

Industrial Democracy in State-Promoted Private Industries in Kerala

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Abstract

The misconceptions about the nature of industrial democracy seem to have produced a false picture of the collective bargaining process in the state of Kerala. This observation is more relevant in the case of those state promoted industries established by big capitalist whether national or international. The liberal industrial policies formulated by the first communist government in Kerala and the consequent setting up of an extraction industry in Mavoor village in Calicut district in Kerala produced a unique system of industrial democracy in the area. On the one side the factory provided employment to a larger volume of workforce. On the other side it irrationally extracted huge quantity of natural resources at suicidal rates causing irreparable damages on natural environment. The traditional wisdom that Kerala workforce has an upper hand in the collective bargaining process seems to be fallacy in the context of industrial democracy in Mavoor. The relationship between the government and the management particularly over the subject of granting subsidies seems to be the main factor shaping the nature of industrial democracy in this area. It presents a story of management tilting the labour unrest for the purpose of manipulating public policies, particularly those governing the industrial activities in the state. This paper is an effort to explore the limitations of industrial democracy in the context of state promoted private enterprises.

Keywords

Industrial Democracy, Collective Bargaining, State Promoted Industries, Trade Unionism, Labour Management Relations.

Introduction

Collective bargaining is actually a complicated and difficult process which must be thoroughly understood in order to ensure the proper results (Campbell and Stanley (1985). Although there are numerous models of collective bargaining, for the conceptual simplicity, here the model advanced by Neil W. Chamberlain is taken as methodological tool to understand the process of collective bargaining in Mavoor.

Theoretical Frame Work

Neil W. Chamberlain, the famous labour economist, developed an integrated view on collective bargaining process in his well-known work 'A General Theory of Economic Process' (1955). As a beginning, Chamberlain brought all the major perspectives on

collective bargaining under three categories namely marketing theory, governmental theory and the managerial theory (Chamberlain, 1955).

The marketing theory, as advocated by Sidney Webb and Beatrice Webb, held that, collective bargaining is a means of contracting for the sale of labour. On the other side, the governmental theory treats collective bargaining as a rule making process in industry. Here the firm is considered as a state and the negotiations as sharing of sovereignty between the union and the management. Finally, the managerial theory considers the collective bargaining as a system of industrial management. To them it is a complex, flexible and dynamic group action in labour-management relations. Gradually, he advanced a model to understand the bargaining process. Here it is to be kept in mind that he treated collective bargaining as a process of accommodation between the trade unions' and management's conflicting interests. He found bargaining power as 'the ability to secure your opponents agreement to your terms'. Obviously union's bargaining power means its ability to secure management's agreement to its terms. In other words, the union's bargaining power can be defined as management's willingness to agree to the Union's terms or demands (Ibid).

Further, the willingness or unwillingness is depended up on how costly disagreeing will be relative to how costly agreeing will be. The relation between the agreeing costs and disagreeing costs helps us to make an equation to illustrate the bargaining power of the parties involved in the bargaining process. Let Union's bargaining power be UBP, Management's perceived Cost of disagreeing with unions demand be MCD and Management's perceived Costs of agreeing with union's demands be MCA:

$$\text{then, UBP} = \frac{\text{MCD}}{\text{MCA}}$$

Similarly, the management's bargaining power (MBP) can be also explained. Here managements bargaining power means its ability to secure union's agreement to its terms. In other words, MBP can be defined as union's willingness to agree to the management's terms. In the form of equation

$$\text{MBP} = \frac{\text{UCD}}{\text{UCA}}$$

here UCD Stands for union's perceived cost of disagreeing with management's demands and UCA stands for union's perceived cost of agreeing with management's demands.(Ibid)

To illustrate the equations, suppose negotiations begin with union asking for a Re. 1/-per hour wage increase. As per in the equation, if management perceives that the cost of disagreeing to this wage demand will exceed the cost of agreeing, then the management will choose to accept the union's wage demand. On the other hand, if the management perceives that the costs of agreeing will exceed the cost of disagreeing, the unions wage demand will be rejected by the management. In the latter case several things may happen: the union may alter (lower) its demand, or a strike may result.

Chamberlain's model correctly suggests that a party's bargaining power is relative in the sense that it will depend up on what is being demanded or offered. For example, the union's bargaining power will be much higher when it is asking for say Re.1/- per hour wage increase then when it is asking for Rs. 2/- per hour. In terms of equation, the denominator will be large, tending to cause the Union's bargaining power to exceed unity

and inducing management's acceptance of the Union's terms. As a generalization, it can be concluded that the greater the union's wage demand, the greater the management's resistance to it and therefore less will be the union's bargaining power (Ibid).

Tough the model provided that the necessary condition for agreement is that one party must find it more costly to disagree than to agree with the other party's wage demand or offer, it may not be sufficient. The disagreement may arise because one party misjudges the other's position or because the parties become committed to irreconcilable position during the negotiation process. In addition, in situations where tripartism exists, the third party (usually government) can also play a vital role in the bargaining process. Above all the economic environment of both national economy and the firm can also influence the bargaining power of the parties involved in the negotiation process.

In our study Chamberlain's model helps us to treat the process of collective bargaining in Mavoor from a theoretical glance. Here the external factors like government's role, economic environment and finally the misjudgment factor etc, have a crucial role in the bargaining process. Instead of bi-partism, the Mavoor case stands as a fine example for tripartism in labour-management relations and collective bargaining.

The collective bargaining process that had existed in Gwalior Rayon factory in Mavoor in Calicut in the state of Kerala was unique in nature. Due to the tripartite nature of the labor management relations in this industrial unit, this article has been structured into three parts analyzing the role of three major players namely the government, management and finally the trade unions. The first part is an effort to explore the role played by Government of Kerala in making the collective bargaining in the area unique in the context of a liberal industrial policy. The second part tries to bring about the manner in which the management effectively tilted the collective bargaining process in its favor by manipulating the system of industrial democracy and policies of both central and state governments. Third part examines the working class behavior in state sponsored private industrial environment both in normal and challenged situations.

The Government Factor

The Gwalior Rayons Factory at Mavoor was established in 1958 under an agreement between the government of Kerala and the Birlain the context of arigorous campaign for industrialization carried out by the left government under the leadership of EMS Namboothirppad (Prasad, 2009). Obliviously, the provisions incorporated in this agreement allowed the management to enjoy a number of undue privileges. Firstly, the state government agreed to supply bamboo and eucalyptus, the main raw materials in pulp production at a suicidal rate of Re. 1/-per tonne against the fact that the Vindhya Pradesh government (currently Madhya Pradesh) sold the same forest products to the same management's Orient Paper Mill at a rate of Rs. 6.50/- per tonne. Again, the royalty rate of this was Rs. 80/-per tonne in the open market. According to a newspaper report during the period 1963-80, the factory had used two lakhs tonnes of bamboo and reed for which the Kerala Government received Rs. 24 lakhs. If the price was fixed at a more reasonable level of Rs. 100/- per tonne, the royalty would be Rs. 24 crore. The royalty rate remained more or less constant till 1978, when Kerala Government passed the Forest Produce Act (Fixation of Selling Price) 1978 (Saboo,1988).

The passage of the new act was a landmark in the history of labour management relations in Mavoor in the sense that it was really a policy shift; from a liberal industrial policy to a commitment to control the corporate agenda governing the public policies. As a result, the company had to surrender many strategic privileges enjoyed by the management in the past two decades. Firstly, the new act freed the state government from the mandatory

responsibility of ensuring the uninterrupted supply of raw materials at subsidy rate. Secondly, it authorized the state Government to re-fix the selling price of the forest produce of Kerala. As a result, the government of Kerala revised the royalty rate year by year and finally it reached Rs. 527.62 per tonne in the year 1985. The rise in the royalty rate resulted in a corresponding fall in the profit rate. This change in the royalty rate had a negative impact on industrial relations in Mavoor. On the one side, the relation between the management and the trade unions started deteriorating. On the other side, the management started a propaganda that the irrational increase of the prices of the raw materials would finally result in the collapse of the industry. As part of this it published a statement regarding the loss incurred by the factory during 1982-1986 period (See Table. 1)

Table1: The Loss Account During 1982-86 Periods

Year	Pulp Division	Fibre Division	Total
	(Amount in lakhs)	(Amount in lakhs)	(Amount in lakhs)
1982-83	213.28	203.94	417.22
1982-84	379.39	192.87	572.26
1984-85	476.12	156.49	632.61
1985-86	384.42	132.61	517.23
Total	1453.21	686.11	2139.22

Source: Saboo, R.N., 'Mavoorinte Sampoorina Charithram'.

Contrary to the arguments of the factory management, the government subsidy on various other items continued to help the management to save substantially on cost of raw materials. The annual subsidy on raw materials alone worked out at Rs. 16 crore, whereas the annual wage bill of the factory was less than Rs. 10 crore. Again, while the government charged Rs. 527.62 per tonne, the price of the same raw material in the open market was Rs. 1000 per tonne (Patriot, 1988). It is worthwhile to remember the report submitted by the cost accountant jointly appointed by the management and government that the factory would be a viable unit even if the raw material price were Rs. 800/- per tonne. More over Ms. Chainani, the Vice President of the Gwalior Silk Manufacturing Company, herself had admitted that the price of the imported pulp is more than Rs. 11,000/- per tonne while the indigenous pulp costs only between Rs. 8,000/- and Rs. 10,000/-(Rajan, 1984).

In addition to the concessions on royalty rate government had also allowed the management to raise an industrial plantation of eucalyptus over an area of 30,000 acres of forestland in Nilamboor. Further, it also agreed to lease the bamboo forest areas at Nenmara, Palghat, Wayanad and Calicut divisions to the management. It was allowed to use the river chaliyar as 'un-protesting recipient of the toxic waste coming out of the factory'.

In the case of the Union government the matter was more or less same. It had also adjusted its declared policies so as to help the Birla management. The Union government sanctioned the management, the foreign exchange for capital goods imports before bringing the latter under the industries (Development and Regulation Act) Act 1951. Again the Licensing committee of the union government allowed the management to go ahead with substantial expansion of capacity. Above all, in the 1970's, the company was allowed to import pulp from abroad.(Chathunny Master, 1984)

The Management Factor

Among those different units of GRASIM, the Mavoor and Harihar units produce rayon grade pulp, and the raw material for these units are drawn from Kerala and Karnataka forests respectively. Till the commencement of Harihar Unit in 1972, the Mavoor unit was the sole supplier of rayon grade pulp to the fibre units of GRASIM industries. When the management secured pulp-importing license from the central government, the strategic role of the Mavoor unit in GRASIM industries further declined. Theoretically, since 1972 the bargaining power of the management marked an increase in the sense that management's perceived cost of disagreeing with union's demands declined. Hence the resisting capacity of the management against union demands rose to above unity.

The initial investment of the Mavoor factory was Rs. 13 crore. When the production started in 1963, there were 1840 workers and 350 staff employed at an average monthly wage of Rs. 60 to Rs. 300 respectively. The strength of labour force further increased and in the 1980's it reached nearly 5000, which includes the reserve workers. Apart from this 5000 about 10,000 people found indirectly depended on the factory for their livelihood. The annual wage bill of the factory stood around Rs. 10 crore.

In order to utilize fully the installed capacity of 72, 000 tonne pulp per year, the factory wanted 3.6 lakhs tonne raw materials. As per the original agreement, it was made the responsibility of the state government to provide sufficient raw materials to the factory and the royalty rate was fixed at Rs. 1/- per tonne, which in turn helped the management to make abnormal profit. Whenever the government tried to raise the royalty rate the management used to protest against it at its full strength. During the first 15 years (1963-78) the factory management reaped a profit of Rs. 63 crore and paid its workers an average bonus of 40 per cent (Latheef, 1988).

From the very beginning of the factory, it is alleged that, workers demand for improvement in their living conditions was met with an immediate closure of the factory either in the name of shortage of raw materials or due to the so called 'violence in the factory premises'. Interestingly, this strategy was successful in using the closure as a cudgel against labour agitation and to put pressure on the state government to bring down the royalty rate of raw materials. In addition to this, the management alleged to promote disunity among working by allowing certain special concessions and privileges to prominent unions in general and trade union elites in particular. K.T. Ram Mohan and K. Ravi Mohan described this new kind of labour-management relations as 'collaborationist kind of trade union leadership' (Ram and Ravi, 1988).

As a result of the reactionary policy of the management, the workers had to strike almost every year from the late sixties. The reserve workers of the factory were offered work only for thirteen days in a month. In spite of the fact that most of the reserve workers had served for 10-15 years, the management refused either to employ them on a permanent basis or to provide them more days of work. At the same time, the work which could be carried out by the reserve workers was increasingly given to contractors. It is alleged that the continuance of the contract system was for the vested interests of a section of the trade union leadership. It was alleged that many of the leaders of established trade unions used to take up contract work regularly and hence the abolition of the contract system would have been detrimental to their economic interests. The factory management also played their role well and took care to give as many contracts as possible to these leaders. Ironically, it was also alleged that the management had also allowed the trade unions to recruit new workers (Vasu, 2011).

Trade Union Factor

The trade union history in Mavoor starts with the death of a worker in a work related accident in 1962 which motivated the workers to think about future. This induced them to form the first labour organization in Mavoor. As a result, in 1962 the Gwalior Rayon Factory and construction workers union (affiliated to pro - CPI AITUC) came in to existence. Later influenced by the national level political developments the workers loyal to Indian National Congress joined together and formed the Gwalior Rayons Employees Union (affiliated to INTUC). The split in the Indian communist movement (1964) was also reflected in Mavoor trade union movement. The CPI (M) loyalist left the AITUC and formed the pro-CITU Gwalior Rayons pulp and Fibre workers union. During 1970's five new unions entered in to the scene. The national level split in the Indian National Congress (1969) induced a group of INTUC workers to organize the Gwalior Rayon Labour Union affiliated to pro-congress (0) INLC. Later influenced by the second national level split of the Congress party (1978), the Indira loyalists formed the Gwalior Rayons pulp and Fibre employees Congress affiliated to INTUC (I). Like in the case of INTUC, the STU was also divided and gave birth to Gwalior Rayon pulp and Fibre Factory Thozhilali Union (Pro-AIML). In addition to these developments, two more organizations-Gwalior Rayons pulp and Fibre Factory Staff Union and Gwalior Rayons workers Organization were organized. Finally, with the emergence of Gwalior Rayons Organization of workers (GROW), the number of trade unions reached to 13 (Pakjakshan, 1988).

Except in the case of GROW, the rationale for the proliferation of trade unions may be attributed to the unending factionalism in various parties. Political parties do consider trade unions as a source of strength. This also affects the professional nature of trade unions since the latter look up on political parties for guidance and political recruitment.

The history of collective bargaining in Mavoor started with the formation of Gwalior Rayons Factory and construction workers union. Accordingly the union began to represent the grievances of the working class. The first general strike was launched in 1962, demanding the raise of daily wages and provision for accident compensation. The strike did not prolong and the management without any hesitation approved the demands. The daily wages were revised from Rs. 1.75 to Rs. 2.75. It was also agreed that compensation would be paid for accidents. In short, the first effort of Mavoor workers to improve their working conditions ended in full success. It did not mean that the living conditions of the workers in Mavoor improved considerably(Ibid).

When the production started in 1963, the workers launched another demand for bonus. As the management refused to consider the demand the workers went on an indefinite strike. Later, due to the relatively high bargaining power of the trade unions, management agreed to give 8 percent bonus to its workers. The reason was that management found disagreeing with union's demands more costly than agreeing because of the reason that profit rate was relatively high. The workers of Mavoor received bonus when there was no provision for bonus in the state. The Bonus Act which was passed in 1964 provided for a statutory rate of 4 per cent to the workers of Kerala against the eight percentages received by the workers in Mavoor (Ibid).

However, the experiences in the 1970 were different from that of 1960's. Several changes took place in the labour management relations in industry. Firstly, due to the commencement of Harihar pulp producing unit in Karnataka, the strategic role of the Mavoor unit heavily declined. Secondly by securing a license to import pulp, the management further strengthened its capacity to combat the worker. Thirdly, during this period, the number of trade unions rose from 6 to 11 which indirectly affected the

bargaining power of the trade unions. Again as a result of the 1978 agreement a new class of reserve workers emerged in the scene demanding full employment and abolition of contract system. Furthermore, the vacuum created by the demise of veteran leaders like S. E.S Menon and Avukadhar Kutti Naha was filled by a new kind of trade union leadership. Many workers looked at this new leadership with a suspicious mind and found them as the agents of the factory management. As opined by an observer 'the newly emerged collaborationist kind of trade union leadership' seems to be a factor in determining the course of the collective bargaining process in Mavoor (Latheef,1988).

The 1970's witnessed the first strike (1972) which ended in a failure. When the demand for an interim relief was completely rejected by the management, the trade unions found it difficult to continue the strike, which had then crossed 144 days. As a result they finally withdrew the strike. It was pointed out that the strike was illegal in the sense that it was launched during the period of a long-term agreement. As per Chamberlain's model the management with its relatively higher bargaining power found it more costly to agree with the demands raised by the workers, because the commencement of Harihar unit enabled them to close down the factory without incurring 'heavy losses'. As a result, from the very beginning of 1970's the workers had to go on strike almost every year. Whenever the workers launched struggles, the management instead of initiating a process of negotiations, sought to close down the factory. The statuesque maintained with the commencement of the Harihar unit enabled the management to retain their profit and production from elsewhere.

The tension in 1970's continued in 1980's. The Long – Term Wage Agreement which was signed in 1978 expired on 6 June 1982. The reserve workers of the factory were offered work only for thirteen days every month (Mathrubhumi, 1988). On the other side, the work that could be done by the reserve workers were increasingly hired out to contractors. In addition to these unresolved issues, management refused to pay any single paise more than the statutory bonus from 1982 onwards. It is to be noted that the workers had received an average bonus of 40 per cent during the 1978-82 period. Thus the tension that started from the very beginning of 1970's became intensified and turned out to be the prime cause for the commencement of an indefinite strike in 1985.

Another important event in the 1980's was the emergence of a unique trade union called the Gwalior Rayons organization of workers' (GROW). The new union represented and symbolized the workers protest against both the continuance of contract system and the degeneration of trade union leadership. During 1983-84 the GROW led many agitations on its own and jointly with other unions. When the trade unions in Mavoor decided to organize a joint agitation in 1985 against the management, the GROW also participated in it. During the agitation, especially in its final stage, the GROW played an enviable role to solve the problem which then had twisted to an SOS-agitation to reopen the factory (Kerala Kaumudi ,1988). The re-opening of the factory led unprecedented release of untreated waste of factory waste to river Chaliyar and a series of agitations by the local people for a more effective pollution control mechanism. But the management did not listen to this and continued to pollute the environment(Babu, 2008). The Mavoor factory was closed forever, when the protests developed into a statewide environment protection movement. The management and trade unions, it is alleged that moved hand in hand in fighting the so-called eco-fundamentalism.

Conclusion

The experience of industrial democracy in Mavoor raises certain serious apprehensions about the collective bargaining process in state promoted industrial units. The well celebrated above unity bargaining power of trade unions in the area was really a

reflection of the unusual governmental subsidies and the ‘benefits’ of lapses in assessing the environmental cost of this extraction industry.(Bappu, 2011). It also speaks about the capacity of big capital to manipulate the entire process of collective bargaining in its favor. This becomes more intense when the alarming rate of unemployment and economic backwardness induce the governments to liberalize its industrial policies. In Mavoor, the process of collective bargaining was structurally three dimensional but functionally two-dimensional. The attitude of the government towards the management, particularly regarding the fixation of royalty rate found to be the decisive factor in determining the latter’s perceived cost of agreeing with unions demand. More clearly, the question whether the government would permit the management to exploit the valuable natural resources (which includes raw materials from the forests, water, air, soil and finally the life of thousands of human beings in and around the factory) seems to be the most powerful single factor determining the nature of collective bargaining process in Mavoor.

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