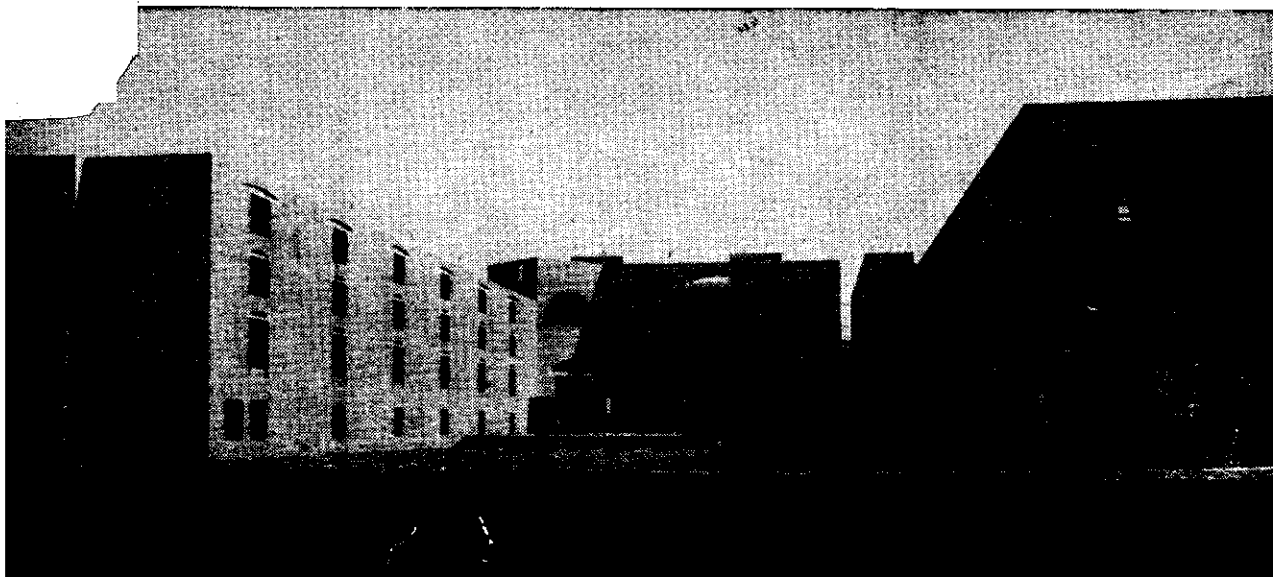




W. P.: 391

Working Paper



INDUSTRIAL RELATIONS IN
GUJARAT

By

N. R. SHETH

W. P. NO. 391
November, 1981

WP391
■■■■■■■■■■
WP
1981
(391)

The main objective of the working paper series of the IIMA is to help faculty members to test out their research findings at the pre-publication stage

INDIAN INSTITUTE OF MANAGEMENT
AHMEDABAD

Industrial Relations in Gujarat

ABSTRACT

The author examines the popular beliefs about the industrial relations system in Gujarat in the light of some quantitative data and other information based on personal observations and discussions. It is argued that the relatively peaceful and conciliatory climate of labour-management relations in Gujarat is a product of the Gandhian legacy, the cultural pattern of the region, the nature of leadership in industry and trade unions, the main characteristics of the working class and the positive approach adopted by politicians and administrators concerned with labour issues. It is however pointed out that industrial relations in Gujarat have undergone rapid changes in the context of changes taking place in the industrial structure, the socio-economic composition of workers, the systems of management and the ideological basis of trade union leadership. The author suggests that it would be useful in the long run for all sections of the industrial community in Gujarat to make a realistic assessment of the changing situation and find ways to retain the strength of the traditional system in the face of the challenge posed by a variety of factors.

INDUSTRIAL RELATIONS IN GUJARAT

N R Sheth

Gujarat seems to enjoy an almost unique reputation as a "good" state in India in the same fashion as some individuals in a local community are looked upon as good persons. The social image of Gujarat both within and outside the state is reflected in the widespread use of epithets such as progressive, honest, wealthy, clean, law-abiding and peaceful in relation to the state's population in comparison with other Indians. It is common knowledge that many non-Gujarati citizens who live in Gujarat for some time to earn their living develop a fancy for the state and wish to make it their home. In the field of industrial relations, Gujarat is widely believed to provide the most congenial social, economic and political environment for peaceful coexistence of labour and capital and uninterrupted economic activity. This belief is reinforced in regular use of slogans on industrial harmony in government's attempts to attract investment in the state by outsiders. On the other hand, industrialists, labour leaders, professional managers and other citizens in other parts of the country refer to the industrial climate of Gujarat with envy and respect.

There has so far been little effort to examine such popular opinions in the light of purposively collected information.¹ Some relevant data are available thanks to the periodical surveys conducted by government agencies such as the central government's Labour Bureau

and the Central Statistical Organization. In Gujarat, the state department of labour has fortunately set an exemplary tradition of compiling useful information on industrial relations besides the routine statistics collected on behalf of agencies such as the Labour Bureau. Table 1 presents comparative data for five years (1973-77) on some important indicators of industrial relations climate in Gujarat and three other industrially significant states, namely, Maharashtra, West Bengal and Tamil Nadu. It is clear from this table that Gujarat ranks lowest among these states in relation to all the available indicators of industrial conflict such as the number of workers involved per dispute, the proportion of workers involved in disputes to the total employment in industry and the number of mandays lost in industrial production per employee. Thus the popular belief about Gujarat being more peaceful than other industrialized states is unambiguously borne out by the statistics on disputes. At the same time, Gujarat ranks above West Bengal and Tamil Nadu, though below Maharashtra, in terms of value added per worker. While there are many hazards involved in equating the concept of value added with productivity, it is noteworthy that the economic return per worker in Gujarat is higher than in most other states, thus providing credence to the belief that Gujarat is among the more affluent industrial regions within the country. On the other hand, the average emoluments per worker in Gujarat are lower than in Maharashtra and West Bengal but higher than in Tamil Nadu although during 1975 and 1976 Gujarat ranked the lowest on this score among the four

states included in Table 1. A general observation that emerges from these data is that the relative tranquility of labour-management relations in Gujarat has led to comparatively better performance in industrial activity but also comparatively smaller return for the working class.

In drawing such conclusions, one should remember that industrial output measured in money terms cannot be explained as a function of industrial peace unless we take into account a variety of other factors contributing to output (such as pattern of investment, infrastructural facilities and managerial efficiency). Similarly, regional variations in workers' income cannot be simply ascribed to the degree of industrial conflict as several other factors (such as the industry mix and traditional wage levels obtaining in a region) would impinge upon the wage structure in different states. We should also bear in mind that the statistics of reported loss of mandays as a result of strikes and lockouts which are conventionally used to measure industrial peace may not always provide a reliable measure. As we know, strikes and lockouts are often only an extreme manifestation of discontent or indiscipline. In many situations, simmering discontent among workers or indiscipline monitored by leaders may result in grave damage to industrial production without assuming the form of an official strike or lockout. Conversely, strikes and lockouts often help the parties in labour relations to ventilate their discontents and eventually improve industrial performance.

Let us however err on the side of optimism and assume that the healthy climate of industrial relations and performance in Gujarat indicated by popular beliefs as well as statistical data exists in reality. This climate is widely believed to be a product of several factors characterizing the industrial community in Gujarat. In the first place, the vast majority of employers and trade unionists in the textile industry which dominated the industrial scene until recently have adopted the Gandhian values of peace, non-violence and resolution of disputes through negotiation and arbitration. These values in turn are believed to reflect the peaceful, conciliatory and "business-like" approach to social problems which is regarded as a part of "Gujarati culture". Moreover, provision in the state labour law (governing textile and a few other industries) for the recognition of the majority union as representative of all employees in an industry has contributed a great deal to the development of a stable bargaining relationship between employers and employees.

A section of the industrial community in Gujarat who continue to use the Gandhian methods in resolving disputes are enamoured by the moral superiority of these methods over others and expect them to gain progressively greater acceptability among employers and employees in the country. This expectation is based on the assumption that the peace-oriented and conciliatory culture of Gujaratis have an overbearing influence on people's behaviour and attitudes. But others are less optimistic about the so-called Gujarati culture. They anticipate major

changes in the dominating influence of this culture in the wake of technological, economic and other changes in the context of industrial development.

These projections regarding the prospect of industrial relations, as well as the diagnosis of factors contributing to the existing climate, are based essentially on personal experience or observations coloured by individual value systems rather than on any systematic review and projection of events. Unfortunately, social scientists have shown little research interest in this field of study, apart from occasionally participating in general discussions on the subject. My analysis here will therefore be based on personal impressions intermittently supported by factual information obtained from some managers trade unionists, officials and scholars.

The convention of peace and conciliation in industrial relations in Gujarat was set by Mahatma Gandhi who led in 1918 a struggle for asserting workers' rights in Ahmedabad's textile industry essentially on the moral principles of truth, non-violence and voluntary arbitration of disputes. Gandhi's clerion call for a moral approach to trade unionism soon took deep roots in the industrial arena in Gujarat (especially in Ahmedabad) for various reasons. The righteous struggle led by the Mahatma attracted a band of committed union leaders who wanted to protect and promote the interests of industrial workers with hands, heads and hearts. Although the trade union movement in India has generally developed in the shadow of political movements, the

founding fathers of the Ahmedabad Textile Labour Association (TLA) mostly graduated into politics from a solid record of trade union activity. In fact, some of these leaders never went into political activity. Most of these leaders came from the middle or upper classes and hence could easily develop effective communication and social identity with employers as well as credibility among them in discussing and solving workers' problems. They also adopted a holistic approach to trade union work by attending to the overall social welfare of workers and their families as well as their wages and working conditions. As TLA grew as a representative union of textile workers, it progressively undertook welfare programmes for workers' families covering social education, sanitation, recreation and improvement in women's conditions. In view of this, the trade union could establish strong acceptability and credibility among workers. The dual credibility among employers and workers commanded by TLA leaders helped them to build a viable union organization. As they proclaimed and maintained their commitment to peace, non-violence and productivity, the captains of industry willingly developed a relationship of peaceful bargaining with TLA and evolved a system of voluntary arbitration for settling unresolved issues to avoid open confrontation between labour and capital. The minimization of the chances of loss of production and profits created an urge among employers to deal with the union with considerable confidence and mutual trust and also make economic concessions to workers from time to time as they were assured of uninterrupted achievement of their own economic objectives. This system of mutual support and shared affluence fitted

well both with the Gandhian values of peace and trusteeship as well as with the popular image of Gujaratis as peace-loving, conciliatory and "business-like" in their social relations. TLA and its associate unions in other towns in Gujarat popularly bracketed together by the Gujarati term Majoor Mahajan thus comprised a unique syndrome of compatible elements like committed leadership, Gandhian values, Gujarati culture and acceptance by employers and workers.

This syndrome contributed to the emergence of a strong, viable and monopolistic union organization. Apart from fully committed leaders at the top, TLA also gradually built a cadre of professional union representatives at the middle levels with considerable technical and organizational competence to understand and deal with workers' problems in the textile industry. The size of this cadre of full-time union organizers continued to grow along with the growth in the size of textile labour. Concurrently, TLA began to be projected as a unique experiment in trade unionism in India as well as abroad. The TLA leaders developed close fraternal contacts with comparable trade unions in western countries. TLA and its affiliates also received financial, organizational and moral support from the International Labour Organizational and prominent trade union federations in countries such as the U.S.A., Britain and Japan. This support contributed significantly to the emergence of TLA as one of the most resourceful and popular trade unions in India.

Trade unionists with a radical and confrontationalist approach to industrial relations have been active in Gujarat since the early thirties.

These trade unionists look upon the Majoor Mahajan unionism more as a welfare programme than as genuine trade unionism which, in their view, should be based on the use of strike and other forms of coercion in pursuit of the economic and political goals of the working classes. Such unions have tried from time to time to put up a viable alternative to Majoor Mahajan. In the textile industry, however, they have so far failed to make a dent in the solid support commanded by Majoor Mahajan among workers. The latter, by virtue of its majority among textile workers, is legally recognized as a bargaining agent in the industry. In this background, and due to the credibility developed by Majoor Mahajan among employers and employees, rival unions have so far always been made ineffective by a collaborative force generated against them by management and workers.

The monopoly conditions under which Majoor Mahajan functions as a trade union have often exposed it to charges of high-handedness, oligarchy, corruption and collusion with management on the part of leaders at various levels. Such allegations are usually made by workers and managers who find themselves at the receiving end of the various malpractices adopted by union leaders. However, such malpractices have so far hardly affected the organizational strength and employees' support enjoyed by Majoor Mahajan. Interestingly, Majoor Mahajan leaders contesting municipal or legislative elections have often been defeated in workers' constituencies by political rivals, but defeat in politics has hardly, if ever, influenced the acceptance of the leaders among workers in the area of labour-management relations.

Another important reason why Major Mahajan supremacy in the textile industry has virtually remained unchallenged is the lack of human and material resources among rival unions to build an effective base of professional competence to represent workers' interests. Rival unions have occasionally sought to break the Major Mahajan monopoly by using political power. For instance, the Congress government in 1972 amended the state industrial law to impose statutory obligation on the textile industry to create a joint management council in each unit where workers' representatives would be elected by employees through secret ballot. This move was interpreted by Major Mahajan leaders as an attempt to dilute the majority status of their unions by creating rivalry among workers for electing their representatives. Similarly, recently some union leaders associated with the Indian National Trades Union Congress advocated recognition of a collective bargaining agent separately for each unit **instead** of industry-wide recognition of a union on the basis of majority in the industry as a whole. This suggestion was made obviously in the hope that rival unions such as INTUC might be able to break the monopoly of Major Mahajan.

Apart from their predominance in the textile industry, the respect and credibility earned by Major Mahajan unions in Gujarat drew to their fold employees in other industries such as engineering, chemicals, power and banking. As these industries involved higher skills than textile jobs, their employees were relatively more educated and exposed to contemporary militant trade union values. These employees therefore showed much less commitment to peace and productivity than

textile employees and occasionally indulged in work stoppages and other forms of militant action to achieve their economic and political goals. In some cases, they opted out of Majoor Mahajan leadership when it became a stumbling block in their radical action plans and sought leadership of more radical unions. However, the Majoor Mahajan pattern of union organization and values acted as the ideal form of trade unionism in Gujarat. As the behaviour patterns and values of people in a village are based on the model of dominant caste (such as the Fatidars in some parts of central Gujarat), the behaviour and values of trade unions in Gujarat, especially their prestige among the wider community, are to some extent based on the ideal of trade unionism projected by Majoor Mahajan. When other unions indulge in militancy or disruption of industrial activity, they are explicitly or implicitly subjected to the belief that such action is detrimental to the health of the industrial community including workers.

One major factor contributing to the relatively greater tranquility and harmony in the industrial climate of Gujarat is the constructive and creative role played by government agencies in handling labour management relations. It is widely known that the political wings of successive governments in Gujarat have frequently been exposed to charges of favouritism towards "agreeable" unions and victimization of opponent trade unionists and employers. However, labour ministers in almost all government teams in Gujarat have professed concern for maintaining the

special legacy of peace and productivity in industry. Special efforts have been made from time to time to make the state industrial relations machinery more effective in resolving industrial disputes and promoting mutual trust between employers and employees. During the 1970s, several measures were adopted by the government to improve the functioning of labour administration and legal machinery. A special cell was created in the labour department for expeditious reference of disputes to the industrial court for adjudication. A committee was appointed to review labour law in the state and recommend changes in the law towards more effective resolution of disputes and promotion of industrial peace. The Mahatma Gandhi Institute for Labour Studies was established for research and training on the various aspects of labour relations. Recently, the labour department's function was expanded to bring rural and agricultural labour within the purview of government regulation and control for promoting the welfare of rural workers. Apart from such progressive measures undertaken by government, it is well known that the officials concerned with conciliation, arbitration and adjudication of industrial disputes have conventionally acted more as friends and well-wishers of the parties in dispute than as bureaucrats or judges. This healthy convention has created an exemplary climate of amity and trust among the major partners in industrial relations—employers, employees and government.

This healthy and euphoric climate of industrial relations in Gujarat has been changing rapidly during recent years. Many forces have acted simultaneously on the industrial scene to bring about these

changes. In the first place, the industrial structure has been changing in the wake of the multifarious economic and social development in the state. A study of industrial growth in Gujarat² indicates that while the proportion of manufacturing units in textile and sugar industries fell from 29 per cent to 15 per cent between 1971 and 1980, the corresponding proportion of units in the engineering industry rose from 35 to 37 per cent and in the chemicals industry from 36 to 48 per cent. During the decade 1971-80 the number of units in textile and sugar industries grew by 2.65 per cent while those in the engineering and chemicals industries grew by 154 and 224 per cent respectively. These data indicate that the dominance of the textile industry in Gujarat has lately been replaced by the engineering and chemicals industries. Concurrently, considerable growth has taken place in the small scale industry sector involving sophisticated technology in fields such as plastics and electronics. One important consequence of this change in the industrial structure is the increasing proportion of skilled and educated workers drawn from relatively higher socio-economic strata. These workers are generally brought up in a competitive social environment and hence are more ambitious and demanding in their role as employees than workers in textile and such other industries. The new workers are also likely to suffer from a greater degree of a feeling of deprivation and alienation on the job as modern technology has rendered many jobs easy to handle and hence less challenging than conventional industrial jobs. These characteristics of the new jobs and workers create a considerable degree of impatience among workers and draw them towards militant trade unionism in pursuit of their overgrowing economic, social and psychological aspirations.

The process of economic growth in Gujarat, as elsewhere, has also led to the emergence of a very large white-collar workforce in industry, commerce and public services. These sections of the industrial community were initially reluctant to indulge in trade union activities which were generally associated with blue-collar workers. However, they soon realized the need for conventional trade union action to maintain their social advantage over the working class and fulfil their economic aspirations. In fact, white-collar employees have often shown a greater degree of militancy in their collective action than other workers as they discovered from experience that employers (especially in the public sector) responded favourably only after defiant action engineered by powerful unions. The alarming growth of militancy among teachers in schools, colleges and universities in Gujarat in recent years provides a typical illustration of increasing resort to defiance of rules and professional norms by employees to fulfil sectional economic and political goals.

Along with the changing composition of industry and industrial personnel, the trade union structure in Gujarat has also undergone significant changes. As mentioned earlier, although radical trade unions have coexisted with Majoor Mahajan for a long time, trade union action was until recently conducted and evaluated in relation to the organizational and moral supremacy of Majoor Mahajan. However, the ambitious, educated and impatient employee groups in the new industries have usually chosen to be led by radical unions associated with

socialist or communist ideologies. Hence trade unions affiliated to All-India Trades Union Congress (communist), centre for Indian Trade Unions (Marxist), Hind Mazdoor Sabha (socialist), Bharatiya Mazdoor Sangh (JanSangh) and Indian National Trades Union Congress (Congress-I) have over the last two decades secured progressively greater following among employees in the developing industrial areas around Ahmedabad, Baroda and Surat. As most industries in these areas are governed by the Industrial Disputes Act which does not provide for identification of a collective bargaining agent in industry, inter-union rivalry is fairly widespread in these industries. Such rivalry often leads to militancy in union action as rival unions need to indulge in spectacular show of strength to maintain and enhance employees' support against each other. Union rivalry also tends to make individual unions dependent upon employers or government to secure concessions from them to be able to sustain support among workers. Such dependence among unions on employers or politicians may create a tendency among union leaders to pursue immediate personal interests at the cost of workers' long-term goals. For instance, INTUC in Gujarat has recently been divided into factions trying to vanquish each other in the shadow of a destructive split in the Congress I. Such opportunism is likely to disturb industrial peace and performance, apart from being detrimental to workers' interests.

As government offers attractive economic concessions for industrial investment in Gujarat, employers from other states are

likely to be drawn to set up new industries. These employers also take into account the economic advantage resulting from the culture of industrial relations in Gujarat believed to be characterized by commitment to industrial peace and productivity. However, employers migrating to Gujarat from more turbulent areas such as West Bengal may also import to Gujarat a coercive and distrustful style of management with which they may be familiar on their home ground. On the other hand, the employees in these industries are likely to be influenced by the values of militant trade unionism. In particular, those skilled and educated employees who migrate to Gujarat for industrial jobs may not only share militant attitudes and values with their counterparts in other regions but may also be innocent of the moral superiority of the traditional Gandhian values which may still be respected by the native employees of Gujarat. In reality, large sections of industrial employees, regardless of their origin, have learnt from experience that the moral superiority of the Gandhian values has little practical significance in the contemporary existentialist industrial relations system in Gujarat. When workers observe that employers and government increasingly yield to violent union action, they reckon that there is considerable worldly wisdom in violence. They may still retain their association with Gandhian values and "Gujarati" culture by eulogizing or worshipping both at regular intervals !

In this background, trade unions following Gandhian values may need to become aggressive to maintain their acceptance among employers as well as employees. They may try to contain the impact of rival unions

by using their moral superiority and influence. For instance, some established unions are known to successfully prevail upon employers to coerce members of rival unions through measures such as dismissals, suspensions or discrimination in work assignment.

The growing militancy among trade unions and employees has lately created an urge among some employers to protect their interests by exerting a united force against unions. Employers in the small scale industry in Ahmedabad have already formed a union to contain the pressures from trade unionists. A similar move is contemplated by some employers in other industrial areas. It is too early at present to predict the implications of such moves for the industrial relations climate in Gujarat.

The consumer and general public have usually been at the receiving end of industrial turmoil. They have rarely shown any active interest in industrial relations matters. On one or two occasions, for instance, the consumers adversely affected by work stoppage in the banking industry demonstrated their hostility towards employees through minor violent action. Such action may or may not help in resolving industrial disputes. But it may provide an effective demonstration of the existence of a section within the community which is vitally influenced by the industrial action among employers and employees.

In this background of the reality of industrial relations, the major parties concerned with these relations need to develop a systematic yet pragmatic approach to deal with labour problems. Employers

need to develop a well-designed professional approach to managing industrial relations. This should include a genuine willingness to understand the conditions and aspirations of workers and the changing trade union phenomenon. Employers will need to enforce discipline, resolve employees' grievances and bargain in good faith to find optimum solutions to economic disputes. They need to take a generous view of workers' demands without yielding to the threats of violence or disruption of work. Adequate and prompt management of conflict along with a participative and developmental approach at the shop-floor level may lead to a balanced system of industrial relations. This system needs to be integrated with a long-term plan for management of human resources. Trade unions, on their part, will have to keep pace with this approach to industrial relations. Responsible trade unionism will have to be adequately defined and pursued in a realistic perspective centred around the working classes. Government will need to maintain and expand its progressive and creative approach to resolution of disputes and promotion of mutual trust in the context of the industrial structure and the labour scene as they emerge in Gujarat. While the partners in the industrial relations system in the state may retain their optimism about the usefulness of the special ethos of Gujarati culture and Gandhism, it would be equally useful to adopt a realistic view of the changing climate and deal with it effectively to achieve well-understood objectives.

Notes

- 1 I am grateful to Dr.D.T. Lakdawala for inspiring me to write this paper. I undertook to write this for a seminar on Development of Gujarat held at the Sardar Patel Institute of Economic and Social Research in August 1981. The paper was however completed in September 1981. I am thankful to Mr. Deepak S. Raja for his help and encouragement. Thanks are also due to Mr.K.A. Sheth, Additional Commissioner of Labour, Government of Gujarat and his colleagues for statistical and other information and to my colleague Mr.S. Mookherjee for compilation and analysis of information.

- 2 The statistical information included in this paragraph is borrowed from R.J. Shah and A.K. Ojha, Gujarat - A decade of Industrial Development, paper presented at the Seminar on Development of Gujarat : Problems and Prospects, August 23-25, 1981 (unpublished).

Table 1 : Comparative Profile of Industrial Relations in Selected States (1973-77)

Name of the State	1973					1974					1975				
	No. of Workers Involved per Dispute	*Percentage of Workers Involved in Disputes	Mandays Lost per Employee	Average Emoluments per worker	Value Added per worker	No. of Workers Involved per Dispute	*Percentage of Workers Involved in Disputes	Mandays lost per Employee	Average Emoluments per worker	Value Added per worker	No. of Workers Involved per Dispute	*Percentage of Workers Involved in Disputes	Mandays Lost per Employee	Average Emoluments per worker	Value Added per worker
MAHARASHTRA	533.85	37.85	7.51	5445.65	11134.42	532.13	51.53	31.95	6016.42	6560.36	195.91	8.48	11.14	6948.57	13485.73
WEST BENGAL	1779.03	71.21	8.72	5134.85	6859.67	1127.87	42.94	27.57	5958.04	8960.47	1377.96	40.25	36.77	6521.45	9314.65
TAMIL NADU	370.13	20.28	17.14	3776.02	7476.17	733.71	38.20	12.18	4608.27	9572.21	695.58	26.17	10.17	5151.69	8494.52
GUJARAT	353.02	10.35	6.90	3776.41	8279.43	170.74	5.34	15.09	5336.59	13131.62	137.86	1.81	16.74	4815.23	9712.59

*The percentage relate, to total employment in the factory sector.

Sources: i) Office of the Commissioner of Labour, Government of Gujarat
ii) Annual Survey of Industries, Central Statistical Organization.

Contd.

Table 1 (Contd.)

Name of the State	1976					1977				
	No. of Workers Involved per Dispute	*Percentage of Workers involved in Disputes	Mandays Lost per Employee	Average Emoluments per worker	Value Added per worker	No. of Workers Involved per Disputes	*Percentage of Workers Involved in Disputes	Mandays Lost per Employee	Average Emoluments per worker	Value Added per worker
MAHARASHTRA	467.35	13.21	32.50	7091.66	19739.99	493.20	16.83	7.66	7829.04	16338.50
WEST BENGAL	806.42	25.51	40.15	6933.46	10000.91	618.79	26.22	34.41	7188.57	10081.52
TAMIL NADU	556.04	17.65	8.78	5106.25	10323.99	843.46	36.22	10.27	5487.54	11398.96
GUJARAT	113.45	1.07	6.82	4832.12	11560.52	191.96	5.16	10.19	5543.68	13062.43