

# THE SPIRIT OF INDUSTRIAL RELATIONS

*The Perin Memorial Lectures delivered  
at Jamshedpur in December 1946*

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With a Foreword

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## *Contents*

Introduction	v
I The Spirit of Industrial Relations	1
II The Essentials of Trade Unionism	17
III The Sphere of Legal Regulation of Industrial Conditions	38
IV Incentives in Industry	60
V Social Security	79
VI Joint Consultation in Industry	100
VII The International Labour Organization	118

## *Introduction*

**T**RADE Unionism in India is now rapidly emerging from childhood into manhood. Although there were some organizations for promoting the welfare of workers before the first World War especially in Bombay, the real trade union spirit was born as a result of the labour unrest following the aftermath of World War I. The Madras Labour Union and the Textile Labour Association of Ahmedabad were among the first important labour organizations started during that period, and since then we have had a rapidly growing number of trade unions of a large variety of employees ranging from municipal sweepers to Government servants. The birth of the movement was quite natural in the circumstances and conditions then existing. In the days before 1914, labour, though illiterate and inefficient, was cheap and plentiful. Accustomed to a low standard of living, the workers did not feel the urge of demanding more wages and better conditions of work. They did not even know how much their work contributed to the profits of their employers who in many cases took full advantage of their apathy and ignorance. But the high profits made during the boom period, and the subsequent depression in industry, generated a feeling of unrest and discontent among the workers. Even then they were not able to raise their heads against their employers for fear of losing their employment. In this state of things it was inevitable that without outside help they would not be able to organize and press their demands on their masters. Such help was not long in

coming. It came partly from men imbued with a desire to work only for social service and partly from persons who wanted to create a new social order by destroying capitalism and substituting the workers' *raj*.

The first piece of labour legislation was enacted in 1926 in the form of the Indian Trade Unions Act, and about thirty trade unions were registered soon after in different provinces with a total membership of nearly a lakh of workers, most of whom were from the cotton textile industry. With the growth of industries the trade union spirit also grew. In 1944-5, the latest year for which figures are available, there were 865 registered unions in British India ; only 573 filed their returns, showing a membership of about 890,000 workers. During the last two years the widespread industrial unrest throughout the country has added to the number of trade unions with a considerable rise in membership. Trade unionism is thus fast becoming a potent force in the industrial life of our country. In many respects it is following the lines which trade unions have taken in Western and other highly industrialized countries. The activities of our trade unions in recent years, culminating in mass strikes, have led to the establishment of institutions of industrial relations such as courts of inquiry, machinery for conciliation and adjudication of disputes, arbitration tribunals and industrial courts. Such institutions have now been fairly well established in highly industrialized countries and are working on the basis of legislative enactments as well as on certain principles of what has come to be regarded as Industrial Jurisprudence. A knowledge of these principles and their application to the

peculiar needs and circumstances of a country are essential for the adjustment of industrial relations to the problems of each country according to its stage of industrial advancement.

It is from this standpoint that all those who are interested in industrial relations in India should welcome the publication of this book, based on seven lectures by Professor Kirkaldy in the series of Perin Memorial Lectures under the auspices of the Tata Iron and Steel Co. Ltd at Jamshedpur. No better authority on this subject than Professor Kirkaldy could have been chosen. He is Professor of Industrial Relations in the University of Cambridge and has intimate knowledge of all the varied aspects of this subject. He has treated it in a very sound, practical and unbiased manner and the principles which he has expounded deserve to be appreciated and followed by all those who have to deal with the management of labour in India. I propose to discuss them generally with special reference to their application to the present stage of industrial relations in our country.

In his first lecture, on *The Spirit of Industrial Relations* the author rightly begins by emphasizing the fact that, although there are 'certain fundamentals at the basis of industrial relations which are common to all countries and all stages of industrialization', it is important to avoid a 'slavish imitation of the methods and procedures of other peoples and other times without first examining... whether the method and procedure are the best suited to the stage of industrial and political development' of a particular country. At another place he says that there is 'no greater fallacy than to assume that

by some alteration in the ownership and control of industry—whether that ownership and control be public or private—the problems of industrial relations can be solved overnight'. This warning is necessary for industrially young countries like India where political democracy is still in its early stage of growth. No two countries are in the same stage of industrial and political development, and the method of improving industrial relations which has been successfully established in one country may not find fruitful soil in another. A prominent example is the difference in the method of solving industrial disputes between employers and workers in the two highly industrialized democracies, Britain and the United States. The practical genius of the British people, with the accumulated political experience of centuries, has made trade unionism a power in the country without going through the acute industrial strife and bitterness which we are witnessing between the trade unions and the employers in the immensely rich but politically young United States of America.

The state of industrial relations in a country is intimately connected with the form of its political government and the objectives of an industrial organization may vary from purely economic to purely political ends. These objectives may be roughly divided into four : (1) improving the economic condition of workers in the existing state of industrial management and political government, (2) control by the state over industries to regulate production and industrial relations, (3) socialization or nationalization of industries by making the state itself the employer, and (4) vesting the proprietorship

of the industries in the workers. These four objectives cover a wide field of various economic regimes from capitalism to communism. How far such objectives can be pursued as political ends by trade unions has been the subject of controversy in advanced countries. Professor Kirkaldy observes that the general trend of opinion is that trade unionism should have the industrial object of cooperation within the existing economic order whatever that may be and that it should reserve for its political objects, to be achieved by political methods, any changes in that economic order which it regards as essential to the ultimate well-being of the workers. At the same time he gives a warning that political objectives may be a source of disunity to the trade union movement and he concludes that 'the pursuit of political objectives is an essential of trade unionism but, if that pursuit involves the formation of a political party, great safeguards and greater restraint are necessary to avoid the pursuit becoming a source of disunity among the workers'. He has given the existing trade unionism in the United States as an example of this statement. To India it teaches a great lesson.

Politically we are passing from foreign domination to independence with adult franchise ; economically we are passing from capitalism to socialism. But our workers, industrial as well as agricultural, have still to become literate and intelligent enough to form their own views of what they want and the best method to get it, as well as to lead and guide their own organizations without any outside help. As Professor Kirkaldy observes : 'While honour is due to those disinterested persons who



so unselfishly give of their time and their substance for the betterment of the conditions of the working class, the alliance is rarely an entirely happy or a permanent one and it is rare to find a stable and established trade union movement until it becomes a movement not only for but of the workers'. Until this stage comes in India, trade unions will have to remain under tutelage like minors in law, and the state must remain as their guardian. With the growth of education, a sense of duty and responsibility among the workers and the capacity to run their own organizations, they will become increasingly capable of conducting collective bargaining with the employers and of being a political force in the modern machinery of government.

The advice which Professor Kirkaldy has given to workers deserves careful consideration. He has advised the worker to choose his leaders wisely and be willing to honour the agreements they make on his behalf; regard his trade union as a long-term proposition not to be abandoned if it fails to produce him an advance in wages every six months or so; and not to use the weapon of industrial warfare for the achievement of political aims. The apprehension of disunity by the pursuit of merely political ends has already disrupted the ranks of workers in India and has resulted in reducing industrial relations to the lower level of American trade unionism instead of keeping them on the high level of the British system. The responsibility for this, however, does not lie wholly with the trade union leaders but it lies partly with the employers who have till recently shown little inclination to recognize and help trade unions

and have relied on the government to thwart their activities. There have been exceptions on both sides. The Textile Labour Association of Ahmedabad is a prominent example of such exceptions among trade unions. Without any Government help, it has succeeded in organizing labour on sound trade union principles and in averting strikes by inducing the employers to agree to arbitration. Guided by Mahatma Gandhi in its formative period, it has inculcated a sense of discipline and responsibility among its members and thereby increased its bargaining strength.

The Trade Unions Act of 1926 and the Trade Disputes Act of 1929 were the first laws made by the Government of India to recognize the organization of labour and to encourage the settlement of disputes by conciliation, courts of inquiry and adjudication. The Trade Unions Act merely recognized for purposes of registration unions which fulfilled certain conditions about their membership and the application of their funds. The only substantial rights which they got were the right to conduct trade disputes, give financial and educational facilities to their members and their dependents, maintain a civil and political fund for election and other expenses, and certain exemptions from civil and criminal liabilities. The Trade Disputes Act provided for settlement of disputes by conciliation and adjudication but it did not go far enough to prevent strife and strikes. The first serious attempt to recognize trade unions commanding the confidence of workers and to create permanent machinery for the settlement of disputes was made by the Government of Bombay in 1938 by enacting a

comprehensive Industrial Disputes Act which has worked fairly well during the last nine years. The measure was not without its defects and, in the light of experience gained during these years, it has now been replaced by the Industrial Relations Act which is shortly going to come into force. In the meanwhile the Government of India has also enacted this year an Industrial Disputes Act setting up Conciliation Boards, Courts of Inquiry and Industrial Tribunals for the Central as well as Provincial Governments. Another measure for enlarging the rights of recognized trade unions by giving them the right to negotiate with the employers is being enacted by the Central Government.

By reason of all these enactments, Indian labour has secured a charter which can be of great help in removing its grievances and raising its standard of living without needless dislocation of our industries. But like all legislation, success depends not on the letter of the law but on the spirit shown by all parties in its working. No industrial legislation can achieve its purpose by frequent resort to penal provisions. The human factor is so predominant in industrial relations that, unless problems are tackled on the psychological rather than on the legislative plane, there is always a danger of misunderstanding and mistrust even with the best of motives. The leaders of industry as well as of trade unions should have opportunities to discuss their problems with an open mind, and the third party, whether it is the state or the arbitrator, should adopt methods of clearing doubts, suspicions and misapprehensions as well as of tactful persuasion before taking enforceable decisions. The principle of voluntary agree-

ments or arbitration in industrial disputes is much more conducive to the improvement of industrial relations than compulsory adjudication or arbitration. It is, indeed, unfortunate that, although the voluntary principle was adopted in the Bombay Industrial Disputes Act, it had to be abrogated during the recent war and arbitration was made compulsory under certain circumstances. In the recently enacted Industrial Disputes Act of the Central Government too, compulsory adjudication by the Industrial Tribunal is provided for any industrial dispute. Such compulsory measures may be necessary during the stress of war and there was a similar enactment in Britain also to speed up production during war-time, but its extension to ordinary disputes in normal times is not conducive to the promotion of happy relations between employers and workers and may, in certain circumstances, lead to a breach of the industrial peace by mass strikes which defy the penalties of the law and paralyse the administration of law and order. As Professor Kirkaldy rightly observes, even voluntary arbitration is 'a poor substitute for mutual agreement' as an industrial arbitrator who is not an expert 'finds himself rather in the position of a law-giver than a law-interpreter'. But compulsory arbitration is a still worse substitute as a willing spirit cannot be inculcated by an act of legislature. Professor Kirkaldy further observes that if the people are sufficiently trained to repose confidence in the awards of the Arbitration Court and working-class opinion is prepared to take the unfavourable decisions as well as the favourable decisions, the method of compulsory arbitration may succeed; but if the organized

workers are not prepared to renounce the weapon of the strike and the law has not the support of public opinion, the law which endeavours to enforce compulsory arbitration will be brought into contempt.

Here again the comparison between British and American methods has a great lesson for our country. Professor Kirkaldy says that 'Britain has been singularly fortunate in achieving the fundamental objective of trade union recognition without the necessity for such legislation and the hopes of any country for harmonious industrial relations will be higher if mutual confidence between employers and workers is such as to enable satisfactory bargaining arrangements to be established by voluntary agreement rather than by legal compulsion.' The opinion of an American labour leader on this point is worth quoting. In his article on 'A comparison of the American and British systems of Industrial and Labour Relations', Mr John P. Frey, President of the Metal Trades Department of the American Federation of Labor, says : 'The industrial friction which flares up so prominently in our country [America] has been due principally to the employers' opposition to the acceptance of trade unionism as a definite part of our industrial system. It has been due to the employers' opposition to the existence of trade unions in the plant, on the one hand, and an unwillingness to freely meet the representatives of organized employees around the conference table. Had American industry indicated the same willingness to deal with organized labour which has been shown in Great Britain, the division would never have occurred.' Our Governments will do well to

take lessons from the experience of these two great countries by promoting the voluntary principle as much as possible and resorting to compulsory adjudication only in cases of grave apprehension of public disorder.

One frequent cause of disputes between employers and workmen especially in big industries is the method of apportioning wages to the nature and amount of work done. Professor Kirkaldy has discussed this topic in his lecture on Incentives in Industry and, after discussing the difficulties of calculating and altering piece-work rates, he has come to the conclusion that from the standpoint of maximizing production and ensuring the maximum utilization of modern plant, payment by results under the system of straight pieceworks is the most acceptable, but that no form of incentive, individual or collective, should be neglected. Production bonuses and profit-sharing schemes are the best of these incentives of a collective nature. The application of such incentive schemes in India is one of the most important but complicated problems which the employers have to face.

In big industries conducted with the most up-to-date machinery, the amount of profit depends on maximum output with minimum cost. The employer naturally wants to produce this result by resorting to rationalization and multiple shifts. His interest lies in employing the least number of workers and taking the maximum work from them. He finds it in his interest to pay the worker production, efficiency and regular attendance bonuses, but he is reluctant to pay a profit bonus unless compelled to do so. The working class as a whole looks

upon rationalization as a device to sweat labour without improving the working conditions and as a cause of unemployment. In the enervating climate of several parts of India the worker is not inclined to be very energetic and likes to earn more by getting higher rates of wages than by working for a production or efficiency bonus. He is more keen to get a profit bonus than any other kind of bonus. One of the biggest problems which the employers have to tackle is how to produce incentives in the minds of workers to do their best in increasing production. This can only be done, as Professor Kirkaldy has observed, by making the worker realize that his interest is identical with that of the industry and that, to the extent that he contributes his labour, he is entitled to a share in the profits which are partly due to his contribution. For such a realization, the worker must be able to form his own judgement and his standard of intelligence must be developed to appreciate the incentives offered to him. He should also be made to realize that profit-sharing implies cooperation in profit-making. It is a welcome sign of the times that the employers in India are beginning to realize this. The experiment in profit-sharing which the Tata Iron and Steel Company has recently put into effect at Jamshedpur will be watched with interest throughout India.

The lectures on Social Security and Joint Consultation in Industry contain valuable suggestions which the Government and employers in India will find worth adopting. The Central Government has before it several schemes of social security for workers and there is no doubt that when political conditions settle down in

India, no popular Government can afford to neglect the introduction of these measures. But before introducing all these beneficent measures the prime necessity at the present day is to raise the wages of workers as much as possible to a living wage standard, which, as Professor Kirkaldy observes, is a first charge on industry. The theory of the vicious circle in which wages and prices chase each other does not, as the Central Pay Commission has remarked in its recent report, apply to cases where the wages have not reached the living wage standard. No doubt, a policy of deflation combined with increased production of articles of necessity should be vigorously launched by Government but, side by side with it, the workers should be given sufficient incentives for earning more by raising production. Trade union leaders ought to give all the help that they can in obtaining this result. A study of Professor Kirkaldy's lectures will convince any trade unionist who has the welfare of the industry and of the country at heart that, while agitating for improving the workers' wages and working conditions, it is necessary to bring home to the workers that the country's salvation including their own lies in production, and still more production, in the extraordinary circumstances prevailing at the present day.

With the advent of political independence, India is at the political and economic cross-roads. It has already turned its face towards the road of economic socialism and, if it travels along that road, as appears very likely from the present trends, it behoves all three parties to industrial progress—the state, employers and employees—to see that the journey along that road is smooth



xviii THE SPIRIT OF INDUSTRIAL RELATIONS

enough not to throw the industrial vehicle out of gear. If the methods of travel adopted by the Western countries are to be followed, they should see that the vehicle does not fall into the pitfalls of the American and French methods but travels along the much less rough road of the British method of voluntary and collective bargaining. This method necessarily means educative training, mutual trust and practical wisdom as well as putting social and national above individual and selfish ends. I am sure that Professor Kirkaldy's instructive lectures will throw illuminating light on the road of industrial progress for a smooth and rapid journey to the goal of social security and prosperity.

H. V. DIVATIA

*Bombay, 1 September, 1947*