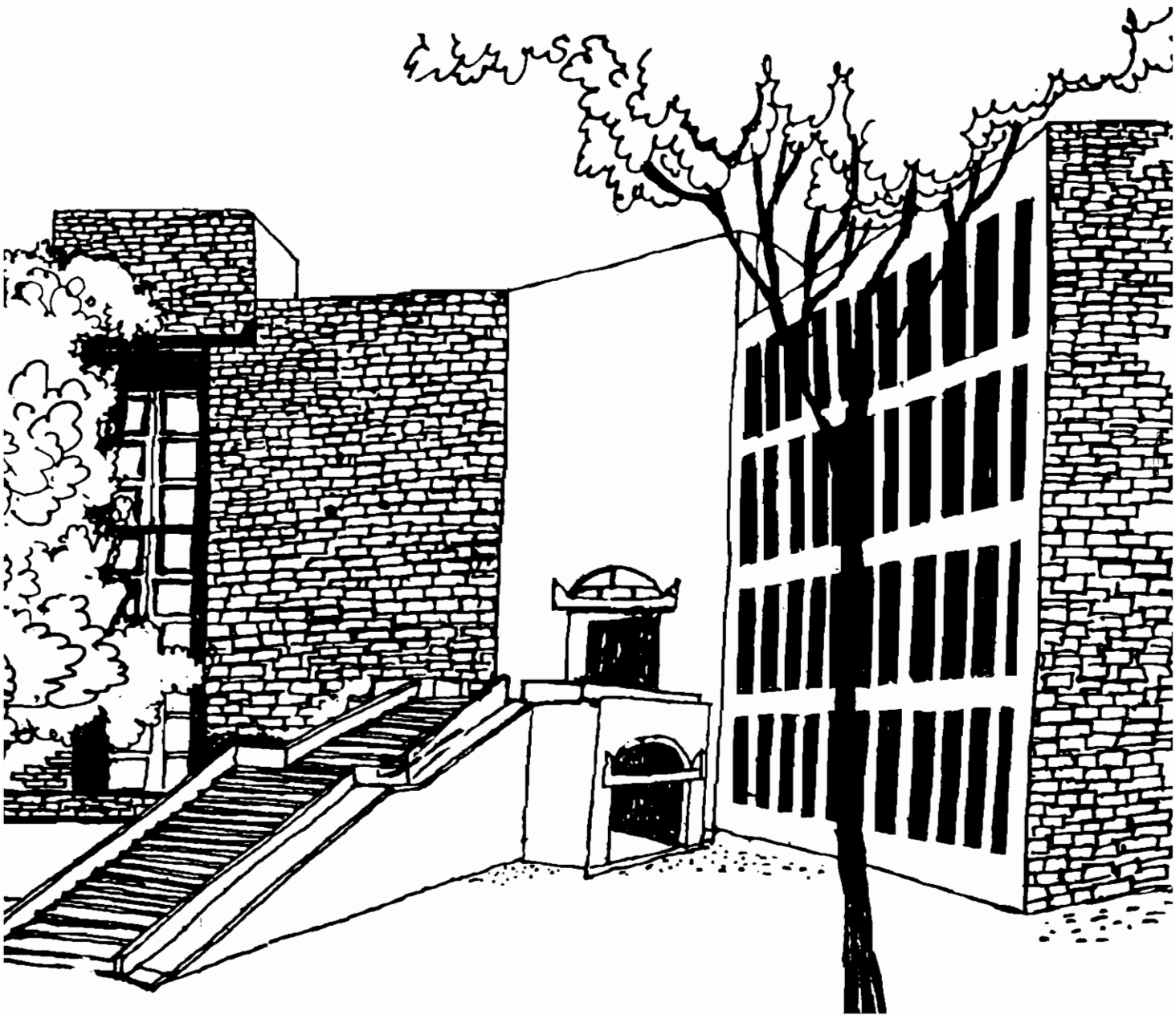




Working Paper



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Industrial Restructuring, Unions and The State: The Case of Textile Mill Workers in Ahmedabad City¹

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Abstract

This paper looks at the case of 50,000 odd workers who lost their jobs between 1983-94 as a result of closure of privately owned textile mills in Ahmedabad city. In a large majority of cases, these workers did not receive their due benefits or retrenchment compensation; and they remained outside the organized manufacturing sector, in situations of unstable self employment, as casual labourers, or as unemployed. The instrumentalities adopted by the Textile Labour Association (TLA) to get compensation or alternative employment projects, from the central government, for these workers have been largely ineffective. The central government has used the National Renewal Fund almost exclusively to offer Voluntary Retirement Schemes to public sector employees. No comprehensive social security net has been devised for displaced workers in the private sector.

The paper argues that despite India's democratic set up, a long tradition of trade union politics and a continuing labour-friendly rhetoric, state attention to the need for social safety nets even for the organized sector of the work force has been minimal. Shrinking employment in the organized manufacturing sector and the depletion of the bargaining space of trade unions have facilitated this process.

Additionally, the TLA has not put forward the textile workers' case within the framework of a broad critique of the state's lack of attention to the need for social security and alternative employment in a context of industrial restructuring. The TLA is seen as characterized by an ageing leadership, heavily conciliatory methods of negotiations, and bound to an ideology of supporting rather than challenging the state. Working within these paradigms, the TLA appears to have been unable to identify instrumentalities of effective intervention called for in a situation where neither the market nor the state have provided alternatives to the displaced workers. Caught between these forces, many thousands of displaced workers have been left outside of the framework of industrial restructuring.

¹ Research on this paper was funded by a seed money grant from the Indian Institute of Management , Ahmedabad. The author is grateful to Mr. Arvind Buch of the Textile Labour Association, Ahmedabad, for discussions on the theme and for help in collection of material.

1 Introduction

As structural adjustment/economic liberalization programmes have progressed in a large number of countries, the (at least short-term) inequalitarian effects of such programmes have been highlighted both in the critical literature and in policy thinking. Briefly, already disadvantaged groups frequently have to bear the brunt of cuts in public spending, withdrawal of subsidies, price controls and protection, and labour rationalization stemming from industrial restructuring and privatization. Both scholarly analyses and political critiques of adjustment programmes have underlined the need for governments to devise social safety nets which can mitigate the negative effects of an emerging market economy upon weaker sections of the community.

In the context of democratic political systems, such as in India, popular sector challenges have been factored into liberalization programmes; particularly in such contexts, from the point of view of the state, the provision of social security nets would seem to be a vital condition for the success of economic reforms in order to prevent large scale economic dislocations and any major challenge to the reform programme.

However, apart from the normative and political expediency concerns, in a situation of scarce resources, state responses in terms of provision of social security will be frequently determined by the relative pressure that economic groups can bring to bear upon state agencies. It would seem that in this game, organized labour, which has a long tradition of effective political activity in India would have an edge over other groups in terms of collective bargaining strength and access to political power holders who determine the scale and allocation of social security.

This paper argues that these equations may not always work in real political situations; despite a democratic framework and a long tradition of unionized politics, even sections of the organized workforce in established industrial sectors may be pushed out of the formal sector of the economy in the process of industrial restructuring and excluded out of social security net programmes. The paper looks at the case of around 50,000 textile mill workers in Ahmedabad city who lost their jobs during 1984-94 as a consequence of widespread closure of mills. The empirical material reviewed in the paper highlights firstly that retrenchment compensation has been negligible or absent in the case of these workers; second, the decline of employment opportunities in the organized manufacturing sector in Gujarat has meant that these displaced workers have remained outside the framework of the formal sector; and finally, the specific demands, articulated by the Textile Labour Association (TLA) for retrenchment compensation and for employment generation projects, remain unaddressed by the central government.

These findings generate the following considerations: in the first four decades after independence the broad thrust of the Indian state, propelled by a welfare and redistributionist rhetoric, was to ensure to organized labour rising wages and to provide protection from market driven hiring and firing practices. Although liberalization has stressed the centrality of the market, strictly market driven exit, hiring and firing practices have still not been sanctioned legally in India primarily because of the political implications that such policies might spell. Nevertheless, the case of the Ahmedabad textile workers suggests that it is possible for firms to exit and thereby displace workers without payment of dues or of compensation. These practices have developed on a fairly wide scale with the tacit support of the government of Gujarat.

Additionally, although the National Renewal Fund has been set up as a social safety network intended for workers both in the public and in the private sectors, so far it has been used by the central government only for public sector workers; displaced workers in the private sector have been largely ignored by the NRF. Thus on the one hand, a labour-friendly rhetoric has been sustained and overtly anti labour policies have not been framed; on the other hand, the state has adopted in practice more a market than a welfare oriented approach which suggests that there has indeed occurred an underlying realignment of the relationship between labour, capital and the state.

This process has been facilitated by certain emergent trends in the broader political economy which have led to a certain depletion of the bargaining space of trade unions in general, and in this particular context, by the specific ideology and the instrumentalities adopted by the Textile Labour Association. The declining numbers of the workforce in the organized sector has led to the erosion of union strength, and the ideological climate of liberalization has put unions largely on the defensive. In recent history, unions have found themselves moving with the current rather than against the current; i.e., increasingly unions have accepted the logic of industrial restructuring and its negative implications in terms of job cuts, and have turned their attention rather to finding means of labour redeployment and rehabilitation.

These broad structural factors have been reinforced in the case of the TLA with its ideology: traditionally the TLA has promoted a non confrontationist and non conflictual management-labour relationship; this tradition has facilitated a largely supportive approach to industrial restructuring, despite its negative implications for labour. Working within this paradigm, however, the TLA appears to have been unable to identify instrumentalities of effective intervention called for in a situation where neither the market nor the state have provided alternatives to the displaced workers. Caught between these forces, many thousands of displaced workers have been left outside of the framework of industrial restructuring.

2 Plan of the paper

Section 3 outlines the policy and institutional framework within which the state has attempted to handle the emerging scenario where industrial restructuring can lead to a large number of job cuts. Section 4 outlines the decline of the textile industry in general and of Ahmedabad city mills in particular as a backdrop to the analysis which follows; section 5 presents the legal and political framework within which mill closures have occurred and provides some information on the economic fortunes of displaced mill workers. Section 6 provides an analysis of the TLA's role as it has handled the issue of jobless mill workers, the various modalities and instrumentalities that have been used, and the underlining ideology; sections 7 and 8 provide an analysis of the dynamics, related both to the nature of the TLA and that of broader political economy, that may offer a framework for explaining a situation where, even given the basic parameters of democracy and unionization, significant numbers of the workforce may be left behind as the agenda of restructuring progresses.

3 The policy framework

At this point in time, there exists some ambivalence in the policy framework towards labour issues in the context of adjustment. On the policy front, India's democratic political system and the legacy of a strong redistributionist rhetoric place certain clear limits on the introduction of pure market principles in labour legislation. These limits can be seen in the fact that labour laws have not significantly changed in keeping with economic liberalization. In order to retrench labour, or to close shop, firms require the permission of state governments; a complex network of labour legislation, as also the vulnerability of governments to labour constituencies, frequently prevents speedy and flexible state action on the question of retrenchment and exit.

This policy ambivalence has brought forth two kinds of responses from industry. A great deal of restructuring and modernization has in fact taken place in India's industry in the last decade; many private enterprises (and a few state-owned enterprises) which have successfully modernized have adopted what is known as the "golden handshake" strategy in order to cut surplus labour. In such situations, workers are offered attractive retirement compensation packages.

The situation is very different in the case of units which are known in Indian parlance as "sick": that is, those which have been running losses for several years, are inefficient, uncompetitive and often on the verge of bankruptcy. The government of India has set up the Bureau for Industrial and Financial Reconstruction (BIFR) whose function is to study cases of sick or potentially sick

companies (both in the public and in the private sectors), and to recommend closure, partial closure or rehabilitation schemes involving modernization, technology upgradation, etc. The operational procedure of the BIFR is, however, extremely lengthy and complex; additionally, there is also the hesitation of state governments to grant speedy approvals for closures. During the period 1988-92, the total number (before all state governments) of applications for closure was 148 of which only 26 were granted permission to close; in the same period, the total number of applications received by all states for retrenchment were 138 out of which only 74 were granted permission².

What often takes place is what is perhaps a peculiarly Indian phenomenon of illegal closures; i.e., a firm may, for example, get its electricity connection cut off for non payment of bills, ostensibly is forced to close all operations and shut down; in such cases, labour finds itself almost overnight thrown out of employment. In many cases, the concerned state government is unwilling to grant a formal permission for closure,

While the incidence of such closures has increased in the private sector, such options are obviously not open to state-owned enterprises. The need for restructuring public sector units and the accompanying implications for labour rationalization underlined the policy announcement of a social safety net in 1992, the National Renewal Fund (NRF). The objectives of the NRF are supposedly twofold: (a) to provide funds for retraining and redeployment and compensation for employees who are affected by restructuring or closure of industrial units, both in the private and in the public sectors; (b) to provide funds for employment generation schemes both in the organized and unorganized sectors in order to provide a safety net for labour needs arising from the consequences of industrial restructuring. In principle, the NRF would be used for labour rehabilitation purposes both in the public and private sectors; however, so far it has been used only to provide funds for Voluntary Retirement Schemes offered to employees of 60 central public sector units (see table 1); these employees were identified as surplus and were prepared to accept a retirement package.

As of 30 September, 1994, the BIFR had before it 1,602 sick companies employing 98,895 workers; of these 54 were central and 66 state public sector units³; the rest belonged to the private sector. Thus clearly the incidence of sickness in the private sector is pervasive and the number of workers who have been and could potentially be affected by industrial sickness is fairly large. The NRF has so far not been addressed to the needs of

Budgetary allocations and disbursement under the National Renewal Fund			
Year	Allocation	Disbursement	Workers covered under VRS
1992-93	829.66	650.24	38531
1993-94	1020.00	548.75	30935
1994-95	700.00	n.a.	820*
* upto June 30, 1994.			

workers in the private sector, and the number, scope and effectiveness of other governmental agencies to handle the problem of rehabilitation of displaced workers remains astonishingly low. It is this crucial dimension of industrial restructuring which has been sought to be highlighted in this paper.

4 Cotton textile industry: a brief outline

Cotton textile manufacturing is one of the oldest of organized industries in India. Of the total estimated employment in manufacturing industry, the organized mill industry accounts for 20%. In addition around 9 million workers are estimated to be employed in the decentralized sector of the

2 V.R.S. Cowlaghi, "The National renewal Fund: Promise, Performance and Prospects", *Vikalpa*, vol.19, no.4, October-December, 1994.

3 Ministry of Labour, Government of India, (1993-94), Annual Report: Part 1, Labour.

industry. The decline of the organized mill sector in textile manufacturing in the post independence era is a well documented phenomenon. Here we shall only point to some broad features that have characterized cotton textile manufacturing before turning to the emerging textile scenario in Ahmedabad city that has been created by the general decline of the mill sector.

India's textile industry is officially divided into two sectors, the organized sector composed of textile mills, situated mainly in metropolitan cities, and the decentralized sector composed of handlooms and powerlooms. The four decades since independence saw the deepening decline of both the mill sector and of handlooms. The share of the mill sector in total cloth production declined from 79% in 1951 to 24% in 1987⁴. Sickness and closure of mills reflected this general malaise. The decline of mills became particularly sharp in the late 1970s and early 1980s. The number of textile mills on the verge of closure grew from 73 in December 1977 to 94 in June 1983 and further to 142 in March 1989.⁵

Briefly, a combination of factors had contributed to the gradual decline of the mill sector. State policy had created an environment of stringent government controls on entry, exit and expansion; the domestic market for cotton textiles had remained almost stagnant; most importantly, increasing competition from the powerloom sector increasingly cut into the profitability of mill production. Powerlooms frequently employ the same technology as mills, but are designated as part of the small scale sector, and therefore qualify for significant tax exemptions and have a much lower wage structure. The share of powerlooms in total cloth production was 47.9% in 1987-88. In 1989 the annual production of the powerlooms was 7000 to 8000 million meters, much more than the combined production of the mill sector (2,858 million metres) and the handloom sector (2,100 million meters)⁶.

The general decline that had set in in cotton textile manufacturing was reflected in the state of the industry in Gujarat. Historically, as part of the original state of Bombay, Gujarat was one of the oldest centres of cotton manufacturing in the country. After the partition of the state of Bombay into Gujarat and Maharashtra in 1960, Gujarat retained about 128 mills, coming second to Tamil Nadu's 351. The gradual decline of textile manufacturing profitability began to hit the Gujarat textile scene from the 1970s onwards but was particularly sharp from the mid 1980s onwards. Prior to 1985 there were 85 textile mills in Ahmedabad city. In 1985-86 12 textile mills which had been chronically running at losses were nationalized and placed under the Gujarat State Textile Corporation (GSTC). Of these six were put on production and six were scrapped. Thus in 1986 there were 58 textile units in Ahmedabad city. By 1994, 18 mills were under liquidation, i.e., they had been officially closed and their property had been placed under a government-appointed liquidator to be dispensed with, the proceeds of which would supposedly be used to pay off creditors and workers dues. By the end of 1994 a few more mills closed down and there were in fact 23 mills left in the city.

The process of textile restructuring in Ahmedabad city has occurred at three levels. In the first place, some loss making or bankrupt mills have been taken over by the GSTC or the NTC; second, there are a small number of mills in the city which have evaded the general decline of the textile industry, and have in fact expanded their production and profitability considerably during the last decade, primarily by virtue of becoming successful exporters. These mills have rationalized their workforce to a considerable extent in the last decade mainly by offering attractive voluntary retirement schemes. Third, there are the mills which have closed down in the last decade leaving around 50,000 workers jobless. The central focus of the paper will be on this last category.

4 Annual Report, Ministry of Textiles, Government of India, 1989-90.

5 *ibid.*

6 *ibid.*

5 The genesis and consequences of closures

In response to the sharply deteriorating situation in the industry, the 1985 New Textiles Policy, while announcing a comprehensive set of incentives for the regeneration of mills, also provided for the easier exit of obsolete mills. Two separate instrumentalities are supposed to operate to determine the question of viability of sick mills and to take a decision on closure. The case of a mill which has been running at a loss for several years may be referred to the Board for Industrial and Financial Reconstruction (BIFR). Alternately, a Nodal Agency, set up under the aegis of the Industrial Development Bank of India (IDBI) may examine the viability of sick mills. Essentially, the slow and bureaucratic nature of the functioning of these two agencies has prevented quick decisions; consequently even mills which were potentially viable have fallen by the wayside and jobs have been lost. Additionally, given the lengthy legal procedures involved in taking a decision for closures, there has evolved the widespread practice of resorting to illegal closures. The consequence of such illegal closures for workers is that they fail to get their due salaries which are usually pending for several months as well as their terminal benefits.

The process in which some of the mills have closed down highlights not only that such closures have occurred in an extra legal manner, with the tacit connivance of the state government, but also the inherently anti labour character of the processes involved in these exits. A city mill known as the New Rajpur Mill⁷ was suddenly declared closed on 1st March, 1994. The High Court ordered the Official Liquidator to take possession of the mill on the grounds of non payment of bills amounting to Rs. 68,000. The mill had a workforce of 1200. Under the leadership of the TLA the workers of the mill staged a protest in front of the High Court alleging that the closure of the mill and its placing under the Official Liquidator had been secretly arranged by the management without consultation with the workers or with the TLA. It seemed that salaries for the preceding month amounting to Rs. 35 lakh and Rs. 8 crores against gratuity arrears remained outstanding dues to the workers. The High Court order gave possession back to the mill management, but the mill remained closed, with the workers dues unpaid.

The actual number of workers who have lost their jobs as a result of the closure of mills in the city is somewhere around 50,000. During 1983-84 about 36,000 full time permanent workers were rendered jobless as a result of large scale closure of mills during that year. During 1984-90, 15 textile mills closed down, and are presently under the purview of the Official Liquidator appointed by the High Court. The number of workers in these 15 mills is around 28,600 (table 2) During 1990-94 an additional six textile mills closed down.

The steady deterioration of employment opportunities in Ahmedabad city made it practically impossible for most of these displaced persons to find employment. A survey⁸ conducted by the Gandhi Labour Institute in 1984 studied a sample of 5,733 displaced workers in Ahmedabad city who had lost their jobs between 1983-84. Of the sample studied, 58.68% reported self employment and 41.32% reported being employed in some kind of wage paid work. Self employment occurred mainly in trade, manufacturing, processing and repair, service and contract related activities. The study found a great deal of instability and dislocation associated with this kind of self employment.

The average daily earnings of displaced textile workers who were self employed appeared to be somewhere around Rs.12.00 per day, less than one third of the daily wages of a mill worker which in the early 1980s was somewhere around Rs. 50 per day exclusive of other allowances such as provident fund, gratuity etc.

7 Information on this mill has been constructed from newspaper reports.

8 B.B. Patel, *Workers of Closed Textile Mills: Patterns and Problems of Their Absorption in a Metropolitan Labour Market*, New Delhi, Oxford and IBH Publishing Company, 1988.

Sl. No.	Name of Textile Unit	Closure Date	No. of Workers	Average Ducs (Rs./worker)
1	Bansidhar Spg. & Wvg.	07.09.85	1,300	29,308
2	New Gujarat Synth. No.1	10.08.86	2,000	34,250
3	New Gujarat Synth. No.2	01.09.86	1,600	32,875
4	Omex	01.08.86	1,500	29,867
5	Bharat Suryodaya	27.10.86	1,500	30,400
6	Jubilce	10.03.87	3,600	29,483
7	Ramkrishna	30.03.87	2,200	36,500
8	Commercial Ahmedabad	19.05.84	1,500	34,000
9	Vivekanad	13.04.87	1,500	30,467
10	Prasad	16.11.86	1,400	26,786
11	Aryodaya Spinning	18.11.86	2,500	27,360
12	Aryodaya Ginning	25.07.87	2,600	31,500
13	Ajit	19.11.87	1,500	27,767
14	Vijay	22.01.88	1,600	32,953
15	Amruta	05.11.90	2,300	22,632
	Total		28,600	30,314

Source: Textile Labour Union (Majoor Mahajan), Ahmedabad

The report also stated that the pattern of wage paid employment that had been found amongst these displaced workers pointed to the process of casualization of labour. Here too the average daily wage was somewhere around Rs. 11.50, (a fraction of what a permanent mill worker would receive as wages), without health or accident insurance and with no security of employment. Wage paid employment was mainly in the manufacturing sector, (51%), followed by in construction (16%) and in service (15%).

A sample survey was conducted by the present author (table 3) covering 250 former employees of textile mills which had closed down between 1984-94. This sample showed that 25% of those surveyed were working as labourers in some local factories which included textile mills; the nature of employment was purely casual, often the workers were not employed for a full week, and the wages received were on an average Rs. 25 per day. 12% of those surveyed were employed in activities such as rag picking, waste disposal, digging pits; daily earnings on an average was Rs. 15 per day; 15% of those surveyed had installed a spinning mill in their home; their average daily earning was around Rs. 40 per day. 48% of those surveyed stated themselves to be unemployed; their means of livelihood came from a variety of sources: earnings of children, spouses, dependence on siblings. None of those surveyed had children in regular, permanent wage employment; most were casual labourers in local factories, assistants in tailoring shops, construction workers, helpers in tea stalls. One central fact that stood out from this sample was that none of the former employees nor any one member of their households were in permanent wage employment.

These facts have to be seen in the backdrop of the general growth and developmental context in Gujarat in the last one decade. In Gujarat there has been a fairly dramatic growth in industrial

Investment but not in employment⁹. During 1993-94, the total number of industrial entrepreneur memorandums (IEMS) was 12400, with a total investment of Rs. 25,6158 crores. As much as 13.63% of the IEMS and 15.38% in investment was in Gujarat (which came second only to Maharashtra.)

Pattern of present occupations of workers of mills which closed between 1984-94.		
No.of workers	Occupation	Average earnings
62	Casual labour in local factories (including textile mills)	Rs.25 per day
30	Rag picking, waste disposal, dig pitting	Rs.15 per day
37	Spinning mill at home	Rs.40 per day
120	Unemployed/ dependent on relatives	not stated
250	Total	

Source: Sample survey based on interviews with 250 former employees of closed textile mills in Ahmedabad

Employment in Gujarat has grown at about 2% per annum during 1977-78 and 1987-88. However, a deceleration in employment growth was observed during 1983-1987-88 as against the period 1977-78 to 1983. This trend is exhibited by all the sectors except construction and trade. In the manufacturing sector the rate of growth of employment declined sharply from 6.8% per annum to 2.01% per annum and in services from 5.64 to almost zero during the 1970s and 1980s respectively.

The organized sector in Gujarat employs a little over 10% of the workforce. Employment in the organized sector increased from 1.21 million in 1977-78 to 1.56 million in 1987-88 at the rate of 2.55% per annum. However, there was a sharp deceleration in the rate of growth of employment in this sector from 3.14 % per annum in the 1970s to 1.84% per annum in the 1980s. Employment growth in the organized manufacturing sector remained virtually stagnant during 1983 and 1987-88. The rate of growth of employment in the unorganized sector also fell from 2.26% per annum in the 1970s to 1.63% per annum in the 1980s. This decline in the rate of growth of employment both in the organized and in the unorganized sectors, (as also the increase in the labour force of 0.4 million per year in the 1990s), would highlight the distressing situation of many thousands of textile mill workers who have been thrown into the labour market.

6 TLA: responses and instrumentalities

6a The legal framework

The TLA's response to this phenomenon has been primarily to accept the closures as fait accompli and to work around various institutions in order to provide interim relief and some kind of employment for the affected workers. These activities have ranged from attempting to obtain financial compensations to providing relief measures: interim employment, counselling, educational and vocational opportunities for families of affected workers and such like activities. Essentially, the TLA's efforts can be described as negotiations with a variety of concerned institutions: employers associations, legal institutions, and government agencies.

⁹ The information on investment and employment trends in Gujarat is based on data provided by S.S. Mehta, "Reforms and After" Parts 1 and II, Economic Times.

The TLA arrived at an agreement with the Ahmedabad Textile Mills Association (ATMA) that members of the Association would give preference to workers of closed mills in their new recruitments. Under this agreement, approximately 3000 workers found jobs. However, the inherent difficulties of this strategy stemmed from the fact that thriving mills in the city were going in for technological modernization and they were therefore not looking to expand their labour force significantly.

Following a closure, the TLA files a Recovery Application before the city Labour Court for the Gratuity and Retrenchment Compensation which are to be paid to workers under the ID ACT. Additionally, the TLA negotiates with the management of closed units and with the Regional Provident Fund Commissioner for repayment of workers' accumulated provident fund with interest. It seemed that on an average under the TLA's sponsorship workers who had held permanent jobs in a textile mill with more than 20 years employment had successfully claimed Rs. 15,000 to 25,000 under the Provident Fund Scheme. While there has been some success on these fronts, the above account would have established that by and large workers who had lost their jobs as a result of mill closures had been unable to find any comprehensive retrenchment package or alternative employment.

6b *The Ahmedabad rejuvenation plan*

It was in response to this situation that a proposal was formulated to obtain a loan of Rs. 121 crores from the National Renewal Fund for payment of workers' compensation and for funding a regeneration scheme for Ahmedabad city¹⁰. The regeneration scheme entailed the selling off of unused land and machinery belonging to closed mills, the proceeds of which would be used to pay off the loan taken from the NRF. The basis of this proposal was a study, conducted by an urban planner, of the land and property of 15 closed textile mills in the city¹¹. This study revealed that an amount of Rs. 191.84 crores could be realized by selling machinery, buildings and other fixed assets of the closed mills. The total statutory dues to be paid to around 30,000 workers of 15 closed mills worked out to be Rs.86.7 crore. An amount of Rs.102.69 crore had to be paid to the secured creditors, including public financial institutions such as scheduled banks and IDBI, ICICI, GIIC and others. Therefore the total liabilities of the 15 mills under liquidation worked out to be Rs.189.39 crores as against the gross worth of the assets of the mills which was around Rs. 191.84 crores.

The proposal also suggested the setting up of an Ahmedabad local economy rejuvenation trust (ALERT) which would then generate area based textile restructuring asset trusts (TRATs) with participation by mill workers, representatives from trade and industry and various public sector institutions, apart from professionals. The core of the proposal was to set up, on the land of the 15 closed mills, small scale industries, creating about 40,000 jobs and a wholesale commercial sector creating an additional 12,000 jobs.

Spearheaded by a prominent labour leader, and a former finance minister of Gujarat, Mr. Sanat Mehta, the proposal was submitted to the National Renewal Fund in early 1994. The Empowered Authority of the NRF in principle recommended the proposal; however, any financial sanction above Rs. 100 crores has to be sent to the central cabinet for approval. The cabinet has not up until now come up with a decision. No reasons have officially been offered for the absence of action on the part of the central government on the proposal.

This paper does not provide an economic analysis of the merits, or otherwise, of the Ahmedabad rejuvenation proposal. For the present purposes, the validity and value of the proposal

10 Sanat Mehta, Request for Assistance from the National Renewal Fund for Ahmedabad's Textile Mills: a Summary Proposal, 17 May, 1994.

11 Barjor E. Mehta, Urban Rejuvenation Through Property Redevelopment: Reusing Lands of Textile Mills Under Liquidation in Ahmedabad City, Gujarat Foundation for Development Alternatives, 1993.

rests on the fact that it was the first systematic attempt to examine the condition of the jobless textile workers within the broader framework of the declining economy of Ahmedabad city and to evolve a prescription that addressed itself to three related problems: urban unemployment resulting from industrial restructuring and closures, declining number of industrial jobs in the city, and the need to reactivate the property and infrastructure of closed textile mills. The objective in the rest of the paper is to outline the politics that has surrounded the fate of the proposal, and to offer an analysis of the factors that may determine the level of state attention to sections of the working class who stand to lose in a situation of industrial restructuring.

6c *The TLA and peaceful agitation*

In a context where the NRF funds failed to materialize, a veteran leader of the Textile Labour Association, Arvind Buch, launched a public demonstration outside the TLA from May 1, 1994. The demonstration continues until now. The objective of the demonstration was supposedly two fold: first, in attempting to involve a large number of jobless textile workers, it sought to publicly project their continuing plight; second, it attempted, through the demonstration, to exercise pressure on the central government for the release of the proposed funds from the NRF. The instrumentalities of the demonstration were defined strictly in accordance with the Gandhian methodology of resolution of political conflicts, i.e., as peaceful, non violent satyagraha, designed to generate moral pressure on the central government and to raise public awareness of the plight of jobless workers.

The specific modality adopted by the organizers of the satyagraha was to construct a makeshift *pandal* outside the TLA premises in the crowded Lal Darwaza area of the city; Mr. Buch shifted his office, along with a telephone, from the building to this location. Jobless textile workers gather and sit around on charpoys; at infrequent intervals, someone gives a short speech, or there is a recital of an inspiring song or a verse. There are no provocative political speeches. The *dharna* starts at 10 a.m. and is over at noon. While in the initial weeks, a fairly impressive crowd had gathered at the site, and prominent labour leaders had shown up to address the workers, both public and worker enthusiasm over the *dharna* subsided fairly quickly. At present only a handful of workers (never more than twenty on a typical morning) appear at the site. The elderly and ailing Mr. Buch spends much of the morning writing letters, and part of it talking to the workers.

Political interest in the agitation, both in the state and in the central government, has been minimal. The fact that the cabinet has still not sanctioned the Rs. 121 crores possibly illustrates the central government's lack of interest more clearly than anything else would. Apart from an initial statement by the Prime Minister demonstrating some concern and promising action, there has in fact been a complete absence of dialogue between the ministries concerned at the level of the central government and the TLA on this question.

The Gujarat state government Congress (I) too has been largely indifferent to the *satyagraha* drama. In the initial stages the then Chief Minister reassured Mr. Buch about the steps being taken by the state government to get the NRF funds released by the central cabinet; he also succeeded in getting the TLA leader to reduce the number of hours spent at the *satyagraha* site. Since then, however, there has been very little governmental attention to the agitation.

7 Explaining state inaction: the TLA

In this particular context, what explains the state's lack of response to the plight of the textile workers? We argue in this section that the specific instrumentalities, ideology and leadership of the TLA have prevented effective articulation of the interests of jobless textile workers. The rationale to this argument is that given a democratic framework, state responses are, to an extent, determined by the relative pressure that societal groups can bring to bear upon state functioning in the context of distribution and allocation of scarce resources.

The TLA was founded in 1920 under the stewardship of a number of Gandhian leaders. Its activities and ideology from the very beginning bore a pronouncedly Gandhian imprint; thus capital-labour relations were not seen as inherently conflictual; the TLA defined its activities essentially as a mediatory and arbitrating agency, its objective being to bring about compromise solutions, and ultimately, industrial peace, through the mechanism of negotiated settlements. Violence as an instrument of bargaining was explicitly rejected as an activity. In the decades up until the achievement of independence, the TLA, frequently under Gandhi's own leadership and the stewardship of Gandhians like K.K.Desai, Gulzarilal Nanda, Anusuyaben, worked mainly on such issues as wage rise, reduction of hours of work, bonus etc. The chief method was that of arbitration between the TLA and the Millowners' Association.

In the pre independence period the TLA kept itself consciously distanced from the communist movement in the country. The INTUC was born with Gandhi's support when some leading members of the Hind Mazdoor Sevak Sangh along with some independent Trade Unions decided to start a country-wide national organization for workers, "free from communist influence". The TLA became formally affiliated to the INTUC¹².

In the first few decades after independence, the TLA's activities were mainly confined to specific issues of wage rise, negotiating bonus, gratuity, provident fund benefits etc. During these years the TLA's activities can be described as focussed on very specifically defined economic and welfare issues.

A certain self conscious distancing from leftist politics continued to dominate the TLA agenda and ultimately led to the Union's splitting away from the INTUC. When the Congress split occurred in 1969, much of the dissension within the Congress was presented in terms of the left-right divide; Indira Gandhi presented the Congress (R), (which later became Congress I), as the leftist, radical face of the Congress in opposition to the right-leaning old guard. The INTUC too, became increasingly identified with left leaning politics. At this time the leftist and radical rhetoric in the country intensified, both from communist-led radical movements such as the Naxalite party's, and from Indira Gandhi's increasingly more pronouncedly articulated commitment to *garibi hatao*. The TLA once more consciously distanced itself from any kind of association with left wing politics, and in fact in 1971 ended its affiliation with the INTUC. "The TLA firmly believed that the working classes cannot get real service from an organization which is bereft of Truth and Non-violence. It was therefore not possible for the TLA to work with INTUC which then seemed to be deviating from the principles laid down by Gandhiji"¹³. It was in this backdrop that a separate central organization of trade unions was born. A Convention held in January 1972 of over 600 representatives from 146 trade unions from all over Gujarat adopted a resolution to form the National Labour Organization, independent of any political party.

The TLA has thus sought to forge for itself an identity that would distinguish it from the communist parties, from Congress leftism, and from party based politics in general. One of the foundational concepts around which the formation of the union was forged was in Gandhi's distinction between "sewak" and "sardar": the sewak acts like a mother and attends to cure the ailment and even gives bitter medicine; while "sardar" acts like a politician and does all sorts of manouvres to keep up his position. The trade union leader should act like a "sewak" and not like a "sardar"¹⁴. Thus not only should a trade union not engage in politics, but in a sense it must stand above those whom it represents.

12 "Six Decades, 1917-1977 of Textile Labour Association, Ahmedabad" Navjivan Press,1977.

13 ibid.

14 ibid.

The instrumentalities adopted by the TLA to handle the problem of closures and worker displacement in Ahmedabad's textile industry need to be seen in the backdrop of this history and ideology. The TLA's efforts in the initial years following the onset of closures was entirely focussed on conducting protracted legal negotiations between workers and former employers to secure for the workers their pending dues. This process, as has been outlined above, led to only a few thousand workers being paid their provident fund dues and some amount of compensation. The majority of the displaced workers failed to receive even their dues, much less the standard compensation package; neither was the question of their rehabilitation tackled in terms of a political question that needed to be addressed in the larger context of the impact of industrial restructuring on the workforce.

When a more confrontationist approach was undertaken within the framework of the peaceful agitation launched by Mr. Buch, the TLA as a whole did not pitch its strength behind the *satyagraha*. The executive committee of the TLA at a meeting took a resolution to support the Buch-led *satyagraha*; and the activity has been provided with the infrastructural support of the Union. However, important leaders of the TLA, including its president, take no part in the day to day *satyagraha* and in their absence from the scene a certain distancing of the leadership from the activity is fairly clear.

As has been outlined above, the agitation lost momentum after the initial weeks. The reasons for this seemed to be varied. Many of the workers whom Mr. Buch had perceived as potential sustained participants demonstrated a waning of energy and enthusiasm. A large majority of them spend their days looking for casual work, and did not just have the time to invest in what now appears to be an open ended programme in terms of time¹⁵.

Secondly, by its very definition, a *satyagraha* needs to be articulated within the framework of a dialogue between an individual or group which perceives itself as seeking justice, or the correction of an injustice, with the agency which is seen as perpetrating an injustice. The latter is not seen as the wrong doer, or against whom any retaliation is intended; the aim, specifically, within the Gandhian *satyagraha* terminology, is to undo a wrong, and in the process to renew the wrong doer himself. Given this ideological framework, the dynamics of the Buch *satyagraha* became extremely ambivalent. The specific demands of the proposal for which the *satyagraha* was making a claim, were staked against the state, or rather the Congress(I) in the central government. The TLA's relationship with the state, and particularly with the Congress party, has traditionally been firmly entrenched in a supportive and hierarchical paradigm. Thus beyond staging the public agitation, the TLA leadership was unable to shape an equation whereby the Association could actively dialogue with the state. The agitation, over the course of a few months, drew a blank as far as any response from the state was concerned, positive or negative.

On the part of the TLA, leaders of the *satyagraha*, in public statements expressed that their impatience with the government's slowness in responding to the loan request had led to the *satyagraha*, and even expressed a note of defiance¹⁶; however, in statements to the government, the loyalty and support of the TLA to the Congress (I) was reaffirmed¹⁷. Neither the proposal for NRF funding nor

15 Interview with N.R. Tairan, and other organizers and participants of the *satyagraha*, January 15, 1995, at Ahmedabad.

16 "We don't believe either in violence or confrontation, but my patience has crossed limits, forcing me to adopt Gandhian methods to draw the attention of the Centre on the plight of the textile workers. And as I am not in electoral politics, I don't bother about the political fallout", Mr. Arvind Buch, interview to the Times of India, May 2, 1994.

17 "My struggle to leave my house, work on foot path of TLA is not against Government, but self introspection Gandhian process", excerpt from Mr. Arvind Buch's letter, addressed to P.V. Narasimha Rao, Prime Minister of India, Ahmedabad, 29 April, 1994.

the agitation posed a critique of the Congress (I)'s economic reforms¹⁸; there was in fact an effort to gain support for the request for NRF funding by articulating the claims as within the framework of the Congress party's broader programme, and not opposed to it¹⁹.

There was therefore no sense in which the claims of the textile workers were being put forward in terms of a collective bargaining situation; indeed given the fact that the majority of these workers were not employed there was in fact no question of bargaining. A successful satyagraha typically uses non cooperation as a strategy of bargaining. Again, in a context where the workers were out of work, there was no immediate context within which non cooperation could be defined or structured.

Could the struggle have been extended, intensified, given more visibility? Could it have been posed as a threat to the party in power? Within the TLA's ideological framework, the answers to all these questions were clearly in the negative.

The TLA's political closeness with the Congress (I) prevented the articulation of the claims within the framework of a critique of the Congress (I)'s policies, whether at the level of the state or of the centre. Part of the reason for this low key approach in the TLA's methods is found in its history and ideology, outlined above, which has been to reaffirm its loyalty to the state, to promote a non conflictual world view and to reiterate its faith in persuasion rather than in challenge as its fundamental methodology.

Part of the reason also lies in the fact that the TLA now is characterized by an ageing leadership which is not in a position to devise or innovate new techniques or instrumentalities of struggle/bargaining/negotiation in the context of the changing economic scenario in the country. Most of the leadership positions in the Union continue to be taken by Gandhian labour leaders, all above the age of 75, whose trade union methodology remains confined to essentially bureaucratic and legal methods of negotiations. As representative of an industry on the decline now for many decades, the TLA has failed to attract dynamic young leaders from the outside. Younger office bearers, drawn mainly from the ranks of workers, have imbibed the ideology of the leadership.

A predominant part of the TLA's day to day business is spent in the business of legalities, in dealing with courts, judgements, appeals and so on. To the outside observer, the fairly large and complex network of the organization is driven primarily by legal activities and bureaucratic methods of functioning. The impression also is of an organization that has in some sense lost an agenda or purpose.

The workers themselves intensify this impression. In a large number of interviews with groups of affected workers it was difficult, if not impossible, to detect any identifiable level of political activity, awareness of the larger economic context in which their dislocation had come about, or a consciousness of the instrumentalities that could be applied for a redressal of their grievances. The immediate situation in which the workers found themselves created a context where they lacked a sense of an agency against whom they were to direct their activities; most of them had lost their jobs several years ago, and an ex employer did not provide a viable focal point of struggle. Given, also the TLA's close affiliation to the Congress(I), in the perception of most of these workers, the state was not an agency to be bargained with or challenged; the state was in a position to grant concessions. The

18 "It was in this climate that the Textile Labour Association...took a bold and far sighted view that since it would not be possible to restart the older mills in their original form, it was necessary to support the new liberal economic policy". Sanat Mehta, Request for Assistance from the National Renewal Fund for Ahmedabad's Textile Mills, Summary Proposal, 17 May, 1994.

19 "In fact this is part of the Congress Programme and part of the Manifesto of the Congress Party", *ibid.*

essentially political activity of pressing for a set of claims seemed directionless in the absence of a clearly perceived protagonist, an instrument of struggle, and a defining ideology.

8 Explaining state inaction: the broader political-economy context

From the 1970s onwards certain tendencies emerged in India's industry and in trade union politics which gradually intensified and led to a depletion in the collective bargaining strength of unions in general. In the context of the industrial stagnation that set in in the country from the mid 1960s onwards, and the generally stringent labour laws which made it impossible to cut jobs, private sector employers in general became largely disinclined to expand employment. One significant manifestation of this tendency could be seen in the stagnation and decline in the rate of growth of employment in the organized manufacturing sector (table 4). Correspondingly there has been an increase in the tendency to employ casual or contract labour, or to subcontract jobs to the small scale sector where labour costs are substantially low. All this has in fact led to a significant swelling in the numbers of the unorganized sector. The average annual rate of growth of employment in the unorganized manufacturing sector during 1973-87 was 4.6% compared to 1.4% in the unorganized sector during the same period²⁰.

The weakness of trade union politics can be traced to these structural factors whereby a) the numerical strength of the organized workforce has not grown, and b) the structure of the labour market, underlined by both the growing numbers of the unemployed and the increase in the numbers of unorganized labour, has considerably reduced the organized workforce's bargaining space. As trade union membership has stagnated or declined, their bargaining powers compromised, workforce discontent with unions has intensified; as union efficacy and leadership have come to be deeply challenged, paradoxically the number of unions has increased to further fragment union strength.

Average Annual Growth Rate of Employment in Organized Manufacturing Sector		
1973-77	1977-83	1983-87
2.4	1.7	0.1
Source: Planning Commission, 1990.		

Additionally, in the new climate of economic liberalization a great deal of criticism of the inefficiency of Indian industry has focussed on the practice of providing state protection to unproductive labour, of preserving loss making units merely to protect employment. Thus organized labour has to an extent borne some of the brunt of the critique upon which the overturning of the state-led model of development was based; and trade unions have found themselves in a situation where structural forces have eroded their strength and the ideological environment has put them on the defensive.

These factors provide some explanation of why, while maintaining a labour friendly political rhetoric, state attention has in fact been so minimal to the question of labour rehabilitation in a situation of industrial restructuring. In the case of the textile workers of Ahmedabad city, pushed into the unorganized sector, their structural and organizational weakness stemmed from the fact that they were physically diffused, driven by the daily need to find some kind of work and subsistence, largely demoralized, and most importantly, in being displaced from their jobs, lacked a position of collective bargaining strength; This structural weakness, reinforced by the depletion of trade union political leverage in general, and the particular ideology and methods of the TLA which have proved ineffective in the context, have created a situation where the claims of these workers could be ignored by the state.

Conclusion

It is by now a part of the conventional wisdom of the social sciences that democracy places certain limits on market oriented economic reforms; supposedly, popular sectors who are negatively affected by the withdrawal of state protection and patronage, are more equipped in democracies than in authoritarian regimes, to resist such policies. The case of the Ahmedabad textile workers highlights that the politics of reform may be more complex than simple textbook-prescribed equations of democracy.

In the Indian context, the state is clearly unwilling to alienate the organized workforce by bringing in market-governed hiring and firing policies, or simplified exit routes for inefficient firms. On the other hand, the state has provided tacit support to firm closures which are not strictly legal; the lack of growth in organized manufacturing employment and the large scale casualization of labour which has taken place in the industrial economy have also not generated any significant state attention or concern. Implicitly, through the generation of these structural factors, state policy has reshaped the state-labour dynamics whereby governments have been able to roll back their commitment to the erstwhile organized sector.

The parameters of the democratic political system have influenced the state's market oriented thrust, but in a limited way. The state, as employer, has attended to the interests of its own workers (those employed in the public sector) primarily by using the National Renewal Fund for Voluntary Retirement Schemes²¹. It is now a commonly known fact that VRS takers, in the absence of adequate retraining and redeployment programmes, are seldom able to rehabilitate themselves in the long run. The enormous amounts so far spent on VRS have not been used to generate any viable employment. By and large, the VRS has been used to legitimize and soften the immediate blow of retrenchment.

The Ahmedabad Rejuvenation Plan in so far as it proposed an employment generation scheme, posed also a critique of the state's use of the National Renewal Fund for financing VRS which has no long term positive impact, either in terms of worker rehabilitation or in terms of employment generation. The state's unwillingness to respond to the proposal, and to continue with the disbursement of VRS to public sector employees, highlights that policy makers are concerned exclusively with short term legitimizing strategies rather than long term rehabilitation programmes²².

In terms of immediate political/electoral considerations, for the Congress (I), at both state and central levels, Ahmedabad's eastern constituencies where the large majority of the textile workers live, has traditionally voted for the Congress(I); the plight of the displaced textile workers, or even the continuing satyagraha failed to signal any major threat to the party from these constituencies. The Congress(I)'s failure to be reelected to power in Gujarat in the March 1995 elections is a function of multiple factors; and there cannot be any absolute co relation between lack of attention to popular sectors and the failure to win votes. Nevertheless, the loss of the eastern Ahmedabad constituencies, erstwhile Congress(I) strongholds, may be a reflection of the political fall outs of the failure to balance industrial restructuring with some kind of social security. This fact possibly needs further examination; long term and systematic absence of attention to the negative impact of market forces on weaker sections of the population can in fact lead to loss of power, and consequently to a loss of momentum in the economic liberalization thrust.

21 The National Textile Corporation (NTC) has figured prominently in the NRF; 36,000 workers of the NTC have so far received the VRS from the NRF; The Gujarat State Textile Corporation retrenched 817 employees during 1992-94 all of whom availed of the VRS, although in the case of the GSTC the funding for VRS came from the Gujarat government and not from the NRF.

22 See, for example, VRS Cowlaghi, "The National Renewal Fund: Promise, Performance and Prospects" *Vikalpa*, vol.19, no.4, October-December, 1994, pp 13-14, where the author underlines the modest scale and range of retraining and counselling programmes for displaced workers.