is important, for workers no less than for other sections of the community, that the returns on capital invested should be sufficient to induce an adequate rate of capital formation. This is especially important for workers in countries - including under-developed countries - where a shortage of capital restricts opportunities for employment.

The views of one other author are pertinent before we

can draw some conclusion regarding the sharing of the gains of productivity. Bernstein says in his Arbitration of Wages (page 96) as follows:

"...the productivity concept is applied to two quite different factors : first, greater output resulting from more intensive effort by the worker and, second, higher output stemming from general economic and social forces. The origin of the former is in the individual; he works harder, faster, more skilfully. The latter is beyond his control since its sources are the broad determinants of a progressive economy.

The first factor is the basis for the price-rate system of wage payment and is often measurable... Because it is related to individual effort, it is not a criterion that shapes general wage movements.

The second concept of productivity is both more subtle and less susceptible to measurement. In most general terms, productivity is a comparison between production and one, several, or all of the factors employed in production."

Bernstein then goes on to say that "the productivity criterion has hardly penetrated the crust of wage arbitration." He points out the difficulties in linking wages to productivity. The first is the problem of measurement and the second the distortion effect. As to the second, he says that "the linkage of wages to productivity in the industry, firm or department would create monstrous inequities in the wage structure with resulting chaos in labour-management relations." The third limitation - the one that seems to worry us most - is "the total absence of a formula for allocating the gains of rising productivity among the claimants. Consumers argue for lower prices, workers for higher wages, management for higher salaries and investors for fatter dividends." He then quotes George Soule to say : "As exercises in the realm of morals such speculations may possibly be useful, but as guides to the proper distribution of the product, they are quite without meaning, because they are not subject

to scientific analysis and quantitative measurement in a living economic world."

Bloom and Northrup, well-known economists, say that "On the whole, reduction in commodity prices would seem by all odds to be the fairest method of distributing the benefits of increasing productivity."

Bearing all these views, particularly those of the I.L.O. in mind, one could say something like the following on the question of the sharing of the gains of productivity:

- i) The increased efforts of the worker, individually or in groups, where they are measurable, should be directly and immediately rewarded by a suitable incentive system of payment, including the piece-rate system. Where the increased efforts are not measurable, other methods of recompensing workers through "merit rating" or profit-sharing schemes are tried though these are less satisfactory than direct payment by results.

Without going into the details of incentive systems of payment, one should say, as pointed out by the I.L.O. and various experts, that an incentive system of payment will break down and lead to all sorts of difficulties and quarrels between the parties if certain precautions, including the improvement and standardization of the methods of production, the evolution of fair but correct standards of performance, and the continued cultivation of good labour-management relations, are not taken right from the beginning. Some managements, secure in their own wisdom and unwilling to incur the expenditure involved in hiring experts, often implement half-baked schemes without effecting prior improvement and standardization of methods and soon come to grief. This becomes a source of permanent conflict between labour and management. While the excessive complications of a scheme would lead to its failure, over-simplification that would end up in anomalies and inequities should equally be guarded against.

- ii) Whether incentive systems are applicable or not, the base time rate may be raised from time to time in proportion to the rate of growth of labour productivity in the economy as a whole reckoned on a long-term basis.
- iii) Under Indian conditions there is a further windfall to labour in the form of the annual bonus out of the 60 per cent of the "available surplus" profits of the establishment. This would more than amply ensure that labour gets a substantial share of the gains of increased productivity.

I have expressed my views in regard to the utilization of part of the available surplus for plough-back into industry and of the remaining part for a limited cash bonus (vide my second article in

the series 'Labour Policy in a Developing Economy'). That, of course, is a separate matter. But here it is sufficient to say that if bonus continues to be distributed in the ample measure in which it is now done and if the measures mentioned in serial numbers i) and ii) above are observed, there can then be no further question of the "due" sharing of the gains of increased productivity.

In view of the imperative need to increase domestic savings and investment, I have suggested in the article mentioned above that 50 per cent of the "available surplus" profits of each establishment should be compulsorily ploughed back into industry, labour and management having equal title in the assets, that is, in the bonus shares, created out of such plough-back. Only the remaining 50 per cent of the available surplus would be used for immediate distribution among labour, management and consumers. That this kind of compulsory plough-back with little to newly-created capital assets is not such a novel or extreme measure, as might at first appear, may be seen from a similar suggestion contained in the I.L.O. publication (page 26) :

"If it is felt that equity requires that workers should receive a larger share of the benefits of higher productivity than can immediately be distributed to them without unduly curtailing investment or without giving rise to unhealthy inflationary pressure, consideration may be given to the possibility of granting them benefits that do not make an immediate demand upon resources - "forced savings" or titles to newly-created capital assets."

That is precisely what I have endeavoured to do with the "available surplus", that is, without depriving workers of their title to their due share of the available surplus, to have a good portion of it issued to them as bonus shares so that investment may be encouraged and inflation kept under check.

Responsibility of Government and Management for productivity:

Under present-day conditions both the Government and management have a large responsibility for the poor productivity obtaining in Indian industry. When capacity built up with large-scale investment is allowed to lie idle for months, if not years, with consequent closures,

retrenchments and reduced working, any call for higher productivity seems no more than a prescribed ritual. To take only one instance, the Parliamentary Committee on Public Undertakings reported recently that in the Heavy Engineering Corporation "... on the one hand, the valuable machinery costing Rs.16.39 crores remained idle for 70 per cent of the machine-hours available, on the other, there was idle labour to the extent of 54 per cent of the labour-hours available." How can workers who have just managed to escape retrenchment be blamed if they spread out the available work as thinly as possible? Can anyone expect them to show the "productivity consciousness" or the necessary psychological involvement needed to raise productivity when the result might well be to make themselves redundant? With such poor planning that has immobilized vast amounts of investment, the Government's pleas for higher productivity must have a hollow ring.

Employers also carry a heavy responsibility for the poor state of affairs at present. Machine idleness will be found to be quite substantial in many establishments, partly because machines have broken down and are not promptly repaired and partly because of poor production planning and control which leave machines and men waiting for work. In certain types of factories where free flow of production is necessary to keep all groups of workers fully engaged, it will often be found that certain processes act as bottle-necks with the result that the succeeding groups are only very thinly provided with work. The balancing of machines and processes and the daily scheduling of work so as to preserve that balance and to make the most of machines and men are the task of experts and not of entrepreneurs who, however untutored, pride on their intuitive uncanniness. Such establishments are content to engage only third-raters whose imagination and initiative are no match for the complexities of the problem. If the Government sets up a competent technical authority, such as the one suggested by me at pages 580-582 of my book, with powers and responsibility for all aspects of productivity, rationalization and allied matters and requires that authority to probe into the reasons for the low productivity of Indian industry, I am sure that it will receive rude shocks from time to time in regard to the myth of efficiency in all but a small portion of the private sector. But, of course, that authority may have equally unsavoury things to say about

the public sector units also.

Responsibility of labour: Given the present methods of management, unsatisfactory undoubtedly as they are, there is still plenty of scope for workers to improve their productivity by working more efficiently and conscientiously. Workers in many establishments are not turning out anywhere near a full day's work even at a pace which can be called comfortable, if not leisurely. Lack of statistics bearing directly on the amount of work done need not deter us from coming to this conclusion. In several establishments incentive systems of payment have been introduced in recent years. In these establishments workers have been earning bonuses as high as 50 per cent of the total of their basic wage and dearness allowance. In some cases the percentage has been much more. Such high rates of bonuses have been earned not by a few super-workers but by the large bulk of the workers. Such schemes are not always based on 100 per cent bonus; they may pay only 50 or even 30 per cent. Even then such large bonuses have been earned. This shows that before the introduction of incentive schemes the workers were not working on time payment at anywhere near a reasonable pace of work. Apart from slackness in actual work, much working time is wasted over loitering. For instance, many workers do not arrive on time despite provisions in the Standing Orders. After getting through the Time Office and hence making sure of the official reporting time, they take their own time to get to the working place. The lunch interval of half an hour and two tea intervals are all substantially exceeded. If absence from the work place is noticed and questioned, there is the usual complaint that the supervisor is hard-hearted enough not to permit workers to leave for a few minutes even for answering the calls of nature. Invariably groups of workers start collecting at the gate a good 10 minutes before the time for leaving, which means they must have knocked off at least 5 minutes earlier still. Attempts to estimate the actual time lost in these numerous ways have yielded astonishing results.

Professor Myers of Massachusetts says of the ways of the Indian worker: "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

millyards. 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." My personal experience coincides with this. Supervisors, managers, and even entrepreneurs with their eyes glued only to immediate profit may prefer to buy peace by winking at such irregularities, but can a poorly creeping national economy afford to do this?

In a certain company, of which I have personal knowledge, an incentive system of payment was regularly yielding workers a bonus of 50 per cent of the basic wage and dearness allowance and yet the so-called 'performance index' varied from 25 to 65 per cent in the different departments, with the average efficiency of the factory as a whole at about 45 per cent.

The conclusions of the Commission's own Study Group on Productivity and Incentives are not very different from those mentioned above. Paragraph 115 of their report says that the present level of manpower utilization in the industry as a whole is of the order of 40 to 50 per cent. This presumably is the same as the performance index mentioned by me.

The Group mentions some cases where the incentive earnings of some workers were found to be 4 to 5 times their normal wages. This is obviously a case of fixation of poor standards, but there is no mention whether the base index in those cases had reflected current performance, as well they might have.

In the limited sample for which the N.P.C received information, increases in output, consequent on the introduction of incentive schemes, were between 30 and 50 per cent and increases in earning between 25 and 45 per cent.

The starting point of performance for earning incentives varied between 40 per cent and 60 per cent of performance.

In properly evolved incentive systems the typical bonus

that may be earned by workers generally is usually set at from 20 to 33 per cent, 25 being taken as the most common average. If the bonus earned systematically by large groups of workers exceeds this level by large margins month after month, that is a sure indication that the base performance beyond which incentive is allowed has been fixed too low.

Lack of necessary information : We talk of the low productivity of Indian labour, of the present level of manpower utilization in industry as a whole being 40 to 50 per cent, of the need to raise productivity, of the methods of doing so, of the sharing of the gains of productivity, etc. But this is all general if perhaps not far off the mark - talk. We must have very much more of information on the state of productivity to be able to evolve intelligent steps to raise productivity. Such information is almost wholly wanting.

We should know, for instance, a) the present level of productivity and b) the rate of increase of productivity, in each of our major industries as compared with similar figures for the more industrialized countries, particularly our competitors in our existing and possible lines of international trade. We should also know how our labour cost per unit of production in each industry compares with such cost in other countries. We should have information regarding the workloads borne by our workers in the various operations in the main industries and compare them with workloads in other countries. We should find out the reasons why we fall short of international standards. The labour cost per unit of production might turn out to be crucial in international trade though that would not be the only factor affecting our international competitiveness. A number of teams from India visited various industrialized countries to study problems of productivity, and they might have collected valuable information on the points mentioned above. Such figures should receive adequate publicity. Moreover a developing country like ours should endeavour to keep such information

upto date by collecting statistics and information on a regular basis.

Please see pages 450 and 578 of my book. I have there said that in 1950 the Fiscal Commission analyzed the statistics of output per manshift in the iron and steel and coal industries and gave its opinion that in recent years there had been a fall in efficiency. We should have very much more information of this kind. I have said that "while the total world export trade doubled, India's share in it declined from 2.1 per cent in 1950 to 1.1 per cent in 1960." Even if we allow for the fact that much of our export trade is in the three traditional commodities, tea, cotton textiles, and jute manufactures, the export of goods in the regular manufacturing sector could not have done well. Exports in the third plan period were better, averaging Rs. 762 crores a year as against Rs. 609 crores per year in the second plan. It is doubtful whether this has made any change in our share of the world exports. The state of our productivity, of our costs of production, of labour costs per unit included in total costs, and similar indicators of our production efficiency are all of great importance to our export trade and hence to the vitality of our economic planning. Unless information regarding these is systematically collected, our discussion of productivity must necessarily remain academic and vague.

An important pre-requisite to productivity : The productivity drive can never become a forceful reality unless it receives the whole-hearted and enthusiastic support of the working classes. It is for the Government, as the current leader of society, to create the psychological atmosphere necessary to enlist the cooperation of labour. Of adequate effort in this direction, there is as yet little evidence. The Draft Outline of the Fourth Plan says (page 33) that "Another programme that needs more attention than it has received so far in our planned development is the securing of public cooperation." Then it wastes the rest of the paragraph in purely academic commonplaces without in any way reassuring us that more attention will in fact be paid to securing public cooperation. The very First Plan devoted a whole chapter to 'Public Co-operation in National Development.' How is it that the efforts that must undoubtedly have been

made during the next 15 years have left us with a feeling that the programme "needs more attention"? We are at present a divided people, torn by numerous kinds of internal dissensions. So the first step in any real productivity drive lies not in the technical or economic field but in the political field. The question is : Can the Government succeed in stimulating the right response from workers and their unions in the interests of national growth by convincing them that productivity as a national programme can serve many causes, including their own, such as 1) improvement of the levels of living of the people, 2) enhancement of the production capacity of the economy, and 3) enlargement of the exports of the nation by reducing prices and improving quality? It is, however, not going to be easy for the Government to win over the working classes unless it can convince them that the rich and the privileged will be made to bear their due share of the burden of austerity, sacrifice, and savings in the true interests of national development. There will have to be a large measure of agreement between the main political parties in regard to the objectives and methods of planning, as a prelude to agreement between the various trade union organizations and then between them and employers and the Government. But unless an all-round agreement - even if it be only a workable truce - is forthcoming, I cannot see how any real productivity drive can get the requisite support and encouragement. In the absence of true cooperation, every step taken to raise productivity will become the object of protest. If increasing resistance is engendered, even the present-day productivity, poor as it is, may be jeopardized.

If, because of internal wrangling, even a passable amount of work is not done in the eight-hour shift, there can, of course, be no question of measures such as "socialist competition", "Stakhanovism",

"Shock brigadiering", "Subbotniks" (extra work without pay after the normal working day) and the like which raised Russia from levels no better than our own to the very front rank of the world's powers - measures which would undoubtedly be needed, were they available, to work a similar miracle in our own country. We too could profit from Lenin's advice about productivity :

" In the last analysis, productivity of labour is the most important, the principle thing for the victory of the new social system. Capitalism created a productivity of labour unknown under serfdom. Capitalism can be utterly vanquished, and will be utterly vanquished, by socialism creating a new and much higher productivity of labour."

Ministry or Department of Productivity : Our need for increasingly higher productivity is obviously much greater than that of the industrially advanced countries. Productivity is, as we have seen, an important means of raising levels of living and of capital augmentation, but there is yet another consideration which might escape attention - one that has to do with the timing of our industrialisation. "Since we are building up practically the whole of modern industry in an era of high prices, our industry, even if most efficiently run, will have to carry the burden of a heavy capital cost such as few industries in the more industrialized countries, with both old and new units, will have to. Our competitive capacity is instantly lowered by this very fact of an all-high capital structure. If on top of this inevitable handicap we insist on running our industries inefficiently, we need not blame anyone but ourselves for our sorry plight. Industry created at such cost cannot be run as if it were an unemployment relief scheme." (Page 581 of my book). It was because of the great need to push on with rationalisation and productivity that I suggested in the book (page 582) the setting up of a statutory authority which might be called the Rationalisation and Productivity Tribunal assisted by a technical counterpart, the Institute of Rationalisation and Productivity. While both these are necessary and useful, if the creation of a nation-wide

productivity consciousness is going to be taken up more as a political than as a purely economic problem, there would seem to be every need and justification for the creation of a Ministry of Productivity, which could also be entrusted with the administration of any incomes and prices policy that the Government might deliberately wish to pursue. This could be a separate ministry on the lines of the Employment and Productivity Ministry (Mrs Barbara Castle of U.K.) or a Department in the Ministry of Labour and Employment under a whole-time Minister attending primarily to productivity and allied problems. The important thing is that a Minister alone can take on the responsibility for creating the political awareness and the public consciousness needed to make the productivity campaign a success. Administrative agencies are perfectly competent to create a technically adequate machinery and plans, but if these are going to be ignored or even opposed because of political considerations, all the efforts put in would be in vain.

6. Discipline

The last fundamental matter that I should wish to raise here is that the creation of a better state of labour-management relationship is not possible in the atmosphere of indiscipline and violence that prevails today. Constructive discipline - not the dreaded discipline of the martinet - is the foundation of industrial and economic development and hence the greatest need of our labour situation. I have written at length on the subject of violence in industry in the main body of my book (pages 534 - 540) and in the Postscript (598 - 602). The former section was written some three or four years ago, that is, before the epidemic of 'bandhs' started, and the latter later on. True, violence is not the monopoly of industrial workers; practically every section of the public has been involved in violent agitations at some time or other during the last few years. But violence is doing considerable harm to the growth of a healthy trade union movement. By succumbing to the temptation to resort to intimidation and violence, unions are giving only secondary importance to the

virtues of orderly growth and collective bargaining.

A recent review of a book entitled 'The Dynamics of Modernization' by C.E. Black contains the following observations on violence in modern India:

"Again, despite the extraordinary influence of Gandhi, violence was a noticeable feature of the nationalist era. The two decades since Independence - thanks to the many mistakes of Congress leadership - has resulted in a degree of violence which probably throws into insignificance the incidence of violence under the British Raj.

If the violence and the tensions of contemporary India are merely the results of her effort to modernize herself and lift the country from the poverty of ages, there would be some consolation. But the breakdown of authority and the conditions of near-anarchy may, on the contrary, put an end to India's efforts at modernization. Could this be do one meaning of the failure of our Plan?"

If the Commission could suggest ways of rescuing industrial labour from the prevalent mania of violence, they would have served a double purpose, namely, given a fillip to true trade unionism and perhaps saved our plans from thoughtless destruction.

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LABOUR POLICY IN A DEVELOPING ECONOMY

First Part : Imperatives of Economic Development

(By K.N. Subramanian)

Labour policy is no longer the concern exclusively of the State; nor is it of interest only to the parties immediately involved, namely, labour and management. It has become truly national in its costs, consequences, and concern. The house-wife who cannot get her daily supplies of milk or bread because of a strike, the self-employed person - be he a shopkeeper, hawker, technician, doctor, or lawyer - who cannot follow his avocation because of a 'bandh', the bus traveller, the railway passenger, or the airline customer who has been stranded because of a sudden work stoppage - not to speak of persons more directly involved in a labour protest such as the unwilling worker coerced into joining a demonstration, the harassed executive, the threatened entrepreneur, and the 'gheraoed' victim - all have reasons to feel concerned about a labour policy that cannot protect them from the consequences of such frequent occurrences. No wonder the press, reflecting this general mood of helplessness and anxiety, puts out stories colourfully captioned 'Whither Labour', 'Responsible Labour', 'Gherao and All That', 'Dangerous Trend', 'Jungle Laws', and so on - to cite only a few of the more recent headlines. If then the public have got inevitably entangled in labour matters, it is for them to take an intelligent interest in what they cannot avoid and to develop a public opinion and viewpoint which will be heard above the din and bustle of partisan slogans and recriminations.

Problems of policy : Any attempt to analyse the labour policy of the State brings us immediately face to face with many difficult aspects of the problem which call for careful attention.

First of all, we must decide what would be a proper labour policy were it possible, in the circumstances obtaining in the country today. It is only such a policy that we can use as a standard or yardstick with which to measure the viability and effectiveness of our currently-operative policy. That policy which we might, for the sake of convenience, call a "necessary" policy will have to be based on the requirements of planned economic development on the one hand and on the urgent need to correct the existing weaknesses of the economy caused by a growing inflation on the other. The qualification "necessary" might also be appropriate for

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for the reason that what is necessary from the economic point of view might not be immediately feasible from the political point of view and yet that it would have to be the target towards which policy should steadily move. The second question will be whether the State has at all a clear, cogent, and consistent policy and how far the existing policy, such as it is, subserves the economic and social policies of the State, of which it must necessarily form a sustaining limb. If labour policy is pulling in a direction different from that of overall economic policy, or is taking a mildly independent or uncommitted view of its own role, its failure as an essential tool of economic planning would be amply assured. Any divergence of the current policy from the "necessary" policy will need scrutiny. An assessment of the extent to which the existing labour policy promotes or obstructs increased productivity, which is perhaps the most important means of economic development, or public peace, the most vulnerable of all areas exposed to the hazards of a weak-kneed policy, will also be necessary. Yet another important matter for consideration would be how far it is feasible to have a unified and effective labour policy throughout the length and breadth of a large federal state, the constituent units of which might have developed philosophies of their own quite inconsistent with, if not actively opposed to, those of the Federal Government. The treatment of these difficult problems must necessarily be brief in a paper restricted by limitations of space. As the "necessary" policy we have in view should be conducive to economic development, our first concern should be with the major imperatives of such development.

Objectives and achievements of planning : The Government Resolution setting up the Planning Commission required it to formulate a plan "for the most effective and balanced utilisation of the country's resources." In the implementation of this directive the Planning Commission defined, in the very First Plan, "the central objective" of planning in India as the initiation of "a process of development which will raise living standards and open out to the people new opportunities for a richer and more varied life." Explaining this general statement further, it said that "the accent of endeavour under present conditions in India has to be on economic development." Even after the execution of three Five-Year Plans, the results achieved have not helped us to get beyond the zone of anxiety, and consequently economic growth of a sufficient magnitude continues

to be the most compelling need of our present situation. Our population growth which was assumed to be 1.25 per cent per annum in 1950 has already exceeded a rate of 2.5 per cent per annum, and the total population has risen from 361 million in 1951 to 510 million in 1957. The First Plan had predicted that the population of the Indian Union would be of the order of 500 million at the end of 25 years, that is, by 1975, but we left behind that limit in 1966 itself - a case of over-fulfilment of the target in at least one important direction even if that happens to be a frightening one. The rate of growth of the population has not got stabilized; we may yet see more staggering rates in the decades ahead. The mortality rate, now about 18 per 1000, can greatly confound our planners and compromise our planning. In England the death rate was less than 12 per 1000 a decade ago, and even Ceylon had a death rate of only 12.6 in 1950. The latest United Nations Demographic Year Book mentions the death rate in developed areas as 9 per 1000 and estimates that the population of India which was 498 million in the middle of 1966 would be trebled in the next 46-year period. Dr. Eugene Staley of the Stanford Research Institute points out that "These lands (the developing states) have the death rates of 'advanced' countries and the birth rates of 'backward' countries." So we here have the best of two worlds and should, therefore, be prepared for a population growth of at least 3 per cent at no distant future. That uncomfortable and rapidly advancing prospect makes the need for adequate economic growth all the more pressing.

And what have we achieved through planning during the last 15 years? Over Rs.20,000 crore has been invested in the public and private sectors during the three plans. In the first two plan periods the national income rose at an annual rate of 3.7 per cent and the per capita income at an annual rate of 1.7 per cent. Due to the poor performance of the Third Plan, during which the total increase in the national income was only 13.8 per cent for the entire five-year period and the total increase in the per capita income 1.7 per cent for the same period, the compound annual growth rate during the 15 years of the three plans was only 3.3 per cent for the national income and 1.3 per cent for the per capita income. Domestic savings and net investment in 1960-61 were 8.2 per cent and 11 per cent of the national income. By the last year of the Third Plan these were expected

to have reached, or even exceeded, the target of 11.5 per cent and 14 per cent of the national income. The Draft Outline of the Fourth Plan puts the "likely achievement" in the matter of savings and net investment in 1965-66 as 14.15 per cent and 16 per cent. Presumably then the rates of savings and investment have come up to expectations at the end of the Third Plan, and yet the increase in the national income during the Third Plan was only half the target of 5 per cent per annum and the increase in the per capita income practically negligible. In short achievement in respect of economic growth all these years has fallen woefully short of expectations.

The effort needed : A net annual capital formation of some 4 per cent of the national income appears to be necessary to raise the national income by one per cent per annum. This is the standard suggested by the I.L.O. in the publication 'Problems of Wage Policy in Asian Countries' arrived at after a careful study of the experience of many developing nations. That was also the standard kept in view in the First Plan which declared that "for a population growing at the rate of $1\frac{1}{2}$ per cent per annum, the rate of investment needed for maintaining per capita incomes constant is generally between 4 and 5 per cent of the national income." If then we want an annual growth in the national income of, say, 5 per cent (half for neutralization of the population growth and half for a reasonable increase in the per capita income), the net investment needed would have to be of the order of 20 per cent of the national income. Even then inflation might upset all our calculations. As early as 1950 the Planning Commission said that the main question was "in what manner and how quickly the rate of capital formation in India can be stepped up, consistently with other objectives, from about 5 per cent of the national income to say about 20 per cent." It also supplied the answer by saying that "a high proportion (half) of the additional incomes that accrue as a result of development is saved and invested."

The two points that emerge out of this brief consideration of our economy are firstly that unless the tempo of development is not only maintained but increased substantially, we must necessarily slide into even greater perils than those we are now in (the stagnant per capita income of today could easily take a turn in the negative direction) and secondly that the only way in which this can be achieved is for the nation to curtail consumption even below

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the existing low levels, to-gather a substantially larger rate of real savings, and to invest more heavily than we have done in the past. This might help us to avoid deficit financing and to arrest the worsening of inflation which has been one of the major contributory causes of the poor results achieved.

Who gains ? Who gains most from a rising national income and conversely loses most from a stagnant or deteriorating national income ? Obviously those who appropriate the largest share of the national income, namely, the wage and salary earners. The wage share (including all types of remuneration) in the national income in developed countries has remained remarkably steady at 60 - 70 per cent of the national income. Such meagre statistics as are available on the subject in India (for example, see page 132 of 'Industrial Labour in India') would seem to confirm this finding for India too, especially for the manufacturing sector. Instead of one clever wage group trying to do down another within the total amount of the wage share available, it would be in the interests of labour as a whole to raise the national income and thus to raise its own share of it without necessarily reducing that of any other group.

The lesson of history : The massive savings and investments in real terms needed to raise economic growth from its present low levels to a reasonably adequate level are not possible without imposing severe hardships on the entire population, including the poor. The present writer has written in his recent book entitled 'Labour-Management Relations in India' : "History tells us that the high level of saving and investment needed for rapid development cannot, despite generous foreign assistance, be achieved except at the expense of current consumption and hence through substantial suffering and sacrifice." If the reader, perhaps fondly dreaming of development without tears and getting upset over such a blunt repudiation, would rather have a weightier authority for the same proposition, he would do well to consult the I.L.O. publication entitled 'Problems of Wage Policy in Asian Countries', where he will find the following matter-of-fact statements : "In the light of historical experience it appears that in some at least of the countries that are now highly industrialized, the process of rapid capital formation was for a long time accompanied by low levels of mass consumption. In

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England in the early years of the Industrial Revolution the level of real wages and mass consumption remained low. --- Another case is that of Soviet Russia ---. The rapid capital formation achieved in Soviet Russia --- was made possible chiefly by direct limitation of output of consumption goods through state planning. A third example is Japan. As in England, during its early stage of industrialization, the level of real wages in Japan remained low and income distribution was highly unequal."

Privation and hardships were the rule whether the country undergoing development was capitalist England or Japan or socialist Russia or China. The real earnings of workers in Russia plunged at the height of economic development to less than half of the level of the real earnings obtaining on the eve of the First Five-Year Plan. Economic development exacted the same toll of suffering and privation both in England and in Russia with only one significant difference, namely, that while England, pursuing a policy of laissez faire, spared the rich and sacrificed the poor in the 18th and 19th centuries, Russia sacrificed all impartially - rich and poor alike - for the same purpose in the 20th century.

Is India's case different? There is no particular reason why India or any other developing nation should, in spite of all the lobbying it might do in the councils of the world, be spared this inevitable ordeal in the latter half of the 20th century. The rule of suffering makes no exceptions; it has no pets to protect. The world has not become so much more philanthropic in recent times as to feel upset over the plight of its poorer cousins. And in the same measure in which the politician or the propagandist might paint a deceptively rosy picture of a millennium dawning early to the delight of an easy-going and comfort-loving population merely by the mechanical chanting of the goal of a socialist society - in that very measure would the disappointment of the disillusioned mount, as in fact it has already started doing so.

We have undergone, or endured, 15 years of development. The Administration apologists are quite capable of filling bulky tomes with the immense good that this is supposed to have done to the country, but the man in the street - or is it the woman doing her daily shopping? - not clever enough to take advantage of the substantial statistical blessings will only know that queues for essentials have lengthened, shortages deepened, and prices heightened. Inflation has assumed proportions never before attained within living memory. Nothing

but the most severe economic disciplines can bring the economy back to normal health.

Clues to a realistic labour policy : Here then are some clues to a realistic labour policy. The first is that there is no use looking for any substantial improvement in real wages or in the level of living for at least some years to come. The patient must get well before he can indulge himself. This might savour of pessimism, but it might at least have the slight merit of much-needed realism. There will have to be a severe restraint on wages, as in fact on all incomes, so that the real resources needed for development can be found. That is the naked truth if one is not ashamed or alarmed to face it. In fact labour must be thankful if the level of real wages does not dip too low as it did in every developing country, including Russia. Enjoyment comes after improvement, and that will take a number of years. The second is that both development and, through it, the eventual prosperity of labour will be speeded up by the utmost rising productivity of labour, industrial and non-industrial. And that increase in productivity must be the sum total of the contributions made by both labour and management - the one with its muscle and the other with its money and management. If we want any authority for so obvious a self-evident truth, we have an ample choice between the American Labor Boss (Walter Reuther) who says that "Living standards do not rise by any magic formula. They can rise only when workers produce more per hour and per year of work". The British Prince (Philip) who declares that "Our solvency depends on the efficiency of our industries and upon the national productivity" and the High Priest of Communism (Stalin) who told his comrades that capitalism smashed feudalism because of its attaining higher norms of productivity and that that was the only way to smash up capitalism too.

A high rate of economic growth, a large volume of internal savings, and the highest possible level of productivity are not possible if two other imperatives, one dependent on the other, are not unmistakably reflected in the State's labour policy. These are the need for a high standard of discipline and the need for a far better state of labour-management relations than obtains now in industry.

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Faced with these five imperatives of economic development and realizing that a long era of austerity awaits him, the socialist or his apologist will point out with self-righteous indignation that national development has social objectives too, namely, a better distribution of the national income, reduction of the existing disparities in income and wealth, a steady improvement in the standards of living, and so on. He will quote from the economic scriptures - the Constitution and the Five-Year Plans - in support of his contentions. The sympathies of the Directive Principles of the Constitution are entirely on his side. The State shall endeavour to secure to all workers work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities (Article 43). It shall secure that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment (Article 39). These and several other provisions are all heavily weighed in favour of a more just distribution of the national income and against any undue hardships. But these are objectives which the State "shall strive to promote", and if that very striving produces hardships in the beginning in preparation for a better world to come, there would be nothing wrong in enforcing on the population the disciplines needed for rapid growth and eventual advantageous distribution. These considerations apply equally to the more specific objectives spelt out in the Five-Year Plans. The Plans had, in their enthusiasm, whetted appetites for too prematurely. To claims for immediate improvement of living standards, we can certainly lend our sympathy, but not our support, for the time being. The slogan of 'Production before distribution' is particularly apt in our case.

The extreme importance of a substantial rate of economic growth, with all its necessary implications in the matter of curtailment of consumption and of consequent suffering and the inevitability of postponement of social objectives until after the economy has been adequately built up, emphasized in the foregoing paragraphs, might appear to some to be indicative of undue alarm and pessimism. That this is not so would be clear from the views of neutral observers. Professor P. M. S. Blackett, noted British Scientist, delivering the first Nehru Memorial Lecture only a few days ago said that the present poverty in India was so great and the task of dealing with a

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rapidly rising population was so formidable that "in my view almost everything must be sacrificed to economic growth.

Economic growth is not everything, but today in India it is almost everything."

A word of caution : Before we pass on to a consideration of what we have earlier referred to as a "necessary" policy, a word of caution would be in order. Labour policy can only be part of the overall economic policy of development and must dovetail closely into the other component parts to make up the whole. Labour policy cannot stand in isolation or in the abstract by itself and impose wage restraints and austerity in pursuit of what it might rightly recognize as a proper overall policy if little or nothing is done in other fields to control prices, to impose correspondingly severe restraints on the emoluments and gains of managerial and entrepreneurial elements, or to mop up substantial portions of the profits of economic activity for further investment and growth. Any exclusively sectoral attempt at following correct disciplines, however well-meant, can only end in failure and bitterness and must be rejected. Hence the importance of a well-coordinated policy of incomes and prices. It is for the economy as a whole to pull together and move on if it does not want to sink together.

LABOUR POLICY IN A DEVELOPING ECONOMY

Second Part : A "Necessary" Labour Policy (Issues of Protest)

(By K. N. Subramanian)

/a We discussed in the First Part the five imperatives of economic development, namely, a high rate of economic growth, a large volume of internal savings, the highest possible level of productivity, a high standard of discipline, and a much better state of industrial relations than obtains at present. We now proceed to consider an effective labour policy which will promote these requirements of the economy as matters of high priority for the present, always keeping in mind the ultimate objective that consistent with the interests of the nation as a whole, labour must, in proper time, make steady progress towards a better and fuller life for itself. The labour policy, though often referred to in the singular, is in fact a bundle of policies which guide action towards the numerous objectives in the labour field, major as well as minor. Our discussion in a brief paper must, however, be limited to a few of the more important matters vitally concerned with the requirements of economic development. The labour policy which it would be the responsibility of the State to formulate would necessarily have to be far more elaborate.

Wages: Let us take up first wages, the most difficult of labour subjects and at the same time the most important, for our "necessary" labour policy as it is intimately bound up with the creation of a high level of savings and investment, has a direct relevance to productivity, and is also a vital instrument for the control of inflation - not to speak of its being the cause of a very high proportion of the total number of industrial disputes. It hardly needs any emphasis that a wages policy, more than any other aspect of labour policy, must be tailored to suit the needs of the particular economy and that what is good for one undeveloped economy may not necessarily be so for another. Also what is necessary, or even imperative, in a particular state of the economy may need ample change as the state of the economy changes. It should, therefore, be understood that the wage policy set out below is meant to apply only to our economy as it is at the present time.

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The wages policy has undoubtedly a large role to play in the development of the economy, but it can play its part effectively and purposefully only as part of an overall incomes policy, which, in turn, must go with an appropriate prices policy. It is regrettable that an integrated incomes and prices policy has, for the last several years, continued to remain no more than a mere conversational piece and that it has not so far been considered a problem urgent enough to merit the concentrated attention of top governmental authorities. Neither the publication, early this year, of a framework for such a policy after protracted deliberation by an expert committee set up by the Reserve Bank in the middle of 1964 nor the vigour with which the forces of inflation have been trying to get on top of the economy has succeeded in causing any undue alarm in our planners. A wages policy, unrelated to the demands of overall planning, must remain a jumble of ill-assorted economic and social principles, set out theoretically, which it might be nobody's business to implement. That presumably was what happened to wages "policies" in the Five-Year Plans. For our present purpose we must necessarily proceed on the assumption that the difficulties faced by the economy are serious enough to make our planners evolve a suitable incomes and prices policy and that the policy which we here advocate will fit in harmoniously with that policy.

The objectives of an incomes and prices policy in the conditions now prevailing in India have been set out adequately in the framework evolved by the Reserve Bank Steering Group. They are briefly : 1) to generate from domestic income the savings necessary for ensuring non-inflationary financing of investments, 2) to adjust domestic demands in such a manner as to minimize the pressure on balance of payments - the internal economic balance conducive to external payments balance, and 3) to narrow the disparities in real incomes as between sections of the community and as between individuals. These are appropriate for our present purpose though it is necessary to mention that the third objective, being one heavily concerned with the redistribution of the national income and, in so far as it contemplates a steady improvement in the level of real wages, being somewhat at conflict with the requirements of saving, must, in our scheme of priorities, take a back seat yielding place to production.

We have earlier referred to the need for stepping up internal savings to a much higher level than has been attained so far. This will also reduce domestic demand and consequently the pressure on supply. Considerations of space prevent us from undertaking a detailed examination of the causes and effects of the inflation that has afflicted the economy or even of the remedies called for to contain inflation. The conclusion, however, must be that the demand-pull inflation induced in the first instance by the requirements of development has, in turn, led to a cost-push inflation of a considerable magnitude and that the former can be brought back to reasonable dimensions with a view to checking the cost-push inflation only by a substantial restraint on wages, salaries, and other forms of remuneration which account for over two-thirds of the national income. That alone will help to check the most important constituent of aggregate demand, namely, private consumer expenditure. The inflation now prevailing in the economy has been variously described by critics of repute as "a runaway inflation", "a most pernicious kind", etc. and is obviously serious enough to warrant stern remedies. Prices and wages have long conspired to thrive at each other's expense, and it would be a futile mental exercise to try to apportion responsibility to one or the other. The view is sometimes held that stabilization of incomes inevitably leads to the stabilization of prices and that these processes should come in the order mentioned. However, we should expect that along with wages prices also will be subjected to desirable restraints and that both restraints will proceed pari passu.

Dearness allowance, as a major constituent of total remuneration and tied to the consumer price index, is one of the most potent causes of inflation. That is the considered view of the foremost experts in the subject. The magnitude of this dangerous cause of inflation may be gathered from the fact that a typical medium-sized engineering concern in Bombay which was paying a dearness allowance of Rs.88 per month to its workers early in 1964 paid as much as Rs.155 per month early in 1967. At the same time an incentive system of payment applied in the concern was regularly yielding an incentive bonus of the order of 40, 50, or higher percentage of the total of basic wages and the mounting dearness allowance. When total emoluments rise as a result of the grant of increasing dearness allowance, the

unit labour cost always rises. The prices of the manufactured products necessarily go up. When vast numbers of workers get such increases in remuneration, the cumulative effect of the higher emoluments is to place in the hands of consumers a purchasing power far beyond the value of the goods and services available in the economy. The result is a boost to inflation. Payment of incentive wages related to productivity is not attended by these adverse effects. An incentive system is always so designed as not to raise unit labour costs. Often unit costs may even be lowered.

Bearing these and similar trends in mind, one should say that in industries in which wage rates have already been brought up in the recent past to reasonable levels through collective bargaining, adjudication or other means, there should be no further attempt, for the duration of this scheme, to raise wage levels merely in response to a wage demand. The introduction of incentive systems of payment should be the principal means of raising the total earnings of workers - even for the purpose of neutralizing the rising cost of living. Experience of such systems in developed countries shows that in particular industries 70, 80 or even a higher per cent of workers can be covered by suitable schemes.

While it would not be proper to reduce or withhold payment of the current level of dearness allowance, except for a fall in the consumer price index, there should, in the interests of controlling inflation, be no further increase in dearness allowance in organized industries. This does not mean that the affected workers are to be left wholly unprotected against rising cost of living or that the real wages of workers are to be allowed to decline to any great extent. The State should ensure that at least those workers who are denied the benefits of a rising dearness allowance are enabled to secure their supplies of foodgrains, cloth and a few specified necessities at prices no higher than the current levels or at prices varying only within specified limits. It is one of the elementary duties of a state to supply to its citizens at least the bare necessities of life in reasonable quantities and at reasonable prices. If a state cannot do this, there is no meaning in its talking about planning, development, etc. In specially abnormal

situations the State may have to exercise controls or even to grant subsidies in respect of essential commodities in order to hold the price line, but even this would be preferable to allowing higher prices, and the resulting higher wages, to feed the fires of inflation. Such a responsibility undertaken by the State would also set at rest the controversy whether at least employees whose earnings are below what would be justified by the national per capita income should not be fully compensated for every rise in the cost of living index. Any effective alternative remedy would be preferable to neutralizing the rising cost of living with additional money wages as the latter course is invariably a self-defeating one. It is only when Government declares its inability to hold the price line at least in respect of a few essentials that questions relating to the extent of neutralization of the rising cost of living can arise. In such an event the course of action is clear. The more the Government denies or delays neutralization, especially to the higher income categories, the greater the chances of inflation not bouncing up unduly. But in a situation in which the cost of living adjustment has become a substantial portion of total remuneration, we would already have become a prey to inflation and rational steps to fight inflation would have become an early casualty.

In establishments or in industries in which the introduction of incentive schemes is not possible, any wage increases granted should not exceed in money terms the long-term rate of growth of the economy as a whole after adequate allowance has been made for the required savings. Even such limited refixations of wages should not take place more than once in two or three years. There should be no industry-wide or country-wide refixations of wages through adjudications or wage board awards as these have an immediate and appreciable inflationary effect.

The principle here is that increases in money wages, like increases in all other money incomes in the economy, should not exceed the rate of growth of productivity of the overall economy moderated by a margin necessary to yield the requisite savings. When an incomes and prices policy has been evolved through a broad consensus, there will be need to give statutory effect to it. Pure voluntariness in such a difficult matter has failed even

in advanced countries. It is unlikely that it would serve us any better. But the law can come only if there is substantial acceptance of it by the public and the affected interests. It should be the function of a statutory Incomes and Prices Authority to work out the precise overall limits within the policy incorporated in the law. Since the limits will be based on the productivity growth of the economy as a whole, and not of individual industries, and long-term trends will be employed rather than year to year changes, there will be only one set of limits for use throughout the non-agricultural sector.

This principle cannot obviously apply to substandard levels of wages, including wage levels, whether in agriculture or in minor industries, fixed under the Minimum Wages Act. Since these are comparatively low levels of wages, no attempt should be made to restrict them in any way.

In the present state of the country's economy, with industries and employments of widely-varying capacities to pay, it is not possible to fix an adequate national minimum wage. A national minimum, if insisted on, will have to be fixed at a particularly low level and will serve little purpose. It would be more advantageous from the point of labour if minimum rates were fixed industry-wise depending on the paying capacity of the industry concerned so that these levels could be advanced with the increasing prosperity of the particular industry, and without having to wait for improvements in the industry with the least capacity. The need-based minimum and the concept that the capacity of industry to pay is irrelevant for the purpose of fixation of minimum wages have both been found unworkable in practice in a highly backward economy like ours.

Bonus: The annual bonus, which is a substantial addition to wages, has contributed in full measure to inflation. Vast Sums of money are put into circulation in a concentrated manner during short periods of time in pursuit of ephemeral consumer satisfactions. The provisions of the Bonus Act, setting apart for distribution as bonus 60 per cent of the "available surplus" profits of an establishment without even providing for rehabilitation, along with the further provisions relating to the payment of a minimum bonus even by losing concerns and the calculation of bonus on the total of basic wages and dearness allowance have led to the diversion of quite a sizeable portion of the national

income almost exclusively to consumption. If we are really keen on rapid economic development, we have no alternative but to allocate a substantial portion of the "available surplus", perhaps as much as 50 per cent, for "plough-back" in a suitable manner. The remaining 50 per cent could be utilized equally for reducing prices, giving additional remuneration to capital, and paying an annual bonus in cash to labour. If the amount of the 50 per cent is inconsiderable, the one-third allocation for reduction of prices could perhaps be dropped, so that the amount available would be divided equally between labour and management. How long the "plough-back" should be accounted for as a free reserve and at what stage it could be converted into bonus shares are matters of detail to be settled. But it should clearly be recognized that the reserves built up under this scheme and the bonus shares issued out of them are the joint property of both labour and management, each side being entitled to half the interests involved. Such a recognition would do away with labour's objections to heavy "plough-backs" on the ground of these being appropriations meant exclusively for the benefit of capital. Management too should not object to such an arrangement as this should be no worse from their point of view than the provisions of the Bonus Act. The precise mechanism of the "plough-back" arrangements such as the accounting of individual credits, the accumulation of sums sufficient to permit of the allotment of a whole number of bonus shares to a worker, etc. need not be gone into here.. All that is intended to be stressed is that there must be compulsory "plough-back" of a large portion of the "available surplus" profits in a manner that will not deprive either side of its legitimate share in it. Industries can be ruined - let alone not improved or expanded - by failure to plough back adequately. The Commerce Minister recently ascribed the poor condition of many of the textile units to such a failure of managements. This arrangement has the additional merit of enabling workers to gain a footing in ownership and through it in management - a significant way of participating in management which they cannot achieve in any other way.

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Alternatively, as the next best arrangement, it could be considered whether the bulk of bonus payments should not be utilized in some suitable manner for increasing industrial housing. Whether the housing so promoted should be attached to individual establishments and made available to workers on purely nominal rents or whether individual workers should be permitted to accumulate the bulk of their bonus earnings in a blocked account which would not become encashable prior to superannuation except for buying a house are again matters of detail to be settled in tripartite consultation.

If, for any reason, bonus payments continue to be heavy, the need for limiting cash payments to a prescribed level and paying the rest in long-term securities, including credit to provident fund accounts, seems obvious both to provide resources for investment and to contain inflation.

There is an informed view-point that payment of annual bonus should be discontinued and that wage levels should be appropriately raised to make up for the loss. In view of the considerable amount of litigation and strife arising from bonus claims, there is much to be said in favour of this view. The very limited popularity of profit-sharing schemes in developed countries shows that powerful trade unions do not consider bonus an adequate substitute for proper wages. However Indian labour has the abolition of bonus raised by unions is that on such abolition units which now pay a high rate of bonus will not be called upon to give a correspondingly higher rate of basic wages as the principle of uniformity of wages would demand fixation of wages at a level that the weaker units can afford. True, establishments may vary considerably in their paying capacities and a uniform level of higher wages may not be possible. Even now though the basic wage rates may largely be uniform in some industries, there is no uniformity of total remuneration because of the differing amounts of bonus paid. So all that would be necessary is to have a minimum wage level applicable to all units in an industry, with bargaining for higher wages in the case of the more prosperous units. This is actually taking place today though the extra amount is called bonus and not wages. One possible advantage of this change would be the elimination of much of the complicated and contested calculations now involved in the ascertainment

of the annual bonus. While, therefore, there is a case for the abolition of the compulsory scheme of bonus and its replacement by a higher level of wages, this would need the canvassing of public and worker support on a scale that may not immediately be feasible. If then bonus cannot be abolished, it could at least be made to fit in with national interests and aspirations.

Curbs on the rich: The imposition of restraints on wages and bonus advocated above will naturally create apprehensions in the minds of workers that this would only lead to greater disparities of income and wealth and that the rich will continue to have it all their own way. Convincing steps will, therefore, have to be taken to dispel all such legitimate apprehensions. A comprehensive price policy should be evolved and enforced by the Incomes and Prices Authority in such a way as to permit of price increases only within limits prescribed from time to time. The price level allowed should yield a reasonable rate of return on capital employed and also provide for a pre-determined level of additional profits which would go to augment savings and investment. The profits allowed for the latter purpose must be duly invested. One way of doing this has been mentioned while dealing with the "available surplus" for bonus purposes. This or any other suitable method which would achieve the purpose in view could be adopted. Effective fiscal and other measures will have to be taken to ensure that entrepreneurs do not misuse the opportunity of restraint on wages to make additional profits for their personal gain. As wage restraints will be applied only to organized industry, the price restraints too should be limited to the same field. There would be no point in taking on too much of an unmanageable load. While the price level must be such as to yield reasonable resources for investment, it is obvious that it should not be pitched so high as to lead to inflation of any noticeable extent.

Simultaneously steps will have to be taken to scale down the salaries and perquisites of top managers and directors in the private sector and the commissions of managing agencies to levels consistent with the economy of the country. If this reform is not carried out immediately, there can be no justification for resisting wage claims. The case of the foreigner employed in India will need a different treatment, depending on how far such employment is indispensable to the country's interests. Even if special treatment has to be accorded to the foreigner for specific

reasons, there is no reason why Indian employees should not be required to fall in line with the country's interests. One way of dealing with the complaint that is bound to arise of differential treatment of foreign and Indian employees in foreign concerns would be to prescribe that the company pays the difference in emoluments and perquisites in respect of each Indian employee differentially treated as a tax to Government. This will have some check on the temptation to pay very large emoluments to foreign employees.

A policy of restraint on wages must always be looked upon as a short-term measure. It cannot be continued indefinitely without relaxation. As soon as the economic growth takes a turn for the better, inflation is firmly controlled, and industry and agriculture pick up healthily, the question of relaxation of wage restraints will have to be seriously considered. The policy suggested above should, therefore, be treated as one applicable, in the first instance, for a period of three or five years. It will need to be reviewed in the light of the then prevailing circumstances.

Productivity: As was mentioned in the First Part of this paper, rising productivity is universally recognized as the key to economic growth. Investment, while indispensable, can, by itself, achieve little; the way to make it yield the most is through intelligent measures of productivity. In regard to this, the "necessary" policy will have to make a two-pronged attack. First, productivity through the application of attractive incentive systems of payment should be ensured to the fullest possible extent. Indian labour has much reserve capacity which it can exploit in the nation's cause without suffering any deterioration of health. This is so obvious from the fact that when almost any company introduces an attractive incentive system of wages, productivity shoots up very considerably. The real trouble with productivity is that it has so far been treated as a polite fiction - a subject eminently suited to discussion among intellectuals and in high-level conferences. Permeation of the very concept, much less the enthusiasm for it, among the lower levels in union organization is highly doubtful. It was this superficial approach which marred India Productivity Year 1966. There was really no concerted attempt at getting down to the difficult task of doing something to promote productivity. While incentive

schemes, if properly worked, will yield rich dividends for both labour and management, it is unfortunate that in the conditions obtaining in India today, they are also productive of much industrial unrest because of disputes over workloads, standards, rate-setting, etc. In order to create an atmosphere of productivity and to reduce the suspicion and tension consequent on adjustment of workloads and standards, the State must take a large hand in creating and sustaining agencies manned by highly-qualified, impartial, and incorruptible people for making technical studies and issuing competent awards. At present most incentive schemes are produced by consultants paid by managements and are naturally viewed with considerable suspicion by labour. Workers and unions might take to productivity with less resistance, if not greater ardour, if they can rely on neutral agencies which are not out to make money by pleasing either party.

Secondly, the policy of modernization and mechanization, including automation, must be frankly faced, discussed and accepted without any mental reservations as an important means of raising productivity and living standards. The high levels of living standards obtaining in advanced countries were largely made possible by technological revolution. Such techniques, while undoubtedly man by machines in the affected operations, have always stimulated the rate and volumes of economic growth and in the long run led to larger overall employment. The National Commission on Technology, Automation and Economic Progress in the United States said that "Although a reduction in the growth of productivity at the expense of potential output might result in higher employment in the short-run, the long-run effect on employment will be uncertain and the long-run effect on the national interest would be disastrous". Referring to under-developed countries, the Commission said that "Technology, which is one of the chief means of increasing productivity, can find its greatest applications in these countries". One may adopt the most opportune time, pace or arrangement for modernization, but to reject modernization on the ground of possible labour redundancy is to reject all progress. An industry which does not steadily progress must become a quick casualty of neglect. Our textile industry is a case in point. Modern industries created in developing countries at the present-day high costs cannot be run as if they were labour-intensive measures calculated to alleviate the distress of unemployment. Unless industries in developing countries can compete on

equal terms with the highly-efficient industries of advanced countries, all hopes of a rising volume of exports of manufacture will have to be given up. World trade recognizes and respects only one criterion, namely competitive excellence. Quality and cost are the only arguments that get a hearing in the international market. Cleverly-worded appeals by developing nations at international conferences for a greater share in the world's trade and commerce or for relaxations of quotas, tariffs and the like will largely be of no avail when quality and cost are not substantial recommendations in their own rights.

Sharing the gains of productivity: This is a subject often wrapt in a shroud of confusion and misunderstanding. It is too big a subject to be met squarely in a small paragraph. Increased productivity arising from the increased efforts of labour is best rewarded through the institution of appropriate incentive systems of payment. There are concepts of "high sharing", "full sharing", and "partial sharing" in the formulation of specific incentive schemes, but these have reference to the levels of performance (high task, normal task or low task) relative to the base rate. The different formulae employed with the different levels of base performance ensure that earnings are related to effort regardless of output. All the three standards of sharing do justice to labour in different circumstances, having regard to the base performance beyond which the incentive element starts.

The concept of "sharing the gains of productivity" has greater relevance to a situation in which the gains accrue otherwise than through labour's increased efforts. These gains arise primarily from better machines, better technology, and more rationalized methods of operation and management. In such a case it is first of all difficult to calculate the quantum of the gains and secondly impossible to allocate the gains according to any scientific formula. Bernstein says in his 'Arbitration of Wages' (page 99) that a limitation in the use of the productivity criterion is "the total absence of a formula for allocating the gains of rising productivity among the claimants". The efforts sometimes made of arriving at an arithmetical allocation have no meaning. Moreover much of the growth in productivity is due to technological improvements and to investment on a large scale and is not due to human efforts. So labour's

claim in law or equity to a share in the gains may not be very strong in many cases; their expectations may rest more on considerations of good labour-management relations. If wages are increased in proportion to the long-term trends of the overall productivity of the economy, labour would have received a fair share. If, in addition, as in India, the "surplus profits" are shared in accordance with some such formula as the one earlier discussed in connection with the "plough-back", the sharing would be more than equitable. To look for a more refined formula than these would be to chase a non-existent thing.

Technological improvements have been the main source of growth in productivity throughout the ages. Since the commencement of the Second World War there have been spectacular improvements in technology, leading to numerous forms of automation, instrumentation and electronic data processing. Man's reaction to the greater efficiency of machines has also typically been the same throughout history; first he smashes up the machine, but he soon finds that it is a friend and not a foe and that it helps one's progress instead of hindering it. He then stops obstructing progress, but does not start worshipping the machine as the source of his wealth and comforts until a much later date. The progress from obstruction to acclamation takes time. Man is essentially conservative and is afraid of progress. The cycle of these reactions is repeated every time a major revolution in technology threatens to supplant men by machines. It takes a lot of courage on the part of workers to realize that what seems at first to rob them of their means of livelihood is in fact responsible for the growth of employment and that it has potentialities for raising living standards beyond one's hopes or expectations.

LABOUR POLICY IN A DEVELOPING ECONOMY

Third Part: A "Necessary" Labour Policy (Issues of Organisation

(By K. N. Subramanian)

We discussed in the Second Part the ingredients of a "necessary" policy in respect of wages, bonus, and productivity. Here we shall discuss some other important matter which are vital to the success of any labour policy.

Labour-Management relations: The adoption of stringent restrictive measures in regard to wages, dearness allowance, and bonus, which have the effect of reducing consumption and increasing savings, and the imposition of substantial obligations on both labour and management in respect of productivity will not be possible unless the currently-fouled atmosphere of labour-management relations is greatly improved. The injection of politics into trade unionism in unnecessarily massive doses and the acquisition of effective control over most unions by outsiders having an axe of their own to grind have largely been responsible for keeping the pot of discontent over boiling. The outsider, whose leadership of the union is dependent on his demonstrated indispensability to its members, does not find himself in the plenitude of his health unless he exercises himself adequately, stirring the broth of discontent whenever it shows an undesirable (in his view) tendency to settle down and stick to the bottom. And when the outsider is not fighting the employer, he is certainly fighting a rival union. All this converts the union into a restless group, over in ferment, which can never achieve peace and quiet for any length of time for constructive work. So a necessary reform in the conditions obtaining in the country is the gradual, but firm, elimination of the outsider from union executives.

It has frequently been claimed, especially in recent times, that the percentage of outsiders in union executives has steadily gone down. One estimate resulting from a study made on the West Coast is that outsiders constitute only 33 per cent of the total trade union leadership. Another estimate mentioned at the All-India Labour

Economic Conference of December 1966 was that outsiders constituted only 16.22 per cent in labour unions in Bihar. The report added that "the percentage of outsiders had a decreasing tendency during the last decade." Such statements based purely on statistics are bound to mislead the unwary into believing that the influence of the outsider is waning. This is far from being the case. During the Legislative Assembly debates in 1926 on the Indian Trade Unions Bill a perceptive legislator, Chaman Lall, pointed out that the ratio of outsider to insider was meaningless as only one outsider among a dozen nominal leaders of an establishment wielded power and really counted in the affairs of the union. "It does not matter in the least," he said, whether you make it (proportion of workers on executives) 99 or 50 per cent, because in any case outsiders are only a handful of the union executive in any part of India that you may choose to name." It is quite a common experience to find in an establishment an outsider as president of the union and a string of insiders as vice-presidents, secretaries, treasurer, assistant treasurers and so on. In such a set-up the outsider element is only, say, 10 per cent of the total number of union leaders, and yet it is he, and he alone, who dictates the policy of the union and delivers the goods when he wants to. In fact there are reasons to believe that the number of outsiders on the union executive is purposely kept low so as to avoid a power struggle inside the union. Two kings cannot sit on the same throne. If 70 or 80 per cent of the leadership is truly inside leadership with an effective voice, how can we account for the fact that we seldom find a single insider in any of the tripartite conference? The Patna survey rightly came to the conclusion that the presence of outsiders "had discouraged the emergence and growth of leaders from within" and that "key posts in the executive committees of unions were mostly held by outsiders." A fruitful avenue of investigation in future studies would be to find out what percentage of unions classified as a) big, b) medium, and c) small in various industries do not have a single outsider on their executives and how many unions have, within any span of time, graduated from outside leadership to effective inside leadership.

Changes to collective bargaining : When the insiders have gained control over their unions and learnt to shape their own economic future, new and meaningful methods of cooperation with the employer, of practising industrial democracy,

without prejudicing their independent character, will occur to unions.

It is only then that the virtues of collective bargaining in preference to compulsory adjudication in the settlement of labour issues will become not only apparent but appealing. People who are content not to look at the shape of things to come find nothing unnatural in propping up compulsory adjudication with many a rotted support. And yet a month's reflection is sufficient to show to anyone who is prepared to see that compulsory adjudication as longterm panacea has not a leg stand on.

The size of today's problem : Let us consider a few simple facts. Today's total employment in large-scale industries in India is about 4.5 million. If we add up all other sectors like mining, plantations, transport, etc., over which unionism has some hold, we would be dealing with some 10 million workers, at the most, who claim in some degree the attentions of governmental agencies for the redress of claims and grievances.. This number must be considered against a total working force of 220 million, constituting 43 per cent of the total population of 510 million (see page 19 of Economic Information, 1965). Such a small industrial force, not more than half of which was really active and effective, was responsible in 1964 for 5557 industrial disputes referred to the machinery of the Central Government and for 27,981 disputes referred to the machinery of the various States, that is, a total of 33,538 disputes (See Employers' Federation Handbook, 1965, page 75) for conciliation, mediation, and adjudication. Of these eventually 2853 disputes were referred to compulsory adjudication. Even this comparatively small number of adjudications has been responsible for complaints of delays in the settlement of disputes.

The size of tomorrow's problem : Let us consider what will happen to the size of our non-agricultural labour force a mere generation hence, say, by 2000 A.D., by which time, let us hope, the country would have become sufficiently industrialized. In the highly-industrialized economy of the United States, the total non-agricultural employment in 1959 was 59.7 million out of a total labour force 71.9 million and a total population of 177 million (See Bloom and Northrup, Economics of labour Relations for sources). The non-agricultural

employment sector, constituting as much as 34 per cent of the total population, accounted for man-days lost through strikes of the order of 0.40 per cent of the annual working time available, that is the equivalent of one day's national holiday, or in our parlance one day's 'bandh', in the year. The undisputed freedom to strike has in fact led to a very low incidence of strikes, most of the disputes being settled through mutual negotiation. The few big news-making strikes are not so economically demaging as might appear at first sight.

Russia had 11.5 million workers in non-agricultural occupations at the commencement of her five-year plans in 1928. This figure rose to 31.5 million in 1940, accounting for 19 per cent of the total population of 170 million.

From these figures it is so obvious that if India gets past the "take-off" stage and becomes industrialized on a massive scale, the employment in the non-agricultural sector will have to go up severalfold. By 2000 A.D., if our population growth continues to be what it is today, we would have left the billion mark comfortably behind many years ago. The latest United Nations Demographic Year Book contains the frightening calculation that in the next 46 years the population of India "is expected to treble," that is, reach 1500 million. If by 2000 A.D. our non-agricultural labour force is no more than a mere 5 per cent (compared to the 34 per cent and 19 per cent mentioned above) of the total population, it would amount to more than 50 million. If it goes up to 10 per cent depending on our pace of industrialization, the relevant number will be more than 100 million. Mere contemplation of the magnitude of these numbers and of the number of disputes and adjudications the governmental machinery will have to handle is enough to convince anybody of the utter insolvency of the very idea of adjudication as a long-term arrangement.

Apart, therefore, from one's preference for collective bargaining over compulsory adjudication on the ground of its ensuring greater tranquillity and peace in the labour relations atmosphere and thus leading to higher productivity, the sheer impossibility for any state, however powerful, to cope with the tremendous volume of labour litigation that would arise in a nation of a billion or more of population should be sufficient

to warn us that the time to switch over to collective bargaining is now and not later. The reported pre-occupation of the Labour Commission to evolve one mammoth and uniform Labour Code for the whole of India and to establish a common pattern of labour judiciary, while not open to any particular objection, should be the least part of its concern. Its efforts should be to apply its mind to the problem of getting away from labour legislation and litigation as far as possible and not to make labour litigation easy, cheap, and attractive. It is to be hoped that the Commission is applying at least an equal amount of attention to the far more difficult problem of encouraging collective bargaining.

Changes in the trade movement : The practice of collective bargaining, that is, of industrial democracy, is not possible so long as the trade union movement continues to be what it is today - fragmented and divided, lacking in resources and in responsibility, and waging wars of attrition with one another for reasons other than the true economic interests of their members. Simultaneously with the exclusion of outsiders statutorily and the building up of collective bargaining, the entire structure of trade union movement should be gradually, but steadily, altered. Today there are in the country at least four central organizations of labour functioning not as coordinating bodies dealing with matters of policy and principle but nearly like big general unions serving all industries and all regions alike. Then there are unions, mostly attached to individual establishments. A few of them are large and powerful, but the large majority are small and ineffective, with neither resources nor strength to carry out their normal tasks in a legitimate manner. The building up of strong national unions serving the whole of a particular industry, trade or employment throughout the country is an early necessity. National unions will be supported in individual establishments or local areas by branched or local unions. A long period of amalgamation and consolidation of small unions is inevitable before truly national unions can be formed, but the process must begin with faith in a policy of strong national unions. It is wrong to imagine that the Indian worker is too poor to pay adequate membership fees. He can afford to pay a much higher

level of fees provided he is going to benefit by the operation of an effective and responsible union movement. If as a result of the proper functioning of unions productivity, and along with it, real wages go up appreciably, the additional investment in membership fees would be amply repaid. With the growth of strong national unions the central organization ^{must} accept a measure of limitation and redefinition of these responsibilities and spheres of action. Their responsibilities will undoubtedly grow in the field of over-all policy but not, as now, in the fields of collective bargaining and disputes settlement.

Legal protection to unions : If compulsory adjudication is gradually withdrawn and replaced by collective bargaining, the need to prohibit unfair labour practices will assume great importance. Inside leadership which opposes management will, in the absence of legal protection, immediately be discriminated against and victimized. A comprehensive law defining, prohibiting, penalizing, and remedying unfair labour practices should be got enacted as a matter of priority. It should be administered by a special agency, strong and efficient enough to provide prompt relief where needed.

Problem of representation : The present system of "recognition" of unions is not only ineffective but almost farcical. It encourages the growth of rival unionism and leads to unnecessary internecine warfare. It recognized not only "recognized" unions but even "unrecognized" unions for various purposes. A scheme resolution of the 1964 session of the Indian Labour Conference says that unrecognized unions should have the right to represent individual grievances relating to dismissal and discharge or other disciplinary matters affecting their members and that "the question of other rights of unrecognized unions was deferred for future consideration." Thus official support was forthcoming for the complete nullification of the very idea of "recognition" or "representative status." The recognition of unrecognized unions when another union is already in the saddle is a measure directly opposed to the policy of union security insisted upon by the trade union movement.

Another complication that now vitiates the procedure for recognition is that the ascertainment of the strengths of rival unions claiming recognition is through a membership check carried out by an official agency.

As membership records and accounts of subscriptions received are often in an unsatisfactory state and there are admittedly many questionable ways of boosting up claimed memberships, the task of the verification agency is entirely unenviable even if no credence is given to allegations that the results are rigged up by an agency trying to curry favour with the ruling party and its associations.

It is obvious that adequate legal provisions should be got enacted at an early date with a view to placing representative status on a firm footing. A union receiving a majority of the votes polled at an election by secret ballot should be certified as the representatives union and should have the exclusive right and duty to represent all the members of the particular bargaining unit. On the election and certification of the representative union all other unions should cease to have any function in relation to the particular establishment or the employees comprised in the bargaining unit. There should be no challenge of representative status for a fixed period. The representatives union should also be given reasonable facilities to continue to maintain its majority status through arrangements such as the union shop or "check-off." A minority union has no fundamental right to topple down a representative union which has not been repudiated by the membership.

Grievance machinery : While good labour-management relations can be built up through purposeful collective bargaining, they can be nurtured and sustained only through the conscientious working of an effective grievance machinery. It would do no good to mutual relations if either the union or the individual entertains a genuine apprehension that management has not worked the collective agreement honestly or that it has caused injustice to individuals. Demonstrated proof that this is not so goes a long way towards removing suspicion and distrust. Management would not be losing face by admitting and correcting any mistakes that might have been made by managers or even by submitting a disputed issue arising out of the agreement of relating to a matter of discipline to impartial arbitration.

Bipartite and tripartite consultation : The cultivation of an atmosphere of good labour-management relations would be greatly facilitated by the encouragement of suitable bipartite and tripartite agencies for consultation and cooperation. The tripartite machinery at the Centre and in the States which functioned reasonably satisfactorily for many years has, of late, developed strains, which, if unchecked, might cause its disintegration. The tripartite machinery should be treated as providing a valuable forum for ensuring greater cooperation and reducing the tensions that are inevitable in the day-to-day mutual

relationship and not as a place for wrecking all possibility of good relations through intransigence and stubbornness. The presence of the third party, namely, the Government, provides the element of conciliation needed to assuage strong feelings.

Among bipartite agencies, works committees have so far achieved only limited success, not because they have failed but because those operating these have not made them a success. A proper atmosphere of labour-management relations, characterized by a sense of earnestness, responsibility, and cooperation and free from the vitiating influence of suspicion, is necessary to make any bipartite venture a success. There is no use quarrelling with one's tools. It is the man who is at fault and not the machine. There is at present no effective machinery for bipartite consultation at the industry level. It is very necessary to build up such a machinery at the national, regional and local levels. Bipartite consultation at the level of the unit and similar consultation at the level of the industry can support and strengthen each other effectively.

The so-called workers' participation in management has aroused much unnecessary expectation in workers and consequently led to disappointment. The joint management councils are capable of producing adequate results but only if they are accepted as nothing more than an advanced form of joint consultation. So long as private enterprise is allowed to continue, management and labour will have their different interests and convictions and while efforts may be made to make these mutually compatible so that they may be able to get along with the minimum of stress and strain, there can be no real sharing of the responsibilities of management. The objective should be to explore the avenues of cooperation possible so that while each side may retain its own distinctive group interests, both may contribute to the simultaneous increase in the prosperity of both.

Law and order : Violence in industrial areas has been on the increase since Independence. It is unnecessary here to set out at length numerous instances of it; those who are interested will find ample details in the present writer's recent book on labour-management relations. The resort to violence by workers is an open admission on their part of their inability either to function effectively through the organised strength of labour or to take full advantage of the numerous legal processes built into our vast system of labour laws.

The organisation of 'bandhs' during the last two or three years proves more than anything else that trade unionism is no more than a mere appendage to the political system, to be used as suits the latter. It is wholly against the interests of trade unionism that it should be used in this manner by its political parents, regardless of the merits of the issues which prompt the latter to call 'bandhs'.

The latest development, namely, the 'gherao' is an even more blunt

repudiation of the values cherished by civilized society. If a person fancying himself aggrieved can just snatch what remedy he wills through weapons of his own forging, that would be a pointer to a great simplification of our whole concept of organised society. And if labour can enforce a remedy through duress and coercion, so can the civil litigant abd the complaint of a criminal offence.

That labour is tempted to resort to weapons such as these which must have been popular before organised society with its laws and guardians came into existence is a repudiation not only of the principles of trade unionism but of all efforts that mankind has made throughout the ages to earn the right to be called civilized. If labour wants to build itself up through industrial democracy, it must not feel tempted by such fatal remedies.

It is not our purpose here to draw up a blue-print of a "necessary" policy in all its details; rather it is to fix the cardinal points of our horizon so that our goal may be certain and our direction straight even if our pace should happen to be slow. True, the paths chalked out are not easy; they are full of pitfalls and hazards; they impose hardships from which one may legitimately shrink. But if rapid economic growth is our primary goal - one that would eventually permit us to indulge in what must necessarily be today's dreams, namely, a higher standard of living, greater equality of distribution, and so on - we would only be delaying attainment of the goal if we failed to submit ourselves to the harsh disciplines required of us.

LABOUR POLICY IN A DEVELOPING ECONOMY

Fourth Part : The current labour policy

(By K.N. Subramanian)

We discussed in the last two parts the essential ingredients of a "necessary" policy. We shall now pass on to a brief consideration of the remaining questions, namely, how far our existing policy is in consonance with the "necessary" policy and whether it is at all feasible to have a unified or well-coordinated policy throughout the various units of the Federation.

The labour policy pursued by the Government since Independence has been largely fragmentary, shifting, and indefinite. It is a patchwork of many different ideas and not the exposition of a set of well-knit principles that naturally go together. It contains several incongruities, if not internal inconsistencies, such as that collective bargaining should be encouraged to the utmost even while compulsory adjudication should operate in full vigour, that the representative character of unions should be settled by an official membership check and not by secret ballot, or that while the largest union should be "recognized", unrecognized unions also should be allowed to participate in labour-management relations. One might adopt almost any ad hoc course of action to tide over an emergency, but a string of ad hoc remedies do not necessarily make a cogent long-term policy. That labour policy, such as it is, has not been formulated particularly with an eye to rapid economic growth is amply clear. The cardinal points mentioned in the earlier parts, suggestive of various kinds of restraints, have largely been lost sight of. There is no evidence that the measures designed to meet the immediate exigencies of particular situations have been formulated against the background of the long-term requirements of labour policy.

The best way to check up how far these conclusions are sound would be to see what the three plans have to say on some of the major issues of labour-management relations and how far the policy so revealed is consistent with national aims and aspirations.

Regarding wages: On the subject of wages, the First Five Year Plan insisted upon a certain restraint in the award of a higher level of wages. It said that "if the inflationary pressure is to be checked, steps may be necessary to divert to saving the present expenditure on consumption and to increase production" and that "any upward movement (of wages) at this juncture will further

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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." These significant observations constituted a definite official policy on the subject, regardless of whether they were in fact implemented in full or not. But the subsequent plans abandoned that position without taking any definite stand in the matter. And yet inflation had steadily grown in the Second Plan period and assumed frightening proportions towards the end of the Third Plan. Nevertheless, all that the Third Plan had to say on the subject were some casual observations about the fixation of wages under the Minimum Wages Act, the setting up of wage boards, the principles of determination of wages contained in the report of the Fair Wages Committee, and the need to reexamine nutritional standards. It was not as if there existed no inflation when the Third Plan was drawn up. The wholesale price index (base 1952-53 = 100) had already gone up to 123 in 1960. Similarly the consumer price index which was 101 in 1950 had risen to 126 in 1961 when the Plan was signed. The chapter on price policy contained the disquieting admission that "the Second Plan has been characterised by a persistent upward trend in prices" and that "the possibilities of significant - and even disturbing - price rises cannot be entirely eliminated." It went on to say how the price problem should be tackled. Notwithstanding all these detailed discussions elsewhere in the same plan, the labour policy in regard to wages does not show the slightest awareness of the problem of inflation or of the strategic position wages occupy in a state of growing inflation.

Had policy nothing at all to say on whether wages had to be restrained to cope with the rising inflation or whether they could be properly raised as high as managements could be persuaded or coerced to go, whether it was advisable to raise dearness allowance to neutralize every point of increase in the cost of living, or whether industrial labour was at all costs to be protected against a fall in real wages regardless of the plight of other sections of the community? Such awkward questions were not faced at all in the Plan.

In a developing economy, ridden by inflation, the importance of adopting systems of payment by results as a means of raising total earnings without increasing unit labour costs cannot be too strongly emphasized. And yet the Third Plan says nothing at all about it, though the Second Plan had given some feeble support to it. There was thus no cogent policy in regard to wages, particularly in the

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Third Plan when it was most needed.

Regarding bonus:- As regards bonus, a quick promoter of inflation, the Third Plan had nothing to say beyond a mere statement that a Commission was going to be appointed. As it turned out, the Commission which was set up felt that the demand for the abolition of profit-sharing bonus raised by employers' organizations was beyond its terms of reference which "appear to imply that the payment of bonus to workmen in industry must be regarded as an established system which has come to stay; and that bonus can, therefore, no longer be a matter of question or argument" (page 13 of Report). There is, as already mentioned in the earlier parts, a strong volume of informed opinion that bonus, as now paid in India, is unsuited to the requirements of a developing economy apart from its being the cause of a large volume of avoidable litigation. That so large a proportion as 60 per cent of the "available surplus" should be dissipated away in consumption - often in pursuit of ephemereral satisfactions - when the developmental requirements of industry are seriously suffering is a measure of the purely casual thinking that has gone into this important subject. The setting up of the Commission might have been made the occasion for a fresh study of the whole philosophy of a compulsory system of payment of profit-sharing bonus. The reason why the profit-sharing scheme of 1948 could not be implemented statutorily despite the most careful study made of it at the highest levels of the Government might also have been explored. Instead, the Commission was concerned merely with the mechanics of framing a scheme. Bonus disputes have continued in substantial numbers despite the enactment of the Bonus Act. The elaborate calculations contained in the Act have not prevented unions from making demands far in excess of what is permissible under the Act. The rights earned under the Bonus Act have merely served as a jumping-off ground. If the success of a policy is to be judged by its ability to solve problems in a reasonable manner, the policy in regard to bonus has certainly missed its target by a wide margin.

Regarding productivity : On productivity policy in the Third Plan is largely one-sided. All the responsibility is put on management and hardly anything on labour. "Management has to give the lead by bringing about the maximum rationalization in its own sphere and eliminating all unjustifiable practices which at present act as dis-incentives in drawing the best out of the worker." On the nature of productivity, it says : "The term has often been wrongly associated with increase in workloads and added strain on workers in order to swell the volume of private gains. Large gains in

productivity and an appreciable reduction in unit costs can be secured in many cases without causing any detriment to the health of the workers and without incurring any large outlays." The Plan then gives the directive that the management "should provide the most efficient

equipment, correct conditions and methods of work, adequate training, and suitable psychological and material incentives for the workers." Obviously the Plan expects the management to do all this "without incurring any large outlays." How, it does not explain. The Third Plan does not say anywhere what the positive role of workers is in raising productivity.

That both management and labour have a large part to play in raising productivity, each in its own way, is all too obvious. Management's responsibilities are concerned with technological improvements, introduction of modern machinery and methods, and rationalization of procedures in every branch of activity connected with production. Labour has to cooperate fully with management, give a full day's work, and increase productivity through greater exertion without endangering its health. The Plan has nothing to say about some of these vital matters.

In fact the Plan has hardly anything to say on the state of productivity in the country. Is the productivity of Indian labour high or low? How does it compare with productivity in other countries? If allowances are made for differences in working conditions, can Indian labour be said to be doing as well as labour in other countries? Does the productivity of Indian labour require to be raised? If so by how much on a reasonable estimation? There have been productivity increases since the commencement of planning. What has contributed to it? Is it merely increased investment of capital for modernization of machinery? To what extent has the mere removal of the clearly surplus labour, accumulated during the war, contributed to increased productivity? How does the standard of manning of even the most modern units, like the new steel mills, compare with the standard of manning of similar units in the countries which have supplied us with the machinery and know-how? How does the labour cost per unit of production in some of the major or export industries compare with similar unit cost in other countries? Are we being priced out

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of world markets because of our high costs of production including labour costs ? There is no information on any of these relevant questions. Productivity statistics are all but non-existent. The Labour Bureau announced in 1962 that a scheme for the compilation of indices of labour productivity in selected industries had been undertaken, and yet as late as the India Productivity Year, 1966 little use had been made of the results of such studies. The Plan contains no constructive suggestions as to how both labour and management can contribute to productivity.

Regarding collective bargaining : On the all-important subject of collective bargaining as the king-pin of industrial relations, the Third Plan has nothing direct to say. It says, on the other hand, that the development of industrial relations "rests on the foundations created by the working of the Code of Discipline which has stood the strain of the test during the last three years." It is no longer necessary to argue whether the Code of Discipline has stood the strain of the test or not. If the Code was given a knock-out blow by the strikes and 'bandhs' of 1965 and 1966, it was given a colourful burial by the 'gheraos' of 1967. There is nothing wrong with a voluntary code; it may serve a limited purpose, particularly to create a better atmosphere at a time when feelings might have got out of control. But to treat such voluntary - and perhaps momentary - agreements of good behaviour as constituting the foundations of a long-term policy is clearly not appropriate. A policy should indicate something more enduring and more solidly-based.

When a person is floundering in water, with a life-guard close at hand and prepared to fish him out of his difficulties at a moment's notice, there can be little encouragement to him to do anything but shout for help. He is not going to make the effort necessary to become a good swimmer; he is content to give up the game to gain instant safety and comfort. That is precisely the case with our labour and management negotiating a dispute. So long as the Labour Department is available, at the slightest sabre-rattling, to get the disputes settled through adjudication, there can be little temptation for the parties to do the hard drill needed to hammer out a collective agreement. There is no evidence to show whether Government

has earnestly considered the effect of compulsory adjudication as a deterrent to collective bargaining. Government has also not done its duty by getting the necessary legislation enacted both to place the certification of the bargaining agent on a sound footing and to ensure that a labour denied the protection of compulsory adjudication is not made the victim of the employer's unfair labour practices. If Government will do nothing either to discourage compulsory adjudication or to encourage collective bargaining, it cannot expect the parties to rely on themselves to solve their problems. There is also no indication of any awareness, on the part of the Government, of how totally uncontrollable the problem of compulsory adjudication is going to be when there is substantial industrialization in the country - a problem discussed at some length in the Third Part of this paper.

Regarding peace in industry : No labour policy, however sound and well-conceived, has the least chance of success if violence and mass unrest make a mockery of sound labour-management relations. Violence in industry has been growing for quite some years past as mentioned in the Third Part of this paper. The excuse sometimes given is that such incidents are but the symptoms of the suffering of the poor brought about by deteriorating economic conditions. This is not an argument that a trade unionism with responsible leaders at the top should advance. The more the economy suffers in depression, the greater the need for cooperation between labour and management for salvaging something out of the misfortune. Violence and terror must paralyze all activity and thus make matters worse. No employer in his senses would want deliberately to curtail production, when the market is in his favour, merely with a view to establishing a name for vindictiveness. If lack of business compels closure, no amount of physical force can succeed in averting the crisis. The large number of cases of 'gheraos', in which innocent persons are held under duress, is a sad commentary on our inability to maintain a reasonable standard of behaviour.

Difficulties in a federation : The adoption and implementation of a common labour policy for the whole of India, when the States are under the political control of parties of widely-varying ideologies, cannot obviously be smooth. Though the main subjects relating to labour are included in the concurrent list of legislation

and hence are open to legislation by both the Centre and the States, and Parliamentary laws have the effect of striking down any provisions of the laws of a State legislature repugnant to them, the legislative and executive powers of States cannot be seriously curtailed under cover of Parliament's over-riding rights without doing violence to the spirit of the Constitution. In regard to Parliamentary legislation in the concurrent sphere, the executive power of the Union in a State is limited to what is expressly provided in the law made by Parliament. In the absence of any such express provision, executive power even under Parliamentary laws rests with State Governments. Here too the inadvisability of Parliament's entrusting too much executive power to the Central Government, when the law and order machinery of the State is under the control of the State Government, is obvious.

So a large measure of discretion must necessarily vest in State Governments and in State legislatures. This would permit them, were they so inclined, to evolve legislation and policies that might not always fall in line with those of the Central Government. But that is of the very essence of a federal form of government. It recognizes the freedom of the constituent units of the federation to do, within their spheres of responsibilities and discretion, what they consider best. We cannot ignore this vital principle of the Constitution in our anxiety to evolve a common policy for the whole of India. The electorate which has placed its confidence in the elected leaders would naturally expect them to evolve measures of cooperation between the Centre and the States that would be conducive to public welfare. The constitutional presumption is that if the leaders do not attend to this expectation, they will soon be disowned by the electorate. In practice, however, things may not work out so smoothly or decisively. What is good for the public is always a bone of contention as between leaders equally dedicated to the public cause. Short of changing the federal constitution, it would not be possible for the Central Government, when it does not command the confidence of all State Governments, to have a completely unified policy throughout the country. Consequently, the aim of the Centre should necessarily be to seek a consensus

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on as wide a scale as is possible and to leave the rest to the discretion of the State Governments.

A broad summation : From what has been mentioned in this paper it is obvious that when a large country, with a vast and growing population, starts on the road to development, it must be prepared for a slow, strenuous and hazardous journey. Foreign aid, however generously given, can at best serve as a catalyst as mentioned by Dr. Eugene Staley in his 'The future of Under-developed Countries'. Dr. Staley says that "it would probably be true to say that in every major case of really substantial, continuous development the great bulk of the capital has been supplied internally by the domestic processes of capital formation." Even if foreign countries are prepared to lend resources adequately and year after year, the mounting load of annual debt repayments must soon become an unberable millstone round the nation's neck - a point emphasized more than once in recent weeks by the Finance Minister. It is somewhat unfortunate that we have all along taken external aid for granted and that we have sought to build up our plans on the expectation of the maximum amount of aid likely to be forthcoming rather than on the minimum amount without which we cannot get going. Our self-confidence and national prestige will have no chance of being built up if we do not train ourselves to look upon foreign aid as a mere marginal resource. If the vast sums needed for development have to be found internally, the nation as a whole, including the poor, is in for a long period of intense suffering and privation. To the extent such suffering is worded off by greater consumption and less savings, to that extent would development, and consequent permanent improvement of living standards, be delayed. Any labour policy - as indeed policy in every other field - which does not take full cognizance of this basic and inescapable fact is doomed to failure. It needs emphasis, even were it to sound tediously repetitive, that no measures of austerity and hardship imposed on the poor would have the least justification if the rich were not asked to shoulder sacrifices to an extent that they would feel the hurt as painfully as the poor.

Another important point that requires stress is that the beginning of development is also the beginning of hardships. As the former gains momentum, so would the latter. It will be recalled that real wages touched the lowest level in Russia when development was at its peak. That is inevitable because of the higher savings needed to sustain the higher tempo of development. The fruits of development take a long time to ripen. The generation that sows the seeds should, in all conscience, not expect to enjoy the fruits thereof in its lifetime. It is, therefore, wholly unrealistic on the part of labour or of any other group of a nation on its first steps towards development to expect and insist that its standard of living rise year by year in proportion to the annual growth of the national income, that its wages increase in proportion to productivity, or that its real wages suffer on no account. That cannot be the language of a people pledged to suffer in the cause of a better world for their children and grandchildren.

PUBLIC INTEREST IN PUBLIC UTILITIES

(By K.N. Subramanian)

A great city wakes up one fine morning to find its vast public transport system, an impressive fleet of over a thousand buses in all, suddenly locked up in strike. The citizens are taken by surprise; they are wholly unprepared for this sudden ordeal, not having had any prior inkling of it. Beyond a vague impression that negotiations have been going on between the parties, they know nothing about the dispute; they have to scan the daily press for several days to piece together some sort of a coherent story of the conflict.

The doubtful details of the strike: The story, as was gradually revealed, was certainly puzzling - sometimes confused. Apparently a charter of demands had been presented to the management by the union several months ago and discussions had been going on between the parties within the knowledge of the State Government. According to the management, the union's demands would have cost the undertaking an additional expenditure of over Rs. 4 crores annually - an amount more than double the extra income that had accrued from a recent increase in fares. To this the union's reply was that it had agreed, for the present, to a settlement costing only Rs. 50 lakhs annually and that this suggestion had already been accepted by the management. The management replied, in turn, that the so-called agreement was a conditional one, dependent on the union's acceptance of the need for various operational improvements which would have raised productivity and reduced costs. The union denied that any such condition had been attached to the agreement. The strike was claimed to be illegal by one party and legal by the other. Mediation was suggested, but differences arose over the question whether it could start immediately or only after the unconditional calling off of the strike. It appeared from a statement made by the Labour Minister that he as well as the parties had in fact looked to the Chief Minister for a satisfactory settlement of the dispute and that "the union leaders had committed a mistake in launching the strike without awaiting the return of the

Chief Minister." As charges and counter-charges piled up in the press and on the platform day after day, the injured public stood confused and bewildered. The city staggered on for some 12 days before the service was resumed.

The crux of public interest: We are here concerned not with the merits of the particular dispute mentioned above nor with the manner of its ultimate settlement but with the general problem of the protection of the public against a frequent recurrence of such oppressive situations in public utilities. In the particular case itself a press note issued by the management characterised the story of the undertaking since its municipalisation "as a story of strikes." Why should some four or five million citizens be taken by surprise and suddenly deprived of the elemental necessities indispensable to civilized life? Why should a large urban society's economic activities and daily life be threatened with sudden disruption? Or in the event of a dispute on the railways, why should the entire country's economic and social activities be brought to a standstill? Is that all the measure of responsibility that the parties to a dispute or the government mediating it owe to the public at large? If none of the three parties concerned in the dispute is particularly at fault, is the law governing disputes in public utilities deficient in any respect? Surely some means must be found to have such disputes settled in a just and reasonable manner without the entire community being subjected to distress and privation in consequence.

The law relating to public utilities: The law relating to disputes in public utilities is very clear and, if observed appropriately, should eliminate every possibility of a major strike. The term 'public utility service' has been quite widely defined in the Industrial Disputes Act. It includes, in the first instance, industries and services answering to the popular concept of public utilities such as railways, air transport, power, light, water, public conservancy, and postal, telegraph and telephone services. In addition, a number of other industries and services including transport of passengers or

goods by land or water, service in hospitals and dispensaries, the fire brigade service, and quite a number of other important industries can be declared by the appropriate government to be public utility services by a gazette notification. Many of these have been so notified in most states. Employees in public utility services are prohibited from going on strike (corresponding provisions applying equally to lock-outs) without giving to the employer notice of strike within six weeks before striking or within fourteen days of giving such notice or during certain periods of conciliation and adjudication. Any strike (or lock-out) commenced in contravention of these requirements is illegal. It should be noted that a strike notice not complying with these precise requirements is infructuous. If, for instance, employees give notice of strike, fail to carry out their intention for many months, and then suddenly decide to go on strike, such a strike would be illegal, for no notice would then have been given during the period of six weeks immediately preceding the strike. This is a wholesome provision intended to prevent old and stale disputes from flaring up into sudden strikes thereby taking everybody unawares. A copy of the notice of strike has to be sent to the conciliation officer who is required to hold conciliation proceedings and to report, within 14 days, to the government whether a settlement of the dispute has been arrived at or not. If on a consideration of the conciliation officer's report of failure of conciliation the government "is satisfied that there is a case for reference to a Board, Labour Court, Tribunal or National Tribunal, it may make such reference." Where, however, the dispute relates to a public utility service and a notice of strike has been given, it is incumbent on the government to make a reference "unless it considers that the notice has been frivolously or vexatiously given or that it would be inexpedient so to do." If a strike has already started before a reference is made by the government, the government can by order prohibit the continuance of the strike. When a dispute has been referred to an industrial tribunal for adjudication, it would be illegal for

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employees to go on strike during the pendency of the proceedings. Any workman who commences or continues an illegal strike shall, on conviction, be punishable with imprisonment or with fine or with both. Any person who instigates or incites others to take part in an illegal strike is punishable with far more stringent penalties.

It will be seen from these legal provisions that the whole approach of the law to disputes in public utilities is aimed at the prevention and prohibition of work stoppages and at a just settlement of the outstanding disputes through conciliation and adjudication. With such a fool-proof machinery for the prevention of work stoppages, how comes it that we still have frequent disruptions of our economic life, with strikes in transport, power generation, and so on? Obviously the arrangements have not been working as they should.

Inadequate respect for the law: The Industrial Disputes Act, which is the basic law for the settlement of industrial disputes in most parts of the country, seems to have fallen into disfavour, if not disrepute, not only with the parties to disputes but with the central and state governments who bear direct responsibility for the policy of compulsory adjudication underlying the law and hence could be expected to sustain and enforce the law. Why is the law not being enforced even in an extreme case of abuse of economic power? Have governments become dis-illusioned of the policy of compulsory adjudication or are they frightened at the prospect of applying sanctions against powerful groups? Quite a number of strikes that take place in industry are illegal, and yet not the slightest notice is taken of the illegality by any government even in important cases. Governmental authorities might at best condemn a strike as being illegal, but they do nothing more about it. Illegality in strikes seems to have acquired much acquiescence, if not respectability. The strong leader of a powerful union does not always pause to consider whether the strike which he proposes to launch will be legal or not.

He knows his strength and also that he can get away with any timid suggestions of illegality; he might expect to be appealed to but not to be threatened of any untoward consequences because of illegality. If we search the history of the administration of the Industrial Disputes Act from its very inception more than twenty years ago, we shall be hard put to finding even a stray case or two of prosecutions for illegality. Nobody suggests that if 20000 employees go on an illegal strike, they should all be prosecuted under the Industrial Disputes Act; in fact, in most strikes a good number of workers are compelled to go on strike much against their will for fear of imminent reprisals by their militant comrades against themselves and, what is worse, against their families. But does anybody pause to consider - what the law has specially laid down - whether a person, be he leader or not, who instigates or incites others to take part in an illegal strike has a far greater responsibility than the rank and file who merely answer to a call of strike? If the law relating to illegality has become a dead letter, it were best repealed so that we might not suffer from the delusion of security.

Respect for law in general has alas touched the nadir. If a large number of people join together for concerted action, it would seem that they do not have to enquire whether their action is lawful or unlawful. How else can we explain the large-scale violence and the widespread damage to public property which we have witnessed for some time past - the burning and smashing of railway coaches, of railway stations and equipment, of transport buses, of post offices, and the like - or the frequent calling of strikes, 'bandhs', and 'gheraos' which inflict even greater damage to the economy? Every mass demonstration, regardless of circumstances, is alleged to be the legitimate exercise of a democratic right, too sacred to be touched by vulgar allegations of illegality. And we are repeatedly told that damage and destruction are the handiwork not of the orderly democrats who stage demonstrations but of unruly hooligans who manage to infiltrate into them and whom

the inept governments have failed to control. So the responsibility for destruction is, after all, attributable to the failure of the governments themselves. If respect for the law continues to deteriorate at the rate at which it has been deteriorating in recent years, of course, there would be little point in making any special pleadings on behalf of public utilities.

Making the law more effective: One way of resuscitating some respect for the law in the special field which is our immediate concern is to limit the dimensions of that field to the absolute minimum consistent with essential public requirements and to enforce the law in the restricted field with reasonable firmness.

Whether strikes in public utilities should, in certain circumstances, be declared illegal, whether compulsory adjudication should be ordered in all cases of unresolved disputes, and whether any other remedies are available to safeguard the public interest - these shall come to presently. Here we would deal with the limitations of the definition of public utilities so as to include in it only the bare minimum of industries and services that must be maintained at all costs and at all times in order to protect national health and safety and to make life bearable, nay even possible, in large urban communities. The continued functioning of the water supply is obviously the most elemental of human needs in a large city - a need which cannot be jeopardized regardless of the merits of any labour dispute. Since water supply is not possible without power supply, the latter is an equally pressing need deserving of the highest priority. A big city shrouded in darkness is a doomed city; so public lighting stands practically on the same footing as water and power. If a city depends on a gas supply for cooking and heating, that industry too would merit a high priority. Public conservancy and sanitation cannot rank much lower, for if it is neglected even for just a few days, there must arise frightful problems of epidemics. Though transport would have a somewhat lower priority in our list, it would undoubtedly qualify for inclusion even in the most select list of public utilities. And when we refer to transport, we must include in it at least the railways and urban

transport systems. The fire brigade service and service in hospitals and dispensaries must also be included, and that would more or less complete our list. Postal, telegraph, and telephone services are a border-link case if we are drawing up a highly select list, but these would merit inclusion after we have proved our capacity to look after the field already mentioned. The various other industries included in the First Schedule to the Industrial Disputes Act, such as banking, cement, coal, cotton textiles, foodstuffs, iron and steel, and defence establishments, which are all declarable as public utilities by gazette notifications, cannot be included in our short list of public utilities. They are, no doubt, important industries, but are not public utilities which we must run at all costs. Some interruption in their working cannot cause any substantial or permanent damage to the economic life of the nation. How exactly the expression 'public utility service' should be defined is a matter for decision after tripartite consultation, but the longer the list, the less our chances of being able to give the concentrated attention that public utilities deserve and to apply the stringent action that they may need. While a limited list of public utilities should be prescribed, it might be rash to presume that no other dispute can cause grave damage to the economy or the public. So a general power vest in the central and state governments to declare any particular strike or threat of strike, wherever it may occur, as coming within the special arrangements available for public utilities. It is necessary, however, that by virtue of such a residual power, whole industries should not be included in the definition of public utilities as that would bring every dispute in those industries, big and small, within the purview of the special procedure.

Foreign experience of dealing with emergency disputes:

The avoidance of work stoppages, which really amounts to a certain restriction of the right of collective bargaining, calls for a large measure of responsibility on the part of all concerned - the parties as well as

the state - which seems often to have been wanting in our country in recent times. If workers cannot be allowed to strike, that is all the more reason why those who bear responsibility for remedying their legitimate grievances have to be doubly vigilant. In the United States, where the state is not armed with such a decisive weapon as compulsory adjudication for the settlement of disputes - the few state legislations for the purpose having been declared unconstitutional - an elaborate procedure, to be set in motion by the President himself, has been prescribed in the Taft-Hartley Act for dealing with strikes or lock-outs affecting an entire industry or a substantial part thereof which might imperil the national health or safety. That procedure includes the appointment of a board of inquiry for a report within such time as may be prescribed, the petitioning of a district court for an order enjoining the strike or lock-out, the reconvening of the board of inquiry and the submission by it, at the end of 60 days after the civil court order, of a further report on the current position of the parties, the taking of a secret ballot within the next 15 days by the National Labour Relations Board on the question of whether the workers wish to accept the final offer of settlement made by the employer, and the vacating of the civil court injunction within five days thereafter. Thus for a period of 80 days an intended strike can be got postponed and one already started got discontinued. True, some disputes defy settlement in spite of this elaborate treatment, but that will not be for want of trying. The point we wish to emphasize here is the elaborate and continuing attention paid by the highest authorities of the state to have the outstanding dispute conciliated by the Federal Mediation and Conciliation Service and the facts with respect to the dispute fully investigated and clarified by a special board of inquiry. The reports of the board of inquiry made initially as also after the 60-day period are required to be published for the information of the public. Such a detailed vivisection of the standpoints of the two parties, duly published, cannot but bring to bear on the dispute

an informed public opinion, and the parties cannot be oblivious of the fact that as the last word rests with the Congress for the passing of any special law that might be needed to meet the situation; public opinion will have an important say on any unreasonable attitudes taken by them.

This procedure, though effective in some cases that arose after the passing of the Act, still left a sufficient loophole for a number of intractable cases. Public discussions have been held in that country as to how effectively to deal with the two issues involved, namely, 1) how to keep essential production services going before the dispute has been settled and 2) how to settle the dispute between the parties from which the threatened cessation arises. As to the former, the measures suggested by knowledgeable experts and industrial relations associations include arrangements for partial production during a strike and seizure of the threatened industry by the government in the last resort which would permit of the securing of an injunction to prevent the strike. Final settlement has, however, still to be left to the procedures evolved by the parties themselves.

A high-powered Independent Study Group set up by the Committee for Economic Development to study 'The Public Interest in National Labour Policy' reported in 1961 on the problem of emergency disputes. The Group suggested that the President be empowered to require partial operation of the struck facilities, that the parties be prohibited from striking (or locking out) for the period of 80 days as is the case in the Taft-Hartley Act, that mediation facilities be strengthened, and that a more extensive and systematic use of a fact-finding procedure both before and during negotiations be employed.

A recent foreign experience: In a recent railway strike in the United States, the President sent a message to Congress, the day after the strike began, urging it "to act swiftly in the interests of the security, health and safety of Americans." Within hours Congress enacted a law to end the strike (Vide American Labour, September 1967, page 14). The strike thus lasted just two days. The law empowered the President to appoint

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a new five-man mediation board, established a 90-day period during which there were to be no strikes or lock-outs, asked the special mediation panel first to mediate and then to hold hearings and to file its recommendations for a settlement with both Congress and the President, and ruled that "on the 90th day, the panel's recommendations would become binding until January 1, 1969 unless a prior voluntary settlement is reached." Experts must now be busy exploring the characteristics of this law in its application to a particular case which might differentiate it from a general law providing for compulsory arbitration. This case has been cited to show what great importance is attached to the restoration of struck facilities in a vital public utility service and how that action compares with our own case of a 12-day strike in transport despite the availability to our government of more ample powers than those given to the American Government even under the special legislation.

Though compulsory arbitration is anathema to the American mind, experts and research bodies trying to evolve schemes for protecting the public against crippling strikes that might imperil the national health or safety are generally agreed on the need to ensure uninterrupted operation of the facilities involved. There is, therefore, no serious opposition in that country either to a temporary injunction prohibiting strikes for the duration of the prescribed procedure or even to "seizure" of the facilities by the government for that limited period. When a plant is legally "seized" by the government under any law in force for the time being - the War Labour Disputes Act was such a law during the last war - it is no longer permissible for the employees to go on strike, as there are laws which declare that strikes by public employees of the federal and state governments or of any agency of the governments including wholly-owned government corporations would be illegal. Thus seizure is intended to make strikes illegal. An ingenious scheme of seizure suggested in Professor Gregory's 'Labour and the Law' as a possible way of dealing with difficult cases without compromising the principle of collective bargaining would permit the government, in the event of seizure, to pay wages to employees as determined

by a commission and a fair rental of the plant premises to the owner of the plant, and to appropriate all the remaining profits of the business for the public treasury. Union dues would not be collected under check-off arrangements and paid to the union. The loss of profits by the owner and the loss of dues by the union would be sufficient incentives for the parties to hurry up with collective bargaining and to face the government with an agreement in order to get the plant released. Such a law, the learned author optimistically hopes, has a fair chance of not being held unconstitutional.

Our object in dealing at some length ^{with} the trend of developing thought in the United States in regard to the difficult problem of dealing with emergency disputes is not so much to suggest that the measures evolved in that country would be applicable to the conditions obtaining in India as to bring out the public anxiety and interest expressed in such disputes through the elaborate procedures considered essential for dealing with the disputes in an informed and responsible manner. With the glare of publicity striking the dispute oppressively and with a public in full possession of the facts of the dispute and of the standpoints of the parties, it would be a bold and reckless party that would still be prepared to pervert facts and to take up extreme positions. Public opinion might have a large part to play in the resolution of the dispute itself in the large majority of cases. A few might still defy solution, but success with the large majority would be a distinct gain in a system which does not arm the state with sanctions for an ultimate decision. The American experience shows that high-level mediation panels and boards of fact-finding inquiries can play a useful part in getting the parties to view their responsibilities with some measure of moderation and restraint.

Need for fresh outlook: It is time that we in India took fresh stock of our position in regard to disputes in public utility services, especially in view of the disturbed conditions that have characterized not only

trade union activities but the general law and order situation in the country in recent years. The existing law, if properly observed and enforced, is amply capable of preventing strikes and lock-outs in public utility services. Our governments are already armed with the weapon of compulsory adjudication, which is about the most potent legal weapon that could be wielded by any government for warding off strikes. And yet our governments seem to be completely paralyzed when faced with a threat of strike or an actual strike in a large public utility. Beyond attempting a panic version of mediation, with the Labour Minister and the Chief Minister gushing out sympathy and persuasion and momentarily playing well-publicized roles, they seem to be incapable of taking any other steps to ensure respect for the law or consideration for the public. If governments have already been armed to the teeth, they can be armed no further. If they are unable to enforce laws - whether it be against a powerful employer or a powerful union - they would at least do well to enlist public support for any reasonable measures that they may ultimately be compelled to take. Public support is a great morale-booster for wavering politicians.

Fact-finding: It is here that the setting up of fact-finding boards and the publication of their reports can do much to develop a healthy state of public opinion which cannot but help to clarify issues and to influence to some extent even the most recalcitrant party. For instance in the particular dispute to which we have referred at the beginning of this paper many a vital issue was in substantial dispute; and many an allegation was couched in words such as "false and factastic", "deliberately misleading", "unreasonable and uncalled for" and so on. Was there a tentative agreement and if so, was it with or without conditions? Would the additional expenditure involved be Rs. 4 crores or only Rs.50 lakhs? Would fares have to be increased or not? Did the undertaking admit at one stage that it had the capacity to bear the additional expenditure without increasing the fares? Was the strike legal or illegal? Is the unconditional withdrawal of the strike

a necessary procedure for the commencement of mediation in the particular circumstances of the case or has this become a prestige issue which has not been observed in other cases? Surely these and several other issues which have clogged public understanding can be cleared in a fact-finding inquiry. With facts ascertained, the outstanding issues could perhaps be narrowed down sufficiently enough even to warrant the hope that a mutual agreement might become possible. In any case any extreme positions taken by the parties could be shown up as unreasonable.

We have mentioned a few points relating to the particular dispute only to focus attention on the utility of a fact-finding inquiry in complicated cases which have dragged on indecisively for a long time. If, for instance, it could be shown that certain demands could be met within the existing revenues of the employer and without any need to raise additional resources and it could also be shown that the terms and conditions of service of the workers justified upgrading in comparison with those available to similar employees elsewhere, the demands would take on an aspect wholly different from that which they would have were the findings to the contrary.

Suggested procedure: We propose to suggest here a somewhat detailed procedure for dealing with disputes in the more important public utility services. No individual step in that procedure can be deemed a new or novel one. What is intended to be emphasized is that major disputes in public utilities must be taken seriously from the very beginning and that the various suggested measures should be pursued diligently and with a sense of urgency by all concerned. Any impression of neglect or lack of urgency might tempt a union to precipitate action which, though unjustified, can prove very embarrassing. In several instances, disputes have remained under lukewarm negotiation for many months, and a union leader, growing suddenly impatient, has precipitated a strike almost overnight without even observing the formalities for declaring a strike.

Hence a new awareness of the urgency of dealing with disputes in public utilities in large urban centres seems called for. It is, no doubt, a major purpose of the government's role to offer mediation and conciliation to the parties and generally to pour oil on troubled waters. But at the same time the government cannot shrink from more positive measures, however distasteful, that may be needed to protect the interests of the public. To secure moral support for any such eventuality, the government must awaken public interest in every important dispute and keep the public promptly posted with all developments.

It must be mentioned at the outset that the somewhat elaborate procedure contemplated - an obvious 'V.I.P.' treatment - involving, as it does, the bestowal of much attention and effort by the government and others, cannot be extended, for want of administrative arrangements, to every minor dispute even in public utilities and that they are meant to be applied only to disputes that are likely to imperil seriously the national health or safety or the daily life of large urban communities. While the requirement of notice of strike or lock-out must apply to all disputes, big and small, the discretion whether or not to apply the subsequent steps of the procedure must necessarily be exercised by the appropriate government.

Broadly speaking the procedures available to any government for dealing with difficult and important industrial disputes can be classified under three heads, namely, 1) conciliation or mediation (these expressions being generally used inter-changeably), 2) fact-finding, and 3) arbitration - voluntary or compulsory. Based on these, one might suggest the following steps :

1) If after prior negotiation, with or without the assistance of a government conciliator, the parties to a dispute are unable to settle their differences, the party intending to press its demands through a strike or lock-out should send notice of its intention to do so not only to the opposite party but to the appropriate government at any time not being earlier than 60 days or later than 30 days before the date of commencement of the strike or lock out. The present requirement of a 14 days' notice is inadequate. The strike notice should be given adequate publicity by the government.

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2) If the government is of the opinion that the dispute is likely to imperil the national health or safety or the daily life of any large urban community to any appreciable extent, it should immediately set up a three-man mediation board composed of independent persons of appropriate status. There is no particular merit in packing the board with equal numbers of representatives of the two parties as is required under the existing law for the constitution of boards of conciliation. The board has, in any case, constantly to work with the representatives of the parties, but it would be an advantage for the independent members to be able to meet occasionally by themselves to consider further moves, which would not be permissible were representatives of the parties made members of the board formally. The board should report success or failure of its efforts at mediation within 15 days of the first meeting of the board or within such longer time as may jointly be agreed to by the parties.

3) If at any time during its efforts the board considers a fact-finding inquiry essential for clarifying issues, it may make a report accordingly to the appropriate government stating the points or issues which need clarification. The appropriate government shall then be obliged promptly to set up a three-man inquiry committee consisting of persons other than representatives of the parties. It would be preferable to entrust the fact-finding function to a separate committee rather than to the mediation board itself, for if either or both of the parties were to reject the findings emerging from the inquiry, this might greatly reduce the utility of the board for further mediation in the event of the board itself undertaking the inquiry. The acceptability of the board to both the parties as an impartial goodwill agency should continue unimpaired till the end of its labours. The setting up of the fact-finding committee should be given publicity.

4) The fact-finding committee should make inquiries after summary notice to the parties and submit copies of its report to both the government and the mediation board within 15 days of its first

meeting or within such further time as it may be allowed by the government having regard to the nature of the issues requiring clarification.

5) The report of the fact-finding committee should be made available to the public.

6) On receipt of the fact-finding committee's report, the mediation board should make a further attempt at mediation and submit a final report of its success or failure, with an account of the differences, if any, that still prevent an agreement between the parties, within 10 days of the receipt of the report.

7) On receipt of the mediation board's report of failure, the government should try to persuade the parties to refer the dispute to voluntary arbitration. If this suggestion is not accepted by either or both of the parties, the government should decide, within 10 days of the receipt of the report, whether the dispute should be referred to a tribunal for compulsory adjudication. If the parties agree to voluntary arbitration, the government should bear the arbitrator's emoluments and the cost of his establishment.

These steps are not very different from the measures that can be taken under the existing law except that they impart system and urgency to what needs to be done. As it is of advantage that the parties themselves should try as far as possible to adjust their differences by mutual negotiation, the law should make it clear that compulsory adjudication should not be ordered until all the earlier steps have been taken and have proved ineffective. The appropriate government should not be tempted or hustled into ordering compulsory adjudication prematurely.

Possible developments despite^{the} procedure: During the various stages of this procedure, which might occupy some 50 to 60 days from receipt of the notice of strike (or lock-out), and also after the dispute has been referred to voluntary arbitration or compulsory adjudication, strikes and lock-outs should be legally barred.

What if this prohibition is violated and one of the parties is bent on precipitating, or actually does precipitate, an illegal strike or lock-out ?

Unfortunately now precious little is done beyond appeals or exhortations to the parties to terminate the strike or lock-out even when it becomes clear that the appeals have fallen on deaf ears. It is here that a new determination is needed to protect public interests. A government officer's declaration that a strike or lock-out is illegal will ordinarily not be accepted by the party at fault. An independent judicial authority is needed for the purpose. If an illegal strike or lock-out is imminent or has already started, the government, it is suggested, should apply to the High Court for an injunction against the offending party. The law should require the High Court to give priority to the hearing of such an application. Failure to abide by the injunction must lead to contempt proceedings, at which not only the union but certain designated office bearers of the union such as the President and the Secretary should - unless they can prove that they have taken positive steps to implement the injunction - be held liable to substantial penalties which would act as a deterrent. If the offender is the employer, both his organisation and he personally should be made similarly liable.

The extreme possibility of a union or an employer proving so stubborn as to thwart the High Court's injunctions and even contempt proceedings cannot altogether be ignored. The strike or lock-out may not be withdrawn promptly. Large masses of people, when agitated, can at times prove singularly adamant regardless of the rights and wrongs of a dispute and of the consequences, and with every day of defiance the public might suffer untold miseries. Take a city of some four or five million citizens and imagine what will happen to them if the power supply is shut off even for a day. The city's water supply which can no longer be pumped into the city or pumped up its tall buildings will dry up within a few hours. The sanitary systems, deprived of water supply for flushing, will stink in no time. The city's lifts will come to a halt. Its lights will go out. Crime will take over. Living will become intolerable - very soon even impossible. Or again, take the city bus or suburban railway

system. Barring the limited number of families that own private cars, the large majority of the population is dependent on public transport for work and pleasure. Lakhs of people will be forced to walk long and impossible distances if these services strike. The daily life of millions of people cannot be reduced to such abject misery merely because of quarrels over some employment terms. If employees are bent upon inflicting such misery as a lever to gain their points - a process which progressively cannot but become more and more extortionate - the public, and the government representing them, must have an adequate remedy. The law must unequivocally recognise the right of the government, regardless of whether the employer is a public authority or a private party, to run such facilities by such alternative means as they may consider necessary or feasible. This cannot be equated with an ordinary case of strike-breaking; public utilities stand on a wholly different footing from all other industries. The recruiting of alternative labour and staff should be specifically authorized as lawful. Picketing of the struck facilities should be prohibited and declared unlawful. In an extreme case, there should be no bar to the government's seeking the assistance of the military or other defence forces for running the public utility. This has been done even in the most advanced countries, and there is no reason why we should feel afraid or ashamed to resort to such a course. England has used troops to unload essential cargoes from ships during strikes. France has sent troops into mines to prevent the flooding of mines and the destruction of property. Need we feel more democratic than they or feel compelled to give unbridled freedom to small groups to do unlawful things which might hurt millions of lawabiding citizens?

Employees' interests not to be whittled : The taking of special steps to protect the public from the hazards of a strike in public utilities should not be mixed up with the problem of safeguarding the legitimate rights and interests of the employees. It is far from our intention to deny workers, especially those employed in industries and services so vital to daily life, terms and conditions

of service as generous as they could be consistent with the country's economy or to deprive them of the constitutional right to resort to democratic methods to achieve their aims. Let the utmost consideration be shown to them by employers, by governments, and by adjudicating authorities. In India the bulk of public utilities is owned and managed by public authorities such as governments, electricity boards or municipal authorities, but no particular privileges can be claimed by the employer on that score.

Employees must be entitled to terms and conditions of service no less favourable than those obtaining in comparable employments in the rest of industry. In fact they could legitimately expect even somewhat better terms in consideration of their being required to forego the weapon of direct action. Lack of profit motive on the part of the employer is no justification whatever for his claiming any sort of a privileged position. In fact it should be relevant only for the purpose of showing that the employer has no particular interest in denying reasonable terms to his employees.

But when all such considerations have been shown to employees in public utilities, it is for them to realise that it is not open to them, in pursuit of their group interests, to hold an entire city to ransom. If they cannot realize this, it would plainly be the duty of the government to enforce the law in support of public interests. After all, even the most ardent advocate of Labour cannot argue that democracy consists in the coercion of the many by the few.

MISCONCEPTIONS ABOUT RECCGNITION

(By K.N. Subramanian)

The Minister for Steel is said to be worried over the state of industrial relations in the public sector steel plants. Indeed he has reason to be. The steel plants, our biggest investment in industry, have hit the head-lines for too often, and not too gloriously, in recent years. A study made by the Economic Times some time ago spotlighted some of the glaring defects in the working of these plants - high production costs, low labour productivity, alarming overstaffing, etc. There were reports of a one crore damage to the coke ovens in one of the plants, an important contributory cause mentioned being continued labour unrest and consequent faulty maintenance. Poor maintenance seems to be a major problem in all the plants. Overall performance has been sadly disappointing; neither plant efficiencies nor financial yields have come up to expectations. Says a press comment: " It is a cruel irony that on an investment of over Rs. 1000 crores, we should have had to incur a loss of Rs. 100 crores over 10-12 years". Strikes, slowdowns, 'bandhs', 'gheraos' - in fact, the entire gamut of indiscipline - have become endemic.

The Steel Minister announced recently in Parliament that "sweeping changes were being made in the management of the Hindustan Steel Limited as well as in the Durgapur steel plant for improving their operational efficiency." At a conference of heads of public sector units he is reported to have said that a major issue "related to industrial relations which had been very unsatisfactory in recent months" and that "the remedial measures now under way included steps to associate labour with management at all levels and to appoint a special industrial relations officer in the Ministry itself."

The Steel Minister and the Industries Minister carry very heavy responsibilities for the efficient working of the public sector plants in which vast sums of public money, much of it scarce foreign exchange obtained through painstaking diplomacy, have been invested in an endeavour to build up and sustain the socialistic content of the developing economy. If the

public sector cannot be made to function at least as efficiently as the private sector, the Government's policies, political as well as economic, the main planks on which the elections were fought and won, and on which the Government must stand or fall, would be seriously discredited.

What is management? We are told that there is much dissatisfaction with the "management" of the steel plants. Which particular function or functions of management are responsible for this? One could perhaps set out an impressive list of defects, technical as well as non-technical, as contributing to this feeling, and yet not all of them are equally basic or fundamental. Our task lies in discovering which are the key defects that deserve the most attention.

Lawrence Appley, President of the American Management Association, said: "Management is the development of people, and not the direction of things ---Management is personnel administration".

This does not mean that management is only personnel administration. Posing the question "What is management?", Pigors and Myers query and comment as follows: "Is it the organisation of production through the design of the product or service, the layout of machinery or equipment, the balancing of processes, the routing of materials and orders, the attainment of technical efficiency? Is it performance of the functions of purchasing, marketing, or selling? Is it control of costs? Is it giving orders and expecting results? These are all parts or aspects of management, but they do not constitute the essential nature of the managerial function. A common thread is lacking--- the efficient operation of any organisation is not solely or even principally a technical problem." Thus the learned authors arrive at personnel administration as the predominant or critical function of management, without paying attention to which the most competent solution of technical problems will not produce the desired results. No wonder the Steel Minister considers industrial relations one of his major problems.

Understanding of basic cause essential: We frequently hear that teams of experts have come out from England, Germany or Russia to diagnose the ills of the steel plants and to prescribe remedies, but a critical probe might, in

all probability, trace the bulk of the troubles to personnel and labour problems - want of internal cooperation, lack of responsibility, neglected routines and safeguards, inadequate or ineffective supervision, violent quarrels between members of rival unions, and so on. The steel plants in the public sector are some of the most modern - the pride of the latest technology of the three foremost steel-making countries of the world. So we should not be taken by surprise if we are told, from time to time, that it is the men, and not the machines, that are at fault. If that be so, not all the technical wizards of the world would be able to ensure peak performance so long as the basic cause of the malady has not been removed.

Rival unionism, we are told, is the bane of industrial relations in the three plants. That, in fact, is the case with industrial relations generally in the country, though it has a particular relevance in the context of the public sector plants because of the huge size of the labour force employed in them and of the inadequate arrangements available for grappling with the personnel and labour problems thrown up by such a force. Mere recognition of the existence of rivalry or of the need to remedy the situation is insufficient to secure a lasting solution to the problem. What might be more rewarding is the ascertainment of the root cause of rivalry.

Were the Ministers in charge of steel and industries to liberate themselves, for a while, from the heavy burden of technical problems for a somewhat extended study of the history and growth of industrial relations in the country, they might, in all probability, hit upon the root cause of the recurring malady, namely, that much of trade unionism in the country is a political unionism and not an economic one. We would, however, not rush in to apportion blame for this state of affairs to any one party more than any other. The ruling party and the main opposition parties are all equally to blame; each one of them has built up its own brand of unionism, which it is using for its own purposes. The working class has, no doubt, benefited in the bargain, but they could have built themselves up far more effectively if politicians had kept out of the way after the first round of growth of the movement. Many instances of strikes, slowdowns, and violence can ultimately be traced to

rivalry between unions of different persuasions. That is the root cause of the trouble. The exclusion of the outsider from the executives of unions - a necessary reform in its own rights - might mitigate to some extent the evils of rivalry. But rivalry, as now experienced in this country, is essentially a political problem, which can be solved only at the political level. It is for the politicians to take note of this fact and to find a solution if they wish to avoid its baneful effects on industry generally and on the growing public sector in particular. If industry is made the battle ground for opposing ideologies, it cannot obviously play its due part in the development of the economy.

The present proposal: As part of the proposed reform of the industrial relations machinery in the steel plants the Steel Ministry is reported to be keen on recognizing a single representative union or bargaining agent in place of the numerous rival unions that now squabble for the right of representation, the bargaining agent being elected by a secret ballot of all workers - whether union members or not. A field so riddled with rival trade unionism - a press report listing no less than five rival unions affiliated to three different central organisations in the Rourkela plant alone - is obviously not one that would yield up its complications without a major convulsion. One central organisation of labour, according to press reports, has supported the Steel Ministry's proposal to have a single bargaining agent elected by secret ballot. Another central organisation is opposed to it, favouring instead a system of proportionate representation at the bargaining table for all unions "according to their known strengths". A third central organisation would agree to election by secret ballot provided that the election is confined to the members of unions. According to guarded press reports, the Labour Ministry's view "seems to be that the present machinery of consultation and adjudication which had been evolved over a period of years had been more or less satisfactory though certain changes were needed for its better functioning". Here then is a basic difference of opinion between the two ministries: have industrial relations and the machinery for them been "more or less satisfactory" as claimed by the one or "very unsatisfactory in recent months" as urged by the other?

The question of a change would arise only if the arrangements obtaining hitherto have failed to ensure a reasonably sound state of labour-management relations.

Experience of industrial countries: There is no gainsaying the fact that if one truly representative union could be installed where many are now engaged in an internecine warfare, to the exclusion of all others, there would be a distinct improvement in the state of industrial relations.

We, as a developing nation, are entitled to evolve our own ideas in regard to matters of recognition and representation, as in any other field, and we should certainly not "slavishly" follow, or imitate, ideas emanating from industrialised countries which, it is often claimed, do not suit local conditions. However, it would be foolish on our part to ignore the experience of others altogether. History tells us that industrialized countries too had, at one stage or another of their development, faced substantially the same problems as those that confront us today and that it was after much trial and error that they got to the stage of evolving workable schemes and arrangements. There were rival unions in every country - unions which fought with one another and weakened themselves and their industrial establishments in the process. Many of the early unions were small ones with meagre resources. Their stock-in-trade consisted of an ample armoury of threats and a number of ill-fated demonstrations of direct action. Eventually, largely as a measure of self-protection against powerful employers, national unions became established, and they felt the need to evolve a method of settling differences among themselves over the right of representation. The result was election by the secret ballot in countries which preferred a statutory framework for the purpose.

The object of representation: The reason why workers form trade unions is that they wish to secure from employers, through collective bargaining and concerted action, terms and conditions of work which the individual worker cannot hope to obtain by his own unaided efforts. "The object of the trade union is to protect and advance (or to maintain and improve) the terms and conditions of employment of its members, and generally the members' economic and social interests". (vide the present writer's recent book). The trade union is a collective instrument of persuasion and compulsion.

concerned with bringing the employer to a reasonable, at any rate a realistic, frame of mind. The old adage, 'Union is strength', is nowhere more aptly exemplified than in the modern trade union. Joint and collective action is of the essence of trade union action. Hence the very name "collective" bargaining to the process by which trade unions practise what is considered to be democracy in industry.

If workers can achieve their objective only by joint and collective action, there must necessarily be no individual or divided action -much less conflicting actions flying in different directions. Workers must speak with one voice, and that voice must be what the majority of them decide and demand. Hence the concept of the representative union, which, being acceptable to the majority of workers, is deemed, by the democratic principle of majority, to be acceptable to all. If half a dozen unions representing different groups of workers are allowed to bargain, each on its own, there can be neither effective bargaining nor collectivity in the process. That, in fact, would be the very negation of collective bargaining. If joint and collective action on behalf of workers as a whole were rendered impossible for want of suitable arrangements, there would inevitably be a reversion to the state of affairs which obtained in the early days when the employer dealt with each employee separately and dictated his terms from a position of strength and dominance. While the principle of one, and only one, spokesman on behalf of workers is the lifeline of unionism, such an arrangement is equally important from the point of view of the employer, provided, of course, that he believes in industrial democracy and is not out to destroy trade unionism. A well-meaning employer would flounder in uncertainty and indecision were he confronted by a series of warring unions bent on pulling him in different directions.

Growth of the principle of recognition in India: Ideas about the recognition of unions and the representation of workers are still somewhat vague in this country. The term "recognition" was originally employed by the Government to denote the permission granted to combinations of government employees to submit collective memorials and petitions to the Government and to conduct negotiations with them on behalf of their members on condition that they abided by certain rules. Collective memorials had till

then been barred. Thus recognition meant only the lifting of the ban on collective memorialisation and the willingness of the Government as employer to take cognizance of such memorials. Private employers who had at one time treated union organisation as criminal conspiracy and later on, when that attitude became untenable, refused to take any notice of the formation of unions gradually relented and copied the governmental pattern of "recognition". By recognising a union, the employer was not recognising the claim of the union to speak for any persons other than its members.

The concept of the "representative" union as representing all employees was gradually developed in India, for the first time, in the Bombay Acts, namely, the Bombay Industrial Disputes Act, 1938 and the Bombay Industrial Relations Act, 1946. Neither of these Acts looked for majority status in the representative union. Under the former a registered union in a local area, which had during the whole period of six months prior to its application a membership of not less than 25 per cent of the total number of employees employed in an industry or occupation, could apply to the Registrar for being declared a representative union. Under the latter, any union which had for the whole period of three months next preceding the date of application a membership of not less than 15 per cent of the total number of employees employed in an industry in a local area could apply for registration as a representative union for that industry in that local area. The representative union, certified on a check of membership strength, could act on behalf of all employees in the particular negotiating unit. In the central sphere, an amendment to the Indian Trade Unions Act, 1926 was made in 1947 providing for the "recognition" of trade unions which were "representative" of all the workmen employed by the employer in the industry concerned. The percentage of workers who should be members of the union for enabling the latter to become "representative" was to be prescribed in the rules, and the actual percentage so fixed varied from 15 to a somewhat higher figure. The executive of the recognised union was entitled to negotiate with the employer in respect of the matters connected with the employment or non-employment or the terms of employment or the conditions of labour of all or any of its members. It should be noted that

the Act did not give the recognized union representative status on behalf of all the workers of the establishment. Moreover, this Act was never brought into force. The Labour Relations Bill, 1950, which was allowed to lapse, provided for three types of bargaining agents. These agents, certified by labour courts after taking evidence as to their membership strengths, were to have exclusive rights to bargain collectively on behalf of all employees in the establishment or industry concerned. The only other provision for "recognition" of unions is that contained in the voluntary Code of Discipline. A union can claim to be recognised as a representative union for an industry in a local area if it has a membership of at least 25 per cent of the workers of that industry in that area. Certification is by a membership check and not by any secret ballot. This voluntary provision has been working with indifferent success since its formulation in 1958.

All these attempts at developing the concept of the representative union have thus been based on membership checks conducted by a statutory or administrative agency. A 15 or 25 per cent membership of the workers is held sufficient to justify the conferment of representative status. True, as between rival unions claiming certification the largest would be certified, but even the largest may not have a membership very much in excess of the prescribed minimum. Thus the idea of majority status is nowhere in the picture; nor is there any provision for workers as a whole to elect their bargaining agent by secret ballot.

Notwithstanding the absence of suitable provisions for ascertaining majority support for any particular union, unions have been "recognized" by Indian employers, both under the Bombay Acts and under the Code of Discipline, as representative unions in respect of all the workers included in the jurisdiction. The result has been quite considerable chaos in several establishments. Recognized unions have not always been able to command the loyalty of the majority of workers and rival unions of substantial strength and support, sometimes even more powerful than the recognized unions, have successfully thwarted the efforts of recognised unions to function in a representative manner. The recognized union might conclude an agreement with the employer, but the rival union might often be successful in calling a strike. Rival unions

have invariably done just the opposite of what recognised unions have attempted to do, and suprisingly enough, in some instances at least, the supporter of a move becomes its opposer just for the reason, or so it would seem, that the initial opposer of the move has decided to become its supporter - all in the course of a couple of months.

Referring to the practice of according recognition on the basis of a prescribed membership strength, Professor J.H. Richardson cites the example of the British Post Office which, shortly after the Second World War, laid down a formula by which recognition was to be accorded to any association which had a membership of not less than 40 per cent of the work-people in a given grade. This percentage, he says, would often be deemed an unduly high percentage as much smaller unions could effectively function as representative unions if authorised in the proper manner, and yet there could still be two rival unions each claiming to satisfy this standard. He adds: " In practice, the formula led to the formation and recognition of many small unions each representing a special section or grade of workers, and this made difficult the reaching of broadly based agreements".

Urgent need of Indian trade unionism: The evolution of effective steps to curb the evil of rival unionism is one of the most urgent needs of Indian trade unionism at the present juncture. This can best be ensured by enacting, as a matter of priority, a law which would provide that a union commanding the majority support of the workers of an establishment or of any other appropriate bargaining unit, elected by secret ballot, shall be recognised as the sole representative of all workers and that all other unions shall be ignored for all purposes both in law and in practice. There is not the slightest harm if, as a result, minority unions decline and fade away and the representative union is, in addition, given facilities to build itself up still more through union shop or similar security measures. To prevent the bargaining agent from becoming autocratic or tyrannous, workers should have the opportunity at stated intervals to challenge its representative character and perhaps to build up a rival union which they would then elect as their future bargaining agent. These are the arrangements adopted in the United States and in certain other

countries which have made statutory provision for the certification of the representative union or bargaining agent.

In the formula for the certification of the bargaining agent mentioned above, there are two crucial requirements, namely, majority support of the workers of the bargaining unit and election by secret ballot. While a section of the trade union movement in India has accepted these requirements, others have not. The expression "majority union" or "majority status" is one of the least understood of trade union concepts in this country. To the requirement of majority status the objection usually raised is that very few unions can boast of a 51 per cent membership of their workers and that if this condition is imposed, the election of bargaining agent will become well-nigh impossible in the large majority of establishments. Moreover, even a union with a membership of more than 51 per cent could not be sure that all or most of its members could be taken to the poll at an election. A further objection is that if at all an election is agreed to, it should be confined to union members and not be thrown open to non-union workers. Those who raise these objections are obviously under the misconception that only union members are entitled to choose the representative union.

If the recognised union did not represent the entire body of workers and represented only either the members of all unions in the establishment or, more narrowly, its own members, that would be a situation which would serve little purpose in industrial relations. Who would, in such a case, safeguard the interests of non-union workers or represent them in their relationship with the employer? Would a rival union have to be brought into existence for the purpose? And what a way that would be of eliminating rival unionism? Again, in that case, would the benefits of any concessions secured by the recognised union be made available only to union members and be denied to non-members? In the event of a strike, would the recognised union call out only union members, leaving non-union workers, not entitled to the benefits resulting from the activities of the recognised union, to run the establishment as usual? Moreover, if a recognised union is not expected to represent non-union workers, what would be the justification for expecting it to represent the members

of a rival union which might, in all probability, be plotting for its downfall? A rival, after all, is far more dangerous than a neutral.

If, on the other hand, the argument be that even though non-union workers might not be allowed to vote, the bargaining agent would certainly represent all workers, including non-union workers, that again would be untenable, for no person can represent another unless the latter is given an opportunity to choose his representative.

Considerations such as these can lead to only one conclusion, namely, that a union aspiring to representative status and claiming sole bargaining rights with the employer must represent all workers of the unit, that is, its own members, the members of other minority unions, and non-union workers, are to be represented by the recognized union, a membership check would be a singularly inappropriate way of ascertaining their preference. Membership then ceases to be a common yardstick for measuring the preferences of union and non-union workers. The only practical way of ascertaining the majority view of such a mixed electorate is by holding an election by secret ballot.

If all workers constitute the electorate at a representation election, a practical question will arise, namely, whether the successful union should secure the votes of the majority of all workers of the establishment or only the votes of the majority of those actually present and voting at the election. Experience of the working of these alternatives in other countries has shown that the former requirement is capable of being abused. A minority union, playing a dog-in-the-monger policy, has merely to coax or coerce a sufficient number of eligible voters into abstaining from voting at the election in order to deprive the stronger union of its right to certification. Persuading people to abstain is far easier than persuading them to vote in a particular manner. Alarmed at such an undesirable trend, the National Labour Relations Board in the United States ruled that "majority" meant a majority of the votes actually polled at an election. This immediately forced unions to change their tactics;

they now found it advantageous to bring out in full force all possible supporters. The result was a 90 per cent attendance at elections - a sure sign of the success of any democratic process.

So it is obvious that if our intention is to have one representative union for each establishment or bargaining unit which would function as the sole bargaining agent of the particular body of workers, an election by secret ballot at which all workers are eligible to vote is the only proper method of making a selection.

In the light of the discussion above, the objections to an election by secret ballot and the claim to settlement of the issue by a membership check can be overruled without any difficulty. The main objection to a secret ballot is that illiterate workers can momentarily be swayed by the tall promises made by unscrupulous union leaders, but this is an objection common to all democratic processes in a parliamentary democracy. Were it to succeed, the application of the secret ballot to politics would have to be the first victim. The aim in certification proceedings, as we have seen above, is not to find out the relative membership strengths of the various unions but to ascertain the relative supports they are able to gather from the entire body of workers. The point is so clear that it is unnecessary to invoke, even though it would not be inappropriate to do so, the parallel of the parliamentary elections which are decided not by counting the memberships of rival political parties but by counting the votes of the entire body of electors cast at an election.

Usual objections to voting by non-union workers: An objection frequently raised to permitting workers who have not joined any union to vote at a representation election is that those who make no contribution to the results are not entitled to have a say in the matter. This might have been a valid objection had it been accepted that the benefits of any collective agreement entered into by the representative union with the employer would not be available to non-union members. Such a claim has not been advanced, and will not be countenanced, by any union. Moreover, in the absence of any union security provisions in favour of the

representative union, even members of rival unions who will be benefiting by the labours of the representative union would not be contributing to its funds. The only reasonable arrangement for ensuring that those who benefit by the labours of the representative union also contribute to its finances is to lay down that the representative union will be entitled to demand union security provisions, including union shop or some suitable modification of it. Under the union shop arrangement, every worker must, after a probationary period, become a member of the union which has been accorded representative status as a condition of continued employment. This may have the effect of eliminating rival unions and of building up the representative union, but there can be little objection to such compulsion as it ensures also the benefits of union membership. If workers believe in organized collective strength for the safeguarding of their legitimate rights, they cannot then simultaneously claim the right to individual and independent action. Collective action and individualism are largely incompatible, and workers must decide whether they will have the protection of collective action through present-day unionism or the privilege of individual and independent action as was available in the early days of the Industrial Revolution. The choice seems to be pretty clear: the illusion of individual rights stands discredited by the march of events in the field of industrial relations during the last century and a half. No doubt a reaction to the growing militancy of trade unions in industrial countries has set in in recent times in the form of right-to-work laws, enacted by a number of states in the United States, which prohibit, in whole or in part, such union security measures as the union shop, maintenance of membership, the preferential shop, and hiring halls. Equally there is much opposition to such laws on the ground that they impede union growth and activity and that while the evils of corrupt or violent unionism, against which they are directed, should be checked, the growth of unionism itself should not in any way be curbed. Whatever, the merits of this controversy in a land where unions are admittedly all too powerful, the weak state of trade unionism in India would fully justify the extension of union security provisions.

Problem of proportionate representation: One of the central organisations engaged in the discussions with the Steel Ministry is reported to have asked for proportionate representation at the bargaining table for all unions now working in the establishments. This amounts to imparting a scientific-looking basis for the problem of rival unions though it could hardly be imagined that the mere fact of a number of unions negotiating simultaneously at the same bargaining table would, in any way, lessen rivalry and conflict. Referring to this point Professor J.M. Richardson of the University of Leeds says in his "An Introduction to the Study of Industrial Relations" as follows "It would be possible to have meetings for negotiation attended by representative from each union, the number of representatives of each union being proportionate to its membership, but in practice the rivalries of the unions and their conflicting policies would un-usually lead to bitter struggles between themselves which would be no concern of the employers, but would be likely to render collective bargaining ineffective and to break down completely. It is desirable, therefore, that one union only should be recognised for any given group of workers". Professor Richardson is writing of trade unionism which is not plagued by politics. Our case, being **further** complicated by the intrusion of politics, would be even more difficult than the situation mentioned above.

This method has been tried out in some European countries where plural unionism is not infrequent. In such a case unions are forced to form "coalitions", or in our parlance united fronts, even as political parties in Europe try out coalitions for the purpose of forming governments. The result generally has been as mentioned by Professor Richardson.

In our conditions such negotiating councils stand no chance of constructively bargaining with employers.

One union in one industry: We often hear of the plea for 'One union in one industry'. Though this formula is bandied about far too frequently, few pause to consider its full implications. The one-union concept means, of course, the representative union as discussed in the foregoing paragraphs and not any union 'recognised'

in the loose sense to which we have alluded. The reference to 'one industry' has, or should have, implications for the development of national unions in all important industries in place of the numerous small unions attached to individual units. The building up of powerful national unions through a process of consolidation of the many small unions that now exist is an important requirement of trade unionism in this country. It is only then that we shall have a mature trade unionism which can work purposefully with a high sense of responsibility based on strength and resources.

Support for the principle: There is a fairly large measure of support from the central organisations of workers and of employers for the principle of one representative union for each bargaining unit, the latter, under Indian conditions, being generally the individual establishment with occasional departures in the extent of coverage. This support is not as overwhelming as one might wish it to be, in view of the reported demand of one important central organisation of labour that all unions should have proportionate representation at the bargaining table. The support for the election of the representative union by secret ballot of the entire body of workers is even less as only one central organisation of labour is reported to be firmly committed to it. There are, however, hopeful signs that the public and the rank and file of trade union leaders in the field are gradually getting accustomed to the idea of a single representative union elected by secret ballot. A field study of trade union leadership undertaken by S.D. Punekar and S. Madhuri of the Tata School of Social Sciences has a direct bearing on this particular problem. The study elicited the views of 360 trade union leaders belonging to 176 trade unions in a number of States. Those views, elaborately set out in their recent book, have been summarized by a reviewer in the following terms: "A very large number of the respondents (over two-thirds) in each region considered the inter-union rivalry undersirable. For avoiding rivalry, most of the leaders suggested legislative measures, improvement in the union work and educating the worker, in their

respective order. Gujarat respondents thought that there would be less rivalry among unions if, apart from educating the workers, political influence is minimized and if one union is made to represent the industry. Where legislative measures are suggested for minimizing rivalry, what is generally implied is that one union should be declared to represent the workers of a given employer unit. The preference was for a secret ballot, which was, however, not favoured by I.N.T.U.C. leaders". It is to be hoped that this desirable trend in the thinking of trade union leaders will gather increasing strength. Education in the school of experience is a slow process, but patience cannot but be rewarding.

A view on the steel case: From what has been said above, it should be amply clear that the Steel Ministry's proposal to have a single representative union elected by the secret ballot is undoubtedly correct and that it is the only way to eliminate the confusions and complications of rival unionism. A point which would, however, need further attention is whether there should be only one bargaining unit in each plant or more than one. This is a matter more of procedure than of principle. The American law has wisely adopted a flexible approach to this problem. The National Labour Relations Board is asked to decide in each case "whether the unit appropriate for the purposes of collective bargaining shall be the employer unit, craft unit, plant unit or sub-division thereof". This is to render collective bargaining possible at any level suited to the convenience of the parties. What the Board usually does is to secure agreement of the parties on the extent of the bargaining unit. When it is forced to give a decision in the absence of agreement, it is guided by two basic criteria, namely, the history of collective bargaining, if any, in the establishment and the mutuality of interests of the employees. So past practice is an important factor in the settlement of the extent of the bargaining unit. If a plant has been bargaining as a whole, there should be only one bargaining unit for the plant as a whole. If, however, different sections of the

plant have built up a history of separate bargaining, it would be unwise to disturb the past practice unless there is agreement between management and labour to make a departure. Even where smaller bargaining units than a plant are agreed to, the same principles for the election of the bargaining agent by secret ballot will apply to each unit.

Need for legislation: Finally, a word of caution.

In a country riddled with rival trade unionism, which is often sustained on violence, the success of voluntary arrangements, especially in big plants with 30000 or 40000 workers in each, for the functioning of representative unions elected by secret ballot is highly problematical. Because of the large size of the labour force in each plant, it would be easy enough for a rival union, existing or future, to scrape up a few thousand workers as its members, to raise disputes, and to ask the appropriate government to intervene under the Industrial Disputes Act. It is, by no means, clear whether if a dispute were so raised, it would be legally in order for the appropriate government to decline to intervene in view of the specific provisions of the Industrial Disputes Act unless, of course, the agreement in respect of the representative union is a legally enforceable "settlement" under the Act binding on all workers. Difficulties are, in any case, bound to arise, sooner or later, in the working of such a new and important concept in the absence of basic legislative support for it.

The enactment of suitable legislative provisions for the election of the representative union or bargaining agent by secret ballot and for defining its rights and responsibilities would, therefore, seem to be a matter of high priority, especially now that the largest industrial employer in India, the public sector, is plagued by troubles that cannot, in reason, be resolved in any other way.
