CHAPTER 4

INDUSTRIAL RESTRUCTURING AND CONSEQUENCES IN
TATA STEEL

4.1. Introduction

Since 1990, the compulsions of globalization and economic reforms made it inevitable for individual firm, particularly Tata Steel Jamshedpur to restructure it for the sake of survival, maximising profits and reducing costs. The changing government policies and practices at the macro level have eased the process of restructuring. The business environment in 1990s was rapidly changing with emerging competition. It was therefore a compulsion to keep pace with these changes to beat competition and maximise shareholder values. Massive restructuring to bring in innovative managements methods and advanced production techniques became imperative. The restructuring helped Tata Steel Jamshedpur to reshape and reposition itself to meet the challenges and seize the opportunities thrown by globalization.

As the saying goes, who bring changes for the sake of future generations, enter the annals of history. Tata Steel Jamshedpur, being a conscientious enterprise, could foresee the emerging situations as early as 1980s-1990s, and bring about drastic changes through restructuring for reducing costs and increasing production and profits. Economic liberalization and the resultant liberalization of labour laws some extent enabled Tata Steel to rationalize work-force by retrenching workers through early separations and to increasingly use contract or casual workers in tasks of perennial nature. It also enabled to bring capital and technology, and expand productions as desired. The restrictions on product pricing expansion and directives on product-mix also had eased marginally with the reforms. These developments facilitated Tata Steel to privatize or outsource several non-core or peripheral activities to informal sectors or contractors and globalize its production units beyond the country.

This chapter looks into the effects of liberalisation at the Micro level or firm level at the production unit of Tata Steel located in Jamshedpur, Jharkhand. In the era of public sector monopoly (1960-80) and shortage and rationing of steel, Tata Steel operated under cost-plus margin model, and there was no need for modernization. It
had concentrated on maintaining aging plants, building spares and improving mines and industries.

New Economic Policy 1991 provided opportunities to expand business exactly on the lines sought by *J. R. D. Tata* in Annual reports during 1970s. He considered control on steel production and pricing as reasons for not growing steel business in India. Restructuring the Indian economy at the macro level in 1990s, removed these hurdles, and Tata Steel started to implement the news policies at a micro level. The modernization process in the 1980s was restricted to the replacement of the old plants and only incremental growth in production was allowed; it disallowed drastic change in workforce and production.

*J. R. D. Tata* was conscious about the imperative of downsizing the workforce for the long term profitability and sustainability of the enterprise, and had suggested for this. But he and Managing Director *Russy Mody* could not involve in this endeavour. The self-motivating people centric approach and political and existing economic environment of the country did not allow labour reduction in 1980s. Drastic change in political and economic environment in 1991 and change in the top management of Tata Steel as the baton change from *J. R. D. Tata* to *Ratan Tata* and *Russy Mody* to *Dr. J Irani* provided opportunities for the much needed restructuring Tata Steel, Jamshedpur.

This chapter incisively examines the restructuring processes, their outcomes and consequences on workers during the years 1991 to 2013 under the regimes of Managing Directors of Tata Steel Ltd, *Dr. J. J. Irani* and his successors *Mr. B. Muthuraman* and *Mr. H. M. Nerurakar*. In 2013, Tata Steel achieved 10 million tons hot metal productions with 16 thousand employees, which was a grand leap from the production figure of 2.4 million tons with 40 thousand workforces prior to restructuring of operations in their Jamshedpur Unit. A transformation of this magnitude in any industrial firm seems to be a unique case in the last two decades of the globalised era. It may be interesting to inquire how it transpired and what all have been its consequences for workers. Was it completed without resistance and if resistance had emerged, how was it mitigated? Has Tata Steel been able to overcome the dilemma and get maximum return on capital investment like other business groups
in India despite its known involvement in Corporate Social Responsibility and corp, to which it has become synonymous?

For exploring these questions, this chapter is organised as follow: The second part sketches the analytical framework for this chapter. The third part provides a brief history of Tata Steel since its beginning. The fourth part posits two counter views about its labour and social welfare programmes: one is as self-motivated philanthropy and the other as a compulsion of the times for tackling emerging circumstances. Fifth part outlines restructuring processes in term of modernisation, labour restructuring, and quality/technology update and customer orientation. The sixth part presents the outcomes of the restructuring processes in several economic and non-economic spheres. The seventh part describes the consequences for workers and the eighth and concluding part sums up the developments in totality.

4.2 Analytical Framework

The analytical approach of this chapter aims to see the changes in term of cost restructuring, expansion/modernization, quality/technology up-gradation and customer focused strategies. The processes involved in restructuring can be grouped in four parts, i.e. the diverse steps taken after 1990s, their outcomes at macro level, and its impact on workers. It can also be perceived in terms of its aims, such increased labour productivity, profits, and gross revenues; reduced labour costs and social expenditure; technology up-gradation for low grade raw material consumption, utilizing high ash coal and blue dust (ore fines); enhancing employees’ knowledge and skill; customer focused products as branded steel, and awareness creation among employees on customer satisfaction. The sequence of steps can be seen in table 4.1.
Table 4.1 Analytical Framework

<table>
<thead>
<tr>
<th>Restructuring</th>
<th>Steps Taken</th>
<th>outcomes</th>
<th>Consequences for workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansion/ modernisation</td>
<td>Started in 1980s Completed 2012</td>
<td>Production 2.4 to 10 mtpa</td>
<td>Surplus of unskilled workers, Loss of employment opportunities Requirement of skilled and knowledge workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gross revenue &amp; profit increased</td>
<td></td>
</tr>
<tr>
<td>Labour Cost Social expenditure</td>
<td>Downsizing Outsourcing non-core job fragmentation Use of contract workers for regular job Production/profit centric CSR</td>
<td>No. of Workers reduced, Non-core tasks outsourced, employee cost reduced, Number of grades and wage structure increased CSR not par with profit</td>
<td>Loss of job, Informalisation, Increased insecurity and anxiety, Heterogeneity of workforce</td>
</tr>
<tr>
<td>Quality/ Technology</td>
<td>Utilization of low grade coal and iron ore. Shift to BOF from OHF Utilise Computer &amp; internet</td>
<td>Increased Labour productivity Decreased Raw material consumption / Energy consumption Easy and speedy communication</td>
<td>Responsibility increased, Employability increased, competition for the job increased</td>
</tr>
<tr>
<td>Customer</td>
<td>Awareness Branded products Advertising</td>
<td>Increased profit Share value EVA+</td>
<td>Increased stress on customer compliance, quality products and delivery</td>
</tr>
</tbody>
</table>

4.3 Tata Steel in pre-1990s

Tata Steel was established by the renowned Indian Businessman Jamsetji Tata in 1907. The plant was originally constructed for a capacity of 0.16 million tons of pig iron, 0.10 million tons of ingot steel, 0.07 million tons of rail beams and 0.02 million tons of bars and rods. The plant was initially equipped with a battery of 180 non-recovery coke ovens and 30 by-product ovens, two blast furnaces (350 tons capacity each per day), one 300 ton hot metal mixer, four open hearth furnace of 50 tons capacity, one steam engine driven 40-inch reversing blooming mill, one 28-inch reversing combination rail and structural mill with re-heating furnaces, and one 16-inch and two 10-inch rolling mills. The plant also had a powerhouse and laboratory for research and development. The cost of the plant was around INR 23 million (Tata Steel, 2012).
After the First World War, the plant was expanded for the production of 0.5 million tons of steel with the most advanced technology of that time, Duplex process of steelmaking was adopted with an electrically driven blooming mill. Till 1940, another Duplex furnace, two new roughing and finishing mills, a latest blast furnace and coke ovens were added, and production reached 0.8 million tons of saleable steel. At that time Tata Steel was the largest steel plant in the British Empire, producing 75 percent of the steel consumed, and the cheapest exporter of pig iron in the world (Tata Steel, 2012). Under the Industrial Policy Resolutions, (IPR) 1948, new iron and steel plants were reserved for the public sector, but existing plants in the private sectors were allowed to operate.

The First Five Year plan provided funds and permission to Tata Steel for expansion to two million tonnes of ingot steel production per annum. The expansion was completed in 1958 with the addition of a new blast furnace in existing five. Also, sinter was utilised in blast furnaces, which helped to increase production by 10 percent. A Steel melting Shop (No. 3) comprising two 800 tons hot metal mixers, three 32-tonne Bessemer converters and seven 200-tonne open-hearth furnaces were also added.

After 1958, further no restructuring plans were executed till 1980 excluding gradual increment of production with additions of some new mills. The wave of nationalization during 1960s and 1970s and establishment of Steel Authority of India Ltd (SAIL) in 1973 and the threat of nationalization caused jitters in Tata Management. Though Tata Steel was spared, the Indian Iron and Steel Company (second private steel firm after Tata steel) was nationalized during this period. From the onset of nationalization till 1991, when the New Economic Policy was launched, only six steel companies remained to operate in India, and among them Tata Steel was the only private sector steel maker (Government of India, 2009).

4.4 Corporate Social Responsibility and Social philanthropy

4.4.1 Well known view

In front of workers’ welfare and social philanthropy, the measures adopted before 1990s were meant to create a caring culture in Tata Steel. There is documentary proof to substantiate the claim that the CSR and philanthropic initiatives of Tata Steel were self-motivated. The management went out of the way to educate and take care of
the employees and the employees reciprocated by being loyal to the company and made the aging plants highly productive. The landmark agreement of 1956 established the management’s right to take disciplinary action against employees and if such an action was disputed, then it had to be settled through negotiations with the recognised union Tata Workers’ Union. Management had the prerogative to introduce the new methods, equipment, products to manufactured, plant locations, and training of employees. It also had rights to fix the number of men required for the normal operation of a department and effect changes in rules and regulations affecting workers in consultation with the union (Appendix 1A). The important point of this agreement was that management agreed neither to retrench workers nor reduce their wages and benefits because of technological change and being declared as surplus.

If we look the development of Tata Steel, the trajectory can be summarised into three categories: Duplex culture (1908-1938), Familial culture (1938-92) and Global culture (1992-2013). Initially, Tata Steel developed a duplex culture comprising of two intertwined strands of values; American technological expertise and Indian Welfare Orientation. Tata Steel conducted operations with American consultants, American technology and American general managers along with European supervisory and technical staff and Indian unskilled workers in the period 1907 to 1937. About 137 Europeans handled technical jobs and 2500 workers drawn from all parts of the country were manning its first blast furnace in 1912. Tata Steel was a welfare oriented management that would take care of employees’ needs and aspirations, but would draw expertise from the west (Pandey & others, 2005).

Tata Steel witnessed three major developments in 1937-38. J. R. D. Tata became the chairman, Jehangir Ghandi became the first Indian General Manager and Abdul Bari took over as the of president of Tata Workers Union (TWU). It was the era of familial culture in Tata Steel. J. R. D. Tata made the TWU friendly for the rest of life; the ethos was to care for the employees who would take care of Tata Steel. The company adopted a cooperative approach to industrial relations, a proactive role in discharging social responsibility and systematic view of the management practice. J. R. D’s concern about safeguarding workers’ interest finds reflection in this statement directed to Chairman Russy Mody in 1985 when one of the lowest level workers rang him up about the severe power crisis in Jamshedpur.
“My Chairman, I am the oldest member of the Board. I have a right to place an item for discussion. Tell me what is happening in Jamshedpur? My people and children are boiling. Children cannot study. People cannot sleep. I have received hundreds of telegrams, letters and phone calls. Is the house of Tata so helpless? I am not satisfied with your report, Mr Chairman. I want this board to discuss and find solutions before we take up any other item for discussion” (quoted in Pandey & others, 2005).

Russy Mody, Managing Director (1974-92) and MD cum Chairman (1984-93) was well known for his familial generosity. He cultivated a highly people oriented culture and launched a number of community and rural development schemes both for the families of the employees and for the rural people around the Jamshedpur. His focus on people is reflected in the following statement.

“An organization can have the finest and most sophisticated procedures conductive to good Industrial Relations, but if it lacks the human touch it will remain an empty shell. I also believe that all the cleverness in the world will not compensate for a good robust common sense when it comes to dealing with the problems of other human beings. I am not a technical man and have always found men more exciting than machine” (Quoted in Pandey & other, 2005).

Russy Mody used to advise his people, “Given a choice between being ‘result-oriented, rules-oriented, or people-oriented, choose the last one; and the rest will fall in line automatically’. He freely and delightfully mixed with people of all shades and levels. While in Jamshedpur, he used to walk around the shop floor and have a small chat with the workers. This way, he had first-hand knowledge of what was happening in the company. He was a great listener, a jovial soul, and a man having miles of smiles. He had a knack of picking up the right kind of people and trusting them to any extent. He used to break all rules of bureaucracy to help not only his loyal lieutenants, but also common employees. The slogan ‘Tata Steel also makes steel’ was famous during his regime. It means that Tata steel’s primary allegiance was to the people and making steel was secondary.

This situation could not be continued in liberalized economy. It had become imperative to restructure in order to face the incoming challenges in a free market economy. The need of restructuring process could be sensed in the modernization process started in Tata Steel in 1980 and the several statements of J. R. D. Tata in
1980s regarding the downsizing of workforces. In the 1984 annual report *J. R. D. Tata* had stated:

“While it is gratifying to know that our employees are amongst the highest paid in India, it is clear that no company, even as financially strong as Tata Steel, can afford to bear continuing increases in wage costs of this magnitude unaccompanied by a sizeable increase in productivity, and at the same time to make large investments in new plants and equipment. It was perhaps inevitable that in our plant, established many decades ago, operating the labour-intensive processes and equipment prevailing at that time; the number of men employed over the years has far exceeded the number required today for the same output”.

*J. R. D. Tata* also realized the dilemma of initiating “a voluntary scheme of premature retirement” which his successor had encountered during 1990s. His dilemma has been expressed in following way.

"Employment in the Steel Company at Jamshedpur has over the decades become so deep-rooted a part of the lives of generations of workers, many of whom along with their fathers were born at Jamshedpur in the company’s hospitals, educated in the Company’s schools, housed in the Company's quarters, employed in the company’s plant or town, and enjoyed all the services provided by an attractive and well-administered town, that it acts as a formidable disincentive to considering employment and life elsewhere. Nevertheless, a solution to this intractable problem will have to be found and soon" (Annual report, 1983-84).

*J. R. D.* realized that retrenching of workers couldn’t be completed through him and *Russy Mody*. The image of *J. R. D.* and *Russy Mody* was so much focused on people and it would be difficult to initiate any such programs. So, *J. R. D.* handed over the chairmanship to *Ratan Tata* in 1991. But *Russy Mody* was so adamant to leave the post of Chairman and Managing Director that he tried his best to keep out *Dr. Irani* for occupying the post of Managing Director in 1992. The conflict between *Ratan Tata* and *Russy Mody* was becoming so much worse that both did not want to see each other. Anyhow, *Ratan Tata* took into confidence the Board of directors and passed the resolution that Directors of Tata group must be retiring on the completing age of 75. This made the ouster of *Russy Mody* from Tata steel after serving 54 years in the company. Removal of *Russy Mody* marked the end of an era of familial culture in Tata Steel. *Russy Mody* was so intertwined with Tata Steel and his name was
synonymous Tata Steel, so much so the outside world knew Russy Mody as Tata Steel.

4.4.2 Alternative view

There is little doubt that Tata Steel did utilize paternalism and philanthropy to shape the life of the people and the Jamshedpur city, but the question arises here is that whether Tata Steel did this philanthropy out of self-motivation or did any business interests lurk behind the facade of philanthropy. Pessimists view this as not self-motivated social philanthropy but compulsion for doing business. Tata Steel has always highlighted the guidelines of its founding fathers, which stressed on people’s development and not profit motive. The statement of J N Tata is relevant in this context.

“We do not claim to be more unselfish, more generous or more philanthropic than others, but we think we started to sound and straightforward business principles considering the interests of the shareholders, our own and health and welfare of our Employees…….. The sure foundation of our prosperity”. (J N Tata, 1895).

A question arises again here: Did it really happen in the history of Tata Steel. A relook into the history of Tata Steel gives rise to contradictory conclusions. The attitude of Management looked despotic rather than benevolent especially in pre-independence era, and Tata Steel had experienced severe labor unrests in this period. The reason cited for the labor unrests, as highlighted in literatures, was inhuman treatment of Indian workers by European supervisor and American Managers. It was the ostensible reason, but workers were also agitating against the hard work, improper working conditions, long working hours and wage difference and non-revision of wages to mitigate inflation (Simeon, 1995).

Although production increased during the First World War period massively, wages did not increase correspondingly. It is also true that to run a business in the colonial period was not easy and smooth task. Like other business groups, Tata Steel was eager to support all those forces in the country which could help. Tata management did not see any problem in supporting the colonial government and becoming His Majesty’s loyal subject in 1930 and, at the same time utilizing Swadeshi movement for its
business interests as tariff protection in 1924. Tata Steel succeeded to get the tag of national industry from national leaders.

An interesting historical fact clarifies this dilemma related to participation in ‘Quit India’ movement in 1942. M N Roy, renowned Communist leader had blamed Tata Steel for supporting this movement. Tata Steel asked for an apology, and when M N Roy refused, Tata Steel filed a suit against him for defamation. Tata Steel withdrew this case after independence to keep the tag of nationalist industry (Bahl, 1995). So, it is clear that promoting business was the prime objective of Tata Steel in pre-independence days, and for this Tata Steel behaved like any other industry in the country.

The question here is did this strategy change after the onset of familial culture in Tata management? If we look at the incidents during the 1940s in Jamshedpur and in the country, it would become apparent that the increasing communist threat was one of the motivating factors behind the familial culture. Tata Steel wanted to buy peace and visualized that Indian National Congress was going to form government after independence. It would be better to compromise with TWU an affiliated trade union of Indian National Trade Union Congress, which was the labour wing of Indian National Congress. The vocal and radical leadership of Abdul Bari helped to shape the corporate philanthropy and paternalism of Tata Steel.

In spite of the co-cordial relationship with TWU, workers’ resistance continued after independence. The famous strike of 1958 by Jamshedpur Mazdoor Union (JMU) under the leadership of Communist leader and MLA, Kedar Das obstructed production in the plant, and Jamshedpur got engulfed in violence and two persons were killed in police firing. It was noticeable that this strike occurred just after the historical landmark agreement in between TWU and Tata Steel management in 1956. This agreement earned lavish praise from all corners and was considered a milestone in collective bargaining. The Tata Management succeeded to blunt workers’ resistance with the help of government machinery. Different reasons are attributed to this strike in existing literature. Among them, getting the tag of a recognized union to JMU was stated as the principal reason.
When the researcher inquired with some old trade unionists in this regard, they clarified that the union recognition was a part of the demand, but the main reason for the strike was that workers were not satisfied with the 1956 agreement. The communist-backed union lost the battle of workers because of government and management repression, but the communist party won three seats in the legislative assembly in 1962, against one seat they had in 1957 (Ramaswamy & Ramaswamy, 1981; Mamkootam, 1982; Kanneppan, 1959).

After that Tata Steel did not feel any direct threat of JMU, but was indirectly affected by its activities in other Tata enterprises in Jamshedpur such as Tata Motors and Tube Company (now part of Tata Steel). Indirectly, JMU movement in other industries benefitted the Tata Steel workers and they got timely wage increases, bonus and other benefits for disassociating with JMU.

Tata Steel in Jamshedpur had functioned much like Landlords since its inception. Tata Jamindari (Landlord) remained intact in Jamshedpur till 1967, while it was abolished in the rest of India during 1950s. Tata Jamindari (landlord) was abolished in 1967, when Mahamaya Parsad was the non-Congress Chief Minister of Bihar, and Indradeep Sinha, a Communist leader was land Revenue Minister in the government formed with the support of the communist party. Indradeep Sinha abolished the Tata Jamindari (Landlord) from Jamshedpur on the assertion that a private company has no right to be the sole landlord with absolute control over a city. Tata Steel contested the case in the high court, but fearing the defeat in the case, withdrew the case subsequently. The abolition of Tata Jamindari (Landlord) finds mention in the annual statement of JRD in 1969-70. Latter, Tata Steel did not pursue this claim, but managed to get control over the city through a long term lease during the regime of Jagnath Mishra, then Congress Chief Minister of Bihar in 1984(Kling, 1998).

Jharkhand movement in south Bihar (Now Jharkhand) under the leadership of Sibu Soren got momentum in 1970s and raised questions about ownership of tribal land and local development. Their lands had been snatched away in the name of development projects, but it benefitted only others, mostly residents of north Bihar, disparagingly called DIKU. Tata Steel realized the emerging local sentiments and tried to take into confidence the tribal leaders, and started several schemes for the rural development. In 1979, its rural development department was launched.
The personalities like JRD and Russy enjoyed and even supported the tribal festivals. This further strengthened the rapport between Russy Mody and Tribal leaders, and this rapport helped to break the contract workers’ strikes in 1981. Contract Labor (Abolition and Regulation) Act, 1970 contained provision for contract workers engaged in various perennial jobs like material handling, cleaning and maintenance in Tata Steel to demand regularization of their employment as per the Act. They numbered around 10 thousand, and comprised of different castes and groups. However, the tribals were few and while others formed the majority. During contract workers’ strike in 1981 under the leadership of Kedar Das, management took into confidence the tribal leaders, and utilized tribal workers to break this strike in the guise of providing permanent job to tribal workers in Tata Steel.

That time, tribal workers were employed mainly through Adiwasi Welfare Society and through a Contractor (Soma Patel) and were assigned loading and unloading work. Though Tata Steel Management succeeded to minimize the resistance of contract workers’ strike with the help of tribal workers, it became a headache for Tata Steel in subsequent years. The tribal workers demanded permanent tag as was promised by Russy Mody for breaking the 1981 contract workers’ strike. The Jharkhand movement intensified in 1980s, and the murder of Nirmal Mahato a local leader of Jamshedpur, fuelled this movement. The candidate of Jharkhand Mukti Morcha (JMM) won the Jamshedpur seat in Parliamentary elections of 1989. In meantime the Supreme Court ruling that specified loading and unloading job as the core work of industries, helped tribal workers to get the permanent tag in 1990. 1640 workers, mainly tribals including transgender and others became permanent employees in Tata Steel. This helped JMM to retain the Jamshedpur seat in 1991 and increase their tally to six in Jharkhand.

The point to note here is that self-motivation was not the sole reason for Tata’s social philanthropy, and other political and social reasons also were behind this. By 1990s, the scenario had undergone change. India was moving towards liberalization, and in Jamshedpur, Tata Steel had pacified the local tribal leaders through providing jobs. The new political regime in Bihar under the leadership of Lalub Prasad Yadav, was preoccupied with saving his minority government. Lalub Yadav did not care much about what was happening in Tata Steel, because the workers of Tata Steel, mainly
from north Bihar, were not his supporters. This eased the path for restructuring in Tata Steel. Assassination of V G Gopal in 1993 ended the resistance from the union side, because he was the part of the 1956 agreement and had vocalized hard views against the casualization of the workforce in Tata Steel. (Sanchez, 2011).

4.5 Restructuring

4.5.1 Modernisation, expansion and closure

The quota permit raj and nationalization strategy of the 1970s did not yield much positive results, and on realising its past mistakes (not officially acknowledged) the Government started to liberalize the economy through administrative measures in the 1980s. Tata Steel sensed the wave of change and started its modernization phase since 1980. During 1980-83, the out dated Duplex Process of steelmaking was replaced with modern oxygen based steel making LD Shop. In between 1984-1988, Tata Steel added one new 1.37 million ton capacity Sinter Plant, one 54 Oven Coke battery and one 0.3 million tons Bar and Rod Mill. After this phase, steel production increased to 2.5 million tons. One million tons hot strip mill, and one million tons ‘G’ blast furnace were also included in 1992 (Tata Steel, 2012).

This gradual growth in Tata Steel took 40 years to increase its production to three million tons in 1995 from two million tons in 1960. The liberalisation policies of 1991 provided the necessary space and opportunities to expand the Tata Steel business which had faced serious restrictions under the Quota permit license Raj. One statement by Dr. Irani looks very relevant in this context.

“In the past, we had assured profits. Whatever, we made, we sold. We had domestic competition. We owned the raw materials. We had the technological edge. And we had no incentive to modernize. But now we are faced with new players, a glut in the industry, and competition in terms of quality, delivery, and cost. Now we must be agile and willing to change in the new environment. The steel industry has been crying for decontrol and liberalization for the past many years. Now that we have got it, we must face the challenges squarely and make the most of our opportunities.” (Quoted in Kumar et al, 2006).

Modernisation process in Tata Steel got further intensified considering the globalization effects which increased the competition in 1990s. Operational restructuring continued with further extension of existing plant in Jamshedpur. The
capacity of HSM established in 1992 was doubled, and a 1.2 million tons cold rolling mill added in 2000.

This cold rolling mill was based on the best technology available in the world and it enabled to produce cold rolled strips for higher levels of quality and cost competitiveness. Two new blast furnaces were further included, one in 2008 named as “H” Blast Furnace with the capacity of three million tons and another in 2012 named as “I” Blast Furnace with the capacity of 3.5 million tons, and these together increased the capacity to 10 million tons of hot metal production. Capacity of “G” Blast Furnace was doubled and the Old Blast Furnace “F” established in 1958 was re-innovated to increase its capacity to one million tons. Sinter plants and six million capacity pellet plant were added to increase inputs for blast furnaces.

On the finishing side Rebar mill, doubling of CRM and Wire Rod Mill were completed, and for steel making LD-2 and LD -3 with slab caster were included in the globalised era. These modernization and automation resulted in closure of old blast furnaces, steel making shops and finishing mills such as Sheet mill, Strip mill, Bar, Forging and Tire mill, Medium Light and Structure mill etc. (Tata Steel, 2012). Table 4.2 gives an overview of the total modernisation process in Tata steel.
## 4.2 Modernization processes in Tata Steel

<table>
<thead>
<tr>
<th>Period</th>
<th>Added or closed plants</th>
</tr>
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<tbody>
<tr>
<td>1980-84</td>
<td>1 mtpa LD Shop-1&lt;br&gt;Lime Klin&lt;br&gt;Tar Dolo Brick Plant&lt;br&gt;Oxygen Plant&lt;br&gt;Closure of SMS-2</td>
</tr>
<tr>
<td>1984-88</td>
<td>Raw Material Bedding and Blending plant&lt;br&gt;1.37 mtpa Sinter Plant-2&lt;br&gt;Wire and Rod Mill</td>
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<tr>
<td>1988-1994</td>
<td>1 mtpa G Blast Furnace&lt;br&gt;1 mtpa Hot Strip Mill&lt;br&gt;LD Shop-2 with Continuous Slab Caster&lt;br&gt;Stamp Charged Batteries 5,6 and 7&lt;br&gt;Closure of Sheet Mill, SMS-1</td>
</tr>
<tr>
<td>1994-2000</td>
<td>Increased capacity of HSM 2 million tons&lt;br&gt;3rd Slab Caster and Converter in LD Shop-2&lt;br&gt;Stamped Charged Batteries 8 and 9&lt;br&gt;Closure of Rolling Mill 1 &amp; 2&lt;br&gt;Closure of Merchant Mill-1&lt;br&gt;Cold Rolling Mill</td>
</tr>
<tr>
<td>2000-2006</td>
<td>Up gradation of G Blast furnace to 2 million&lt;br&gt;2 million tons Sinter Plant-3&lt;br&gt;New RMBB&lt;br&gt;Increased LD-1 capacity to 1.8 million tons&lt;br&gt;Increased LD-2 capacity to 3 million tons&lt;br&gt;Powerhouse -5&lt;br&gt;Rebar mill</td>
</tr>
<tr>
<td>2006-2008</td>
<td>3 Million tons H Blast Furnace&lt;br&gt;2 Million tons Sinter Plant-4&lt;br&gt;Increased LD-1 capacity to 3.3 million tons&lt;br&gt;Increased LD-2 Capacity to 3.5 million tons</td>
</tr>
<tr>
<td>2008-2012</td>
<td>2.4 million Tons LD Shop-3 and Thin Slab Caster&lt;br&gt;Up-gradation of existing Blast furnace&lt;br&gt;6 million Pelletizing Plant&lt;br&gt;Increased capacity of Raw material handling&lt;br&gt;Coke Oven Battery 10 &amp; 11&lt;br&gt;3.5 million “I” Blast Furnace</td>
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Source: Mukherjee 2008 (complied by the author)

### 4.5.2 Steel production in Tata Steel

Steel production in Tata Steel Jamshedpur is comprise five stages: input (raw materials like Iron ore, coal and fluxes), Iron making, Steel-making and rolling for transforming input to finished steel, and marketing or sales (Appendix Fig.1). The raw material is known as backward linkage and marketing and sales as forward linkage for steel industries.

Apart from the steel making process, integrated steel industry involves iron mining, steel making and rolling, and profitability of the industry is very much dependent on
backward and forward linkages. Tata Steel has paid as much attention to backward linkage (Raw material) as to the use of new technology such as production low ash clean coal, beneficiation of low grade iron ore and utilization of low cost non-coking coal for coke production.

**4.5.3 Product diversification**

Tata Steel has often changed its product mix for sales and marketing. It shifted from making semi-finished steel products to value-added steel for the automotive industry as margins in value-added products have been higher than in other steel products. It is worth noting that over 20% of total sales of SAIL consisted of semi-finished steel. In contrast, the sale of semi-finished steel by Tata Steel was less than 6% of the total.

Tata Steel has always had an edge over other private industries due to their owning captive mines and collieries which supply 100 per cent iron ore requirement and 60 per cent coal requirements at one fifth the market price. It naturally provides a competitive edge to Tata Steel over other steel industries. The only catch on Tata Steel is its debt-to-equity ratio. The on-going expansion projects have occasioned heavy borrowing, and its current debt-to-equity ratio stands at 1.63:1 in contrast to 0.24:1 of SAIL (www.tatasteel.com).

**4.5.4 Mergers, acquisition, outsourcing and joint venture**

Apart from modernization and inherent advantages in terms of backward and forward linkages, post-1990s witnessed the use of several other strategies to grow and expand faster including outsourcing, demergers, mergers, acquisitions, joint ventures, takeovers, etc. The growth attributed to these strategies can be called inorganic growth. The above strategies were considered better for securing new markets, optimum resource utilization, price stabilization and reducing risk of volatility in the long run. Due to the adoption of these strategies, Tata Steel witnessed several outsourcing and acquisition processes in the decades of 1990s and 2000s.

The company outsourced some of its secondary operations to refocus on core competencies. Its cement division, which was commissioned in 1992, was sold to Lafarge in 1999. The oxygen plant was outsourced to Praxair, the Bangalore-based gas supplier in 1997. IT requirements of Tata Steel were transferred to IBM India in 2000. Its town division, which has been responsible to maintain civic amenities since
its inception was outsourced to Jamshedpur Utility and Services Company, a hundred percent subsidiary of Tata Steel in 2004 (www.tatasteel.com).

Mergers and acquisitions have been the major instruments for industrial restructuring in Indian industry, post 1990. Tata Steel also adopted this strategy and restructured internally and externally in India and aboard. In India, Tata Steel acquired a cold rolled steel unit worth INR 776 crore in Tarapur, Maharashtra in 1998, and Ferro chrome and chrome conversion plant was bought from the state owned Industrial Development Corporation of Orissa Ltd (IDCOL) for INR 250 crore in 1999.

By way of overseas acquisitions, the company acquired the steel-related business of NatSteel Asia, with facilities located in Singapore, China, Malaysia, Vietnam, the Philippines, Thailand and Australia in 2005. In 2006, it also acquired Millennium Steel, the largest Steel Producer in Thailand. The acquisition of CORUS in 2007, located in UK and the Netherlands was highly debated and cited in media (Freeman & others, 2007). It has been a major achievement for Tata Steel in comparison to other national and international players, which made Tata Steel fifth largest steel company in the world. Tata Steel as five million tons steel producer acquired four times larger firm of CORUS, Europe with capacity of 19 million tons at high prices.

The acquisition of CORUS was not considered good for company’s long term financial health by business and economic experts. However, the company futuristic enough to anticipate the enormous sums it would cost much to establish a Greenfield project overseas at the then prevailing cost of $1100-1200 per tonne steel. In comparison, Tata Steel’s acquisition of Corus came at cost of $700-710 per tonne steel and it provided a meaningful market presence for Tata Steel in both Europe and Asia. The acquisition brought long-term synergies between the low cost resources of India operations and the high-tech research aspects of CORUS. The potential cross-fertilization of research and development capabilities on transfer of technology and best practices from the Europe company helped Tata Steel plant in Jamshedpur to improve both production technology and marketing methods.

As part of complimentary initiatives, Tata Steel and Larsen & Toubro (L&T) developed Dhamra port as a joint venture with 50:50 stakes. It also joined hands with Inland Steel Industries Inc. of the US and floated in 1997 a 50:50 Joint Venture
Company called Tata Ryerson Ltd to supply processed steel directly to end users which merged with Tata Steel in 2009. Another company Hoogly Met Coke & Power Company Limited, an earlier a subsidiary of the company, was also merged in 2009. Tata Steel has also been involved in some Greenfield projects which include plants with capacities of 12 million tonnes in Jharkhand, 6 million tonnes in Orissa, and 5 million tonnes in Chhattisgarh (Tata Steel, 2012).

Tata Steel, Jamshedpur also restructured internally under which some departments were merged and parts of departments were added with other departments for optimum utilization. For instance, the department of Material handling Services (MHS), was merged with the Transportation department in 2000, and named as Raw Material Handling department and further restructured and named as a Raw Material Management Department in 2009. The reorganization was intended to cope with the additional material handling requirements which had arisen on account of the addition of new blast furnaces; and under this some part of the erstwhile MHS Road Transport maintenance Department, was merged with the newly created Equipment Maintenance Services department. This restructuring process brought changes in human resource policies and manpower planning consistent with the emerging new management initiatives, work cultures, employment practices.

A lot of other initiatives were also taken; among them labour restructuring has been the main area of action of Managing Directors after 1990. The next part details the overall restructuring processes related to labour, raw material, quality and customer.

4.6. Era of Dr. J. J. Irani
4.6.1 Downsizing

Much like the modernisation process, Dr. Irani was the initiator of labour restructuring in Tata Steel, and modernization as a part of the restructuring process was initiated in 1980. Before the occupying the post of Managing Director in 1992, Dr. Irani was the in charge of the Modernisation programmes. The main component of restructuring, reducing workforce had remained unfinished. It was a difficult task for Tata Steel which had built an image of employee care more than any public sector or government department in post-independence era to cut back work-force and spoil its labour-friendly image. Offspring of workers were entitled to get permanent jobs in the company, if the workmen had completed 25 years in Tata Steel, irrespective of the
requirements of the company. Tata Steel also provided education, medical, housing, civic amenities to workers. Radical departure from this practice was not an easy task, but seemed inevitable to survive in the global economy.

Even *J.R.D. Tata* had indicated that they could not float in a liberalized economy with such bulky workforce. The beginning of this globalized culture in Tata Steel was marked by three major changes in the top echelons of the company as well as labour union, much like the onset of familial culture back in 1938. *J.R.D.*: *JRD Tata* handed over the Tata legacy to *Ratan Tata* in 1991; *Dr. Irani* became Managing Director in 1992 and the vocal trade union leader *V G Gopal* was assassinated in 1993. This was the start of the new era in Tata Steel.

*Dr. Irani* was a much focused man as acknowledged by officials and workers of Tata Steel. He was known to make up his mind at the right time after analyzing all aspects and taking into account everyone’s decision. He was a no-nonsense, decisive, and straight shooting person. Once he made up his mind, he would not change. This attitude made him very angry. Even high officials hesitated to encounter *Dr. Irani*. He worked hard and demanded the same from others. Having better understanding about the changing scenario in the country and the world, he concentrated on cost, quality and customer. He insisted that “if we keep being ‘Charitable’ the way we did in the past, Tata Steel will become a museum piece”. His concept of social responsibility was limited to, maintaining organizational citizenship by running the plant efficiently, paying taxes, meeting high standards of business ethics, and contributing to, without assuming full responsibility for the welfare of the society which essentially, he believed, was the government’s responsibility (Pandey & Others, 2005).

Downsizing work force was the main plank of labour restructuring. In the early nineties, *Dr. Irani* and *Ratan Tata* went overseas for collection of $100 million for modernization process. Investors had appreciated the social philanthropy but raised questions about its survival and cost competitiveness with 80 thousand people on its payrolls. Before it, Tata Steel did not care about labour cost; it was relatively inexpensive but kept on increasing. That could not be continued in a globalized economy. Tata Steel therefore decided to chip away manpower gradually at the rate of four, five, seven thousand every year.
This came as a breach of the 1956 agreement which stated that “there will be no retrenchment or loss of average earnings consequent to an employee being declared as surplus”. (See Appendix 1A) As a result of this agreement, when SMS-2 was closed down in early 1980s rendering 1600 workers and 100 supervisors redundant, none of them got retrenched. They were all absorbed elsewhere. But, now that time was over. For the smooth conduct of downsizing, Tata Steel convinced TWU to implement lay off workers. (Irani, 2003).

Retrenching workers have been a challenging task in a country like India, where the unavailability of social safety-net and a large pool of workforce is in queue to enter into the labour market. Tata Steel introduced Voluntary Retired Scheme in 1994, which did not get much response. This was offered to 800 workers of a closed department, but only four accepted. Later, this scheme was revised and introduced as Early Separation Scheme (ESS) in 1995 with several incentives as loan on concessional interest, and gift of trucks to the first 15 ESS adopters. Tata Steel deputed personnel and line managers for counselling workers, who were on long absence from work for illness and other reasons. Supervisors were told to persuade workers who are not fit for steel work to adopt ESS. Some incidents were also reported of coercing workers to opt ESS or creating an environment where workers would rather opt ESS rather remains attached to the company.

The ESS in Tata Steel looked attractive compared to prevailing separation schemes available in other public sectors. The scheme laid down that: “Workers under age 40 would be guaranteed their full salary for the rest of their working lives. Older workers would be guaranteed an amount greater than their salary, from 20% to 50% more depending on their age. If they die before reaching retirement age, their family would keep receiving the full payments until the worker would have attained that age.” Anyhow, it seemed attractive, but it helped only the company downsizing of the workforce, since that amount would stay constant, and exempted Tata Steel for contributing in their retirement plans.

Tata Workers Union was neither discouraged nor encouraged workers from opting ESS. ESS was successful, but it was not open to everybody. Initially, some skilled workers availed this opportunity and got employed another place. Then company offered this scheme to selected workers, who were not contributing to the company as
well as others. As a result of ESS, the company was able to reduce its workforce from 76,346 in 1993-94 to 46,350 in 2001-2002. Reduction work-force by over 30 thousand which included nine thousand by natural attrition in about nine years is undoubtedly an impressive record. Category-wise break up of number of workers got retrenched till 2003 is given in table 4.3.

### Table 4.3 Summery of ESS

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<td>3375</td>
<td>610</td>
<td>2830</td>
<td>324</td>
<td>22651</td>
</tr>
</tbody>
</table>

Source: Personnel department Tata Steel

The initiatives of Dr. Irani brought tremendous success in downsizing. He utilized several means to communicate to workers at the plant level about the advantages of opting for the separation scheme. The following was the crux of his argument: “it is going to get closed down and we will lose our jobs, unless we separate some and save the company and the rest of us”. This created fear and anxiety among workers and they thought it better to separate from the company. Along with ESS, Tata Steel systematically moved to outsource some services in Dr. Irani’s regime. Although a lot of peripheral activities were already carried out by contractors, the company determined to outsource many other not-so-peripheral activities also such as travel services, schools, gardens and parks.

After focusing on downsizing, Dr. Irani concentrated on changing existing work practices. Workers were adamant not to work beyond their specified duty. Dr. Irani clarified to the workers that this would not be tolerated. ‘Tata Steel meant business and if you do not cop with this challenge, your plant will close down’, he emphatically stated.

Introducing cluster manning in 1999 has been another step to make workers redundant. It clubbed 16 grades of workers in four groups, and increased multi-skilling. It reduced the standard number of workers required at various stations.
Earlier, because of different designations, specific jobs were discrete and the workflow had been often sequential. The welder waited for the cutter to finish job before he could start his part of the job. The result was, there were idle hours and too many persons doing significant as well as non-significant jobs.

A new working culture was introduced in Tata Steel in 2000 known as Cold Rolling Mill Culture or associate culture. The workers for the CRM were specially selected. They had an organization set-up with fewer layers and a profit sharing type of bonus. This created a physical barrier between the old and new plants. The workplace of CRM was presented a friendly ambience with added visibility. The concept of “visible workplace” was born out. The workplace was designed as a bureaucratic bashing, open seating, no subordinate for sending faxes and e-mails; facilities such as car, telephone, etc. were given as per the need and not on seniority; and a lean organization with a younger workforce, appointment being based on merit and not on seniority (Irani, 2003; Pandey & others, 2005).

4.6.2 Raw Material improvement
Apart from labour cost, raw material is the major cost for steel industry. It mainly included the cost of iron ore and coal. Tata Steel has been privileged to have very good mines of both ore and coal. However problems existed such as the under-utilization of ore mines located Joda and the non-utilisation of fine ores from Noamundi. Therefore, the company decided to develop Joda as the main supplier of Iron ore. The technology was upgraded to utilize ore fines from Noamundi which was extremely pure and known as “blue dust” through making Sinter. Coal is another major ingredient of steel making accounting for 50-60% of Raw Material Cost. Tata Steel was also privileged to have coal mines, but the major problem was the higher ash content in the mined coal, which made it unfit to be used as coking coal. Compared to imported coal, the locally mined coal was of poor quality. It was essential therefore for Tata Steel to ensure optimum use of its own resources.

The technology to convert low quality coal to high quality was not available anywhere in the world because the world did not encounter this problem. Tata Steel developed Stamp Charging Technology in 1990s to utilize high ash content coal and succeeded. It reduced the use of imported coal for coke to a large extent. According to
Dr. Irani, it was the main reason—far more than manpower rationalization or using blue dust (Iron fines) for reduction in cost (Irani, 2003).

4.6.3 Quality Improvement
Another initiative to add competitiveness in the company was augmenting quality. Dr. Irani visited Japan in 1988 and saw a huge quality gap between Tata Steel and Japanese industry. He started the quality journey in Tata Steel through value engineering followed by Quality Circle Movement. After that, ISO 9000 introduced. By the end of his tenure in 2001, 100% Tata Steel Departments had been conferred with ISO 9000 certification. The process of quality improvement in the company yielded fruit in several directions such as in term of reduction, consumption of raw material and cost of saleable steel. The major point of the quality journey in Tata Steel is that it was not delegated to subordinates. Dr. Irani led the quality movement from the front and implemented good practices step by step and not concurrently (Irani, 2003).

4.5.4 Customer consciousness
The last but not least area of concern for restructuring during Dr. Irani’s tenure was enriching relationship with the customer. The Management realized that the steel market was changing from being sellers’ market to a market determined by buyers, and geared itself to focus on the needs and expectations of customers. Considering this point, Tata Steel ran a campaign in 1996-97, Customer Har Haal Me (Customer at all times) to create awareness even in the lowest grade of workers to be cost conscious (Pandey & others, 2005).

The journey of Dr. Irani ended in 2001, but by then he had achieved more than what he had visualized at starting his career as an MD. Tata Steel became the world’s lowest-cost producer of the steel in 2001. He earned lavish praise from all corners of the world for his success in reducing workforce without any violence. Also, he emerged as visionary leader in the corporate world. In the word of Sanjay Singh, ex-chief of corporate communication, Tata Steel, Dr. Irani was the point man who made it possible for Tata Steel to introduce the most far-reaching changes in its history. But this transition phase brought several consequences for workers who constituted the profile and DNA of the Jamshedpur City.
4.7 Era of B Muthuraman

4.7.1 Increasing Shareholder value

Being the perpetrator of the transforming process initiated by Dr. Irani, B. Muthuraman, after occupying the post of Managing Director, was an impatient person. He wanted to increase the speed of change and raise the company to a new height. Dr. Irani, though satisfied with his work as a MD, could not do much regarding increasing shareholder value. It was around INR 100 in 2001 even after Tata Steel became lowest-cost steel producer plant. B. Muthuraman had a great challenge to carry the legacy of Dr. Irani and increase the shareholder value. He aimed to increase shareholder value, but realized that it would not be possible without raising the company’s profit after tax to INR 800 crore to INR 1000 crore. He introduced the concept of Economic Value Added positive (EVA+) in 2002, which meant that returns generated on invested money should be more than interest payable by banks on deposits. All his steps revolved around his dream of making Tata Steel one of the EVA+ companies.

Those days, everywhere in Jamshedpur either inside or outside the plants, signboards, placard and memos could be seen with the message of EVA+. All steps taken during his era either in regard to labour cost or branding the products were related to EVA+ (Business World, 2003).

4.7.2 Labour Cost

Dr. Irani succeeded to lay off more than 20 thousand workers in his tenure, but labour cost was still around 18%. Mr. Muthuraman insisted on dialogue on each and every issue with TWU and workers and insisted that labour cost should be 5% to 10% of the total cost or production as was the standard the world over (Financial express, 2003). Management intended to reduce it by paying market oriented wages and benefits as well as to increase the speed of restructuring. Mr. Muthuraman believed that the company had to work better with fewer people and the latest available technology. Every department was also converted into an independent business centre.

The company was firm on separating its core activity, i.e. production process from the peripheral services. Towards this, its town division, which provided municipal services and civic amenities since its inception, was outsourced in 2004 by forming a separate subsidiary company, Jamshedpur Utility Services Company (JUSCO). The
company had also planned to outsource its medical division and all maintenance activities by forming Central Maintenance Group (CMG). They left the idea to outsource medical division latter, but maintenance activities were still under consideration for a long time. ESS is still being done on an individual need-based footing. It was offered to surplus workers in all closed departments.

**4.7.3 Creating Brand**

Along with reducing labour cost *Mr. Muthuraman* concentrated on remaining as the least-cost producer in the world, by moving from commodities to brands and changing the product mix. Branding stabilized the flow of revenues even during business downturns. It was difficult to change the mind-set of people, which considered steel as a commodity. Tata Steel launched several branded products such as TISCOR, TISCROM, Tata Shaktee, Tata Tubes, and Tata Steelliumin in the market, which augmented the customers’ realization of added value. Tata Steel also brought changes in its product mix. It started to focus on finished and branded products from semi-finished products, and increased the former’s share from 65% to 80%.

These initiatives brought major changes in Tata Steel. Tata Steel became EVA+ by 2003 by earning a net profit of INR 1,012 crores against INR 204.90 crores in the previous year; this goal however was set to be achieved by 2007. The labour cost also declined below 10% at the end of his era in 2009. Apart from these major achievements in the *Mr. Muthuraman* era, the company became a global entity after the acquisition of overseas assets like NatSteel, Millennium and CORUS. Tata Steel became the fifth largest steel company with presence of in more than 50 countries in the world.

Indeed, *Mr. Muthuraman* came out victorious in his endeavour to increase profit and shareholder value, and make Tata Steel an EVA+ company, but the question arose as to how Tata Steel would balance its resource commitment to the community and the imperatives of making Tata Steel a EVA+ company. It seemed inevitable that the new emphasis on shareholder return would dilute its focus on community.
4.8 Era of H M Nerurkar

On the eve of the retirement as MD of Tata Steel in 2009, the question asked to Mr. Muthuraman was what were the major challenges left for your successor. Mr. Muthuraman indicated that his successor should conserve cash and make sure that there was enough cash for future planning and expansion of Jamshedpur unit. In 2009, the world was yet to recover from the recession in 2008, and investors/rating agencies had downgraded Tata Steel after the CORUS acquisition on such high bidding. Mr. H M Nerurkar, a little bit humble and easy going than its predecessor occupied the post of Managing Director in 2009, accepting the big challenge to running a multinational, multicultural company.

4.8.1 Decentralised bargaining

Reducing cost and expansion of Jamshedpur were the major concerns of Mr. Nerurkar. The major developments regarding reducing cost were decentralized wage bargaining and new recruitment policy. The company has been a participant in the central wage revision board of the National Joint Committee of Steel (NJCS) since 1969. Tata management decided to disassociate itself from the NJCS and insisted that TWU should bargain on local/plan-level. Management justified its move on the plea that it was illogical to be tied to the central wage board of protective regime while several private players were entertaining only local bargaining. Initially, TWU resisted but later agreed. Tata Steel insisted for local bargaining for hiring people for ten million expansion plan in Jamshedpur and six million green field projects in Kalinganagar, Orissa.

4.8.2 New wage structure

Tata Steel introduced new recruitment policy through new wage structure in 2010 with lowering wages for new entrants. The introduced wage structure was not on par with existing steel wage. The company also justified this move on the plea that competitive market does not warrant high wages to workers, when skilled manpower is available at low wages in the labour market. The company introduced Cost to Company (CTC) concept for new entrants, which provided to pay wages that were often four to eight thousand lesser than existing steel wage for corresponding grades (Table 4.4).
Table 4.4 Difference between steel wage and new wage (All India average Consumer price index)

<table>
<thead>
<tr>
<th>Date</th>
<th>Steel wage (8675+VDA)</th>
<th>New wage (6500+500+VDA)</th>
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<td>1.07.2010</td>
<td>8675</td>
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</table>

Employee’s sons used to get compassionate employment before 1990s. When concession was discontinued in 1994, employee’s sons agitated and filed a case in court, the company reluctantly started to recruit off-springs from 1998, but the number of such recruitment a year was reduced from 1000 to 100. Employing employee’s children was stopped in 2004 after providing for recruitment of temporary workers who had worked in Tata Steel Blast Furnace relining prior to 1990 in the lower grade called T in 2004. Majority of temporary workers compensated INR 3.5 lac in lieu of employment. Offspring of employees inducted in T grade was made eligible for up-gradation to steel wage after completing 8 years’ service. Such of those who are not recruited among employee-children category, excluding temporary workers, agitated vigorously and compelled Management and TWU to re-think on the issue. As a result of the agitation and the deliberations that followed, Tata Steel recruited the agitators on a new wage structure called New Scale (NS) grade, 400 of them initially in security department in 2011, and 600 workers among them in 2012.

Expansion of Jamshedpur has continued since 1980, and the company reached 10 million ton steel production capacity in 2012. The circle of restructuring concluded in 2013 on the eve of retirement of Mr. Nerurkar. Mr. Nerurkar was satisfied with his performance that he could achieve a production of 10 million tons. He had, carried further the labour restructuring left over by his predecessors. Some major changes occurred in 2012-13 much like the beginning of Familial culture in 1938 and the onset of Global culture in 1992-93. Ratan Tata handed Tata Legacy over to Cyrus Mistry as MD in 2012, and T V Narendran took over the post of Managing Director on 1st Nov, 2013.
4.9 Outcomes
Restructuring initiatives started in 1990s yielded positive outcomes in the following years and by the year 2012, Tata Steel completed the ten MT expansion project successfully and achieved 8.87 million tons hot metal productions in 2013. The growth of Tata Steel is impressive in that the company could face the challenges and leverage the opportunities provided by globalization and multiply production by four times in 20 years. Initially, the increase in production was slow and it took 7 years (1995-2002) for adding one MT, but later the pace of production increased and the company achieved ten MT productions in the following four years (2008-2012) (fig. 4.1).

Fig. 4.1. Hot Metal Production (Million Tonnes per annum)

The other parameters of performance such as growth of revenue and profit after tax have been also impressive. The company succeeded to increase its gross revenue by four fold on deflated price from INR 5928 crore in 1991-92 to INR 23211 crore in 2012-13. Correspondingly, and profit after tax went up by seven to ten times (Figures 4.2 & 4.3) on deflated price from INR 438 crore in 1991-92 to INR 4308 crore in 2009-10 at deflated price.

Source: Annual Reports of Tata Steel
The endeavour to augment EVA+ was initiated in 2002 during the tenure of Mr. Muthuraman and the target was to achieve it by 2007. Fortunately, in the next financial year (2002-03), Tata Steel’s performance was robust and the increased global demand for steel made Tata Steel, an EVA+ (positive) company from EVA- (negative), and the upward climb of EVA+ continued in the succeeding financial year also (Fig. 4.4) on deflated prices.
Reducing labour cost has been the major focus of the restructuring process. After 1990s, the successive every Managing Directors have put significant weight on this issue. Several initiatives taken under the labor restructuring process like reducing no. of workers, increasing labor productivity, minimizing employee cost and bringing down the percentage of labor cost in gross revenue generated, etc. have benefitted the company immensely (Fig.4.5, 4.6, 4.7 & 4.8). The number of employees has been halved in 20 years from 76 thousand to 35 thousand. Similarly, Labour productivity has also increased eight times from 78 tonnes to 633 tonnes in the same period. Though, it is still low in comparison to other steel plants, but labor cost has remained stagnant, and the percentage of labor cost in gross revenue generated declined from 27per cent to five per cent on a deflated price.
Figure 4.6. Labor Productivity\(^1\) (Tcs/imp/Yr)

Source: Annual and CSR reports of Tata Steel

Figure 4.7. Labor cost\(^2\) on deflated price (Base year 2003-04)

Source: Annual and CSR reports of Tata Steel

Figure 4.8. Ratio of labor cost to Gross revenue on a deflated price (%) 

Source: Annual and CSR reports of Tata Steel
Prior to 1990s, Tata Steel had earned fame for its expenditure spending on corporate social responsibility, and had spent generously and unconditionally on welfare activities, particularly in Jamshedpur. Although, Tata Steel has continued its social expenditure in globalized era also, it has been restricted to business requirements. The social expenditure increased just by two times in 20 years on deflated prices, and its percentage to profit after tax has declined to two per cent from 13-15 percent (Figure 4.9 & 4.10). Social expenditure includes expenditures on municipal, community, medical, grants for rural development and education fellowships, etc.

**Figure 4.9. Social Expenditure on deflated price (base year 2003-2004) (in Crore)**

![Social Expenditure on deflated price](image)

Source: Annual and CSR reports of Tata Steel

**Figure 4.10. Ratio of Social expenditure to Profit after Tax on deflated price (%)**

![Ratio of Social expenditure to Profit after Tax on deflated price](image)

Source: Annual and CSR reports of Tata Steel

Several initiatives were also taken for reducing raw material and energy consumptions. The available technology due to globalisation have yielded good results and the company enabled to lower down raw material consumption from 4.3 tons to three tons for one ton of crude steel production (Fig 4.11). The specific energy consumption for one ton steel production also lowered from 9.3 Gcal to 6.72 Gcal. (Fig. 4.12)
**Fig.4.11. Raw material consumption for one million tonnes crude steel production**

![Graph showing raw material consumption](image)

Source: Annual and CSR reports of Tata Steel

**Figure 4.12. Specific energy consumption**

![Graph showing specific energy consumption](image)

Source: Annual and CSR reports of Tata Steel

### 4.10 CONSEQUENCES

Before detailing the consequences of restructuring on Tata Steel’s workers, it will be useful to take a look at the employment and recruitment scenario among Indian industries in general and Tata Steel particular in pre-1990s. Industries established in post-independence era were designed for job creation. Protection from competition, populism, and labour laws that sought security of employment have resulted in overstaffing and lethargy some extent among industries. Workers were provided better wages and social security without considering their contribution to production. Rigid labour regulations (even it is only applicable to formal employment) restricted the right of employers to hire and fire, allocate work and outsource activities to the informal sector. The situation was the same in Tata Steel till 1990.
4.9.1 Recruitment in Tata Steel in 1970s-80s

Recruitment system in Tata Steel was designed to serve the workers generously. About 50 per cent positions were filled by promotion based on seniority alone. There were four entry points in Tata Steel for employment, such as inducting the offspring of workers who had completed 25 years of continuous service; absorbing artisan workers through apprenticeship of employees’ sons and domicile of Bihar (now Jharkhand), giving permanence to temporary workers, and employing dependent of a worker, who has been permanently disabled or killed by reason of accident met with during his employment at work premises. Diploma and degree holders were recruited all parts of India. People were also hired to appease powerful political leaders.

Employee’s offspring was registered and called ‘registered relations’ after his parent/s has 25 years of continuous service. The tag of temporary workers attached with offspring when they worked temporary a minimum of 54 days’ to four months in a year. The temporary workers were engaged in the relining work of blast furnaces, which would last 3 to 4 months and in Agrico, Coke Plant, General Maintenance, Loading and Unloading work, etc. They also used to work as drivers, Fork Lift/Dumper driver, Electrical Fitter, Rigger, Cobbler, millwright, Line and Wireman, Pipe Fitter, painter, Mason etc. Company had created several employment pools such as pool A for illiterate, Pool B for literate, security pool and teacher pool. On emerging down-line vacancy, workers were recruited from these pools on seniority basis. The seniority was determined as 25 years of parent’s service earned 25 points and working as temporary 30 days added one extra point correspondingly.

There was no difference in wages and other benefits between regular and temporary workers except the tag of permanence. Every year, 600-700 workers got employment as Mazdoor in Tata Steel. Apart from this, 100-200 artisan trainees were recruited as Trade Apprentice, provided three years rigorous training and employed every year. If 100 diploma Holders are also included in the list with those inducted above, every year over 1000 people used to be added to the employment in Tata Steel in pre-1990s. The benevolent personality of Russy Mody also contributed to the bourgeoning of work force in Tata Steel.
4.9.2 Consequences to workers

To be without a job in the contemporary world is a kind of living death. Job loss is acknowledged as the major cause of stress, boredom, injury, detrimental effects on social and family life. Unemployment or job loss changes the individual’s behaviour for worse with increased tendency to consume alcohol and social exclusion through withdrawing from others and engaging in fewer activities. Those who are remained after restructuring process experience increased insecurity. Negative feelings of anger, anxiety, guilt and uncertainty were evident and accompanied by increased work stress, the perceptions of job insecurity, lack of job satisfaction and decreased organisational commitment. What Tata Steel’s workers experienced during the whole restructuring processes, is a micro model of the total developments in globalised era. Restructuring process left behind an army of people who can be categorised as below:

- Those aspiring for employment;
- Those retrenched or laid off;
- Those remained in a changed working environment (survivors).

4.9.2.1 Aspiring for employment

The first consequence manifested as loss of employment opportunity. The company stopped absorbing temporary workers after April 1994. Temporary workers who aspired to getting letters of absorption waited till May 1995. Then they agitated against management and TWU. They also filed cases in court. After September 1998, when the company realized its fault, it started recruiting temporary worker, but restricted the number recruits to nine per month. It continued this practice till April 2002, and no recruitment happened in the period May 2002 to Nov 2004. Temporary workers were then provided skill training and after that they were absorbed in the company. A total 752 temporary workers got employment in the company in the period Dec 2004 to Mar 2009.

In order to gain first-hand knowledge about the impact of restructuring on individual workers, this researcher met several temporary workers. The experience of one worker is narrated below, which is illustrative of the experience of most others. He was working as supervisor under a contractor engaged for shifting coal from one location to another. He had been involved in several agitations and finally accepted INR 3.5 lac for relinquishing his claim on job in Tata Steel. The fate of over 1120 temporary workers was identical.
Along with reducing the number of absorbing temporary workers, the company also lowered the intake of artisan trainees. Recruitment of diploma holders also became irregular. The loss of employment opportunities compelled employees’ offspring to search livelihood in service sectors like transportation, retail business. Some of them took to auto driving, which profession emerged as a common source of livelihood in Jamshedpur while others worked as contract workers in Tata Steel.

One of the employee-children currently working as maintenance supervisor under a contractor engaged in conveyor belt maintenance was also interviewed. His father had been laid off through ESS and died after 4 years of separation. He tried a lot to get employment in the company through the apprentice-route and appeared for the apprenticeship test, but failed. Finally, he secured informal employment in the company through a contractor.

This insecurity also brought some positive outcomes, earlier workers would not care much about children’s education and children were not serious about their education. This changed in due course and some of them became engineers in Tata Steel itself which had been rare in past and some others came to occupy good positions in several sectors. This was a welcome departure from the past when everyone looked forward to entering Tata Steel.

4.9.2.2 Opted ESS
The second consequence came in the form of ESS and resulted in the immature or untimely separation from Tata Steel. The scheme was claimed as voluntary and several of workers seem to have adopted it willingly. It is however learnt that several separations were not voluntary, but the result of pressure tactics. Quite often, surplus workers assigned to do lower grade work which was beneath their dignity and qualification. Lowering of status and emoluments forced many to go for ESS. In a reported case, teachers employed in an outsourced school were assigned to cut grass firstly, and then for cleaning drainage.

The loss of employment and earnings in middle age is not an easy challenge for the workers in countries like India where unemployment rate is high and chances of getting alternative employment is difficult. Most of the workers hesitated to opt ESS because their offspring were yet to come of age and earn their livelihood. The life
after ESS has not been easy. Some died soon or after some year while some others entered in the informal economy as contract workers. There are success stories also, wherein some victims of ESS became contractors or established their businesses.

The researcher interviewed several ESS victims as part of this study. The life experience of three of such workers is presented below. Names have not been disclosed.

**Worker 1-** He joined the Agrico division of the company, but before he could put in ten years continuous service, the division was closed. He had to opt for ESS due to pressure tactics. The interest earnings from ESS corpus lost its earlier purchasing power due to inflation, and he was compelled to enter informal employment as a record-keeper of dumpers and pay loaders under a contractor in Tata Steel premises.

**Worker 2-** He was working as helper in Transportation department. Latter he was deputed as safety inspector and strived to improve the safety of his section. But his contribution was not recognised and he was also denied promotion. Pressure tactics were utilised to downsize the workforce in every department and the hostile work environment forced him to opt for ESS in 1998 with a monthly compensation of INR 7000. He was just 40 years old when he took separation from the company. Seven thousand rupees a month was just a pittance compared to his colleague, who remained in service and now drawing over fifty thousand rupees. When last heard, he was supplementing his income through self-employment as a chess-coach in order to meet his day today expenses.

**Worker 3-** He was working as supervisor in the Tubes division. His section was closed in 1998 and he was rendered as surplus. He was shuttled across several sections for months for absorption. Finally, he adopted ESS after attaining 45 years of age and entitled for 1.5 times the last pay drawn while time of separation. He was compensated with fourteen thousand rupees monthly. After separation, he devoted his time to housework and education of his children as also on building a house of his own. At the time of interview, he was of 60 years of age. His monthly compensation is limited to his legal age of retirement, i.e. 60 years. He looked very disappointed to think of life after 60.
4.9.2.3 Remaining in service (Survivor)

The third consequences can be perceived from the real and imaginary fears of the survivors of the restructuring process. Those who remained in the service, especially workers in old departments now suffer from stress, anxiety and insecurity due to the fear that their department would face closure any time now. Cases of desperate ESS victims committing suicide or dyeing of heart attack were also reported. The ESS scheme reduced job satisfaction, morale, commitment, sense of belongings and loyalty of Tata workers, for which was well known for. Dr. Irani may be a successful corporate leader in the estimation of experts and outsiders, but was very unpopular among workers in those years.

The tussle between Dr. Irani and Russy Mody was well reported in the media. In the 1998 Parliamentary election, Russy Mody contested from Jamshedpur seat and stood at 2nd position with 2 Lac votes. It was talked about that Dr. Irani did everything possible to get Russy Mody defeated. Some big hotels did not provide accommodation to Russy Mody and several workers were transferred to collieries from Jamshedpur, who openly supported Ruusy Mody.

The researcher’s talk with one high level officer has revealed the extent of fear that haunted both workers and officers during 1998. The officer and his colleagues were enjoying a picnic in nearby Dimna Lake ten KM far from the city. Russy Mody crossed the way to go villages for campaigning, where the picnic was scheduled. Russy Mody recognised officer and hinted that he would meet him after returning. The officer and colleagues left the place immediately, as they didn’t want to associate with Russy Mody any manner, fearing that could harm their service condition in Tata Steel.

The fears that haunted the Tata Steel’s workers can be perceived from the following statement of Russy Mody.

“Today, Jamshedpur is a sad city, although the workers are financially relatively better off, they have lost their self-respect and live in fear”.

Russy Mody, even had planned to form a union for Jamshedpur workers who took employment in different industries. The view of Russy Mody may be biased because of his ruthless ouster from Tata Steel in 1993. Having said that, it needs to be stated that ESS scheme was not implemented smoothly and was not an easy task execute (Indian Express, 1998).
4.10.3 Casualisation
The forth consequence has been the casualisation of the work process. Engaging contract workers in the industry was not a new development. Even in 1970s, contract workers were assisting in non-peripheral work. The difference in 1990s was that they made to work along with permanent workers in the same workplace and perform similar tasks. Initially, they were inducted as helpers or for doing minor jobs as fitters or welders.

Later, outsourcing of jobs became routine and the role of contractor switched from labour supply to getting the job done. The subsequent turn of events was embarrassing to the regular or permanent workers. In some department of Tata Steel, the whole job was outsourced and only one or two remained in a shift, to supervise the contract workers’ job. When this researcher quizzed such workers how they manage their work, they replied that they performed only peripheral tasks like filling the job clearances forms and signing them.

For instance, belt vulcanizing section was running with nine permanent workers and 30 contract workers in April 2013. Even though the company claimed that only eight thousand contract workers are now employed in the company, one office bearer of TWU contradicted it by pointing out that of more than 30 thousand contract workers among them about 5000 -7000 workers were engaged in permanent nature of work as of July 2013. Contract workers are paid minimum wages as per regulation, despite their doing jobs of higher skill. The canteen is not properly equipped for contract workers and long queue can be easily seen. Contractors do not provide proper safety appliances, if they provide cost of such items is cut from their wages.

Loading and unloading, maintenance, cleaning and canteen work has been totally outsourced through gradually. Incoming Lump ore and fine and coal wagons are unloaded in Tata Steel through track hoppers and tipplers. Initially, company’s workers were involved in these activities. Old track hoppers were casualised gradually though engaging contract workers with company’s workers. After some months company’s workers were withdrawn and unloading was fully operated with contract workers under the supervision of company staff. The researcher watched the total proceedings in Raw Material management department several years to gain first-hand knowledge.
4.10.4 Diversification

The fifth consequence is the diversified wage structures and grades. The company had 16500 permanent employees in its payrolls in Jamshedpur works in July 2013 which included 4000 supervisors and 4500 workers, who were employed before 2009 and paid under the old steel industry wage structure. In the New Series called NS, 4700 workers who got job after 2009 are employed and paid under the new wage structure. The number of workers employed in T grade was 520; the number of those employed under the associate culture implemented in new plants since 2000 was 1200; and the number of women workers, including all grades was 1000, and the number of security personnel 800. These different grades of workers were accommodated in different wage structures such as supervisors, workers and associates. Those employed before 2009 were entitled to steel wage, NS grade employees who got a job after 2009 were entitled to new wage structure and T grade workers were paid under another wage structure.

The company has also created difference between same grades; associate workers employed in CRM were entitled for one extra increment in every four years, but other associate workers employed in new plants were deprived from this benefit. The diversity in wage structure seems to have eroded the solidarity among workers. New entrants employed in NS grade are dissatisfied with their wages and do not see any difference between Tata Steel and other companies. Grade structure and wage structure in Tata Steel as of 2013, are shown (Table 4.5).

Table 4.5.Grades in company

<table>
<thead>
<tr>
<th>Supervisors (Steel wages)</th>
<th>N02 to N20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers (Steel wage)</td>
<td>R01 to R17</td>
</tr>
<tr>
<td>Associate (skilled and knowledge workers) (Steel wage)</td>
<td>D41, D42 and D43</td>
</tr>
<tr>
<td>Ministerial Staff or non-production workers (Steel wage)</td>
<td>J02 to J12</td>
</tr>
<tr>
<td>T grade (earlier temporary offspring) (Non-steel wage)</td>
<td>T1, T2 and T3</td>
</tr>
<tr>
<td>New entrants (ITI and Diploma) (Non-steel wage)</td>
<td>NS4 and NS7</td>
</tr>
<tr>
<td>New entrants from employee ward (Non-Steel wage)</td>
<td>NS1 and NS2</td>
</tr>
</tbody>
</table>

Source: Compiled by researcher

Getting a job in Tata Steel had not been simple employment for workers in pre-1990s. It had provided an identity to the people working in Tata Steel. Workers felt a sense of belonging and a purpose to their existence. In the 1960s-70s, a youngster aspired to work in Tata Steel after leaving the school. That loyalty and emotional bonds seem to have eroded over time. The older employee feels alienated and disenchanted. Younger
workers have professional attitudes to perform only their parts of job without caring to finish the whole job efficiently and early. Outsourcing manual jobs is causing problems to supervisors. The contract workers do not feel responsible as have job skills on par with company employee to get the job finished safely, and also get lower pay than regular workers. The need for constant watch for getting the job done combined with increasing span of attention has increased stress and pressure on the supervisors.

4.11 Conclusions
The wheel of restructuring reached its climax in 2013; the year also witnessed Tata Steel producing 10 million tonnes of hot metal production. Having started synchronously with India’s economic reforms in 1991, it presented an exemplary scenario in several of its dimensions. Modernization phase which started in 1980s was stabilized in 2013, after achieving production of 10 million tons per year. The goal of attaining market leadership was achieved after acquisition of CORUS, which made Tata Steel the fifth largest steel producer in 2007. The initiatives started during Dr. Irani’s tenure such as downsizing, quality improvement and technological upgradation made Tata Steel to emerge as the lowest-cost steel producer in 2001, and its Jamshedpur unit is still the lowest-cost steel producer in the world.

In the 1990s, steel had not emerged as lucrative area of business; people thought that the future belonged to software, telecom and automobiles. Restructuring of an old plant plagued by overstaffing and paternalism was a difficult task, but Dr. Irani and his successors acted their roles actively and efficiently. As per statistics given above, over the years the performance of Tata Steel has been amazing and impressive in several fields such as labour productivity, employee cost, and profit after tax, raw material consumption, etc. When Mr. Muthuraman was launching EVA + in 2002, he never had expected that it would be happening just the next year. Since 2003, Tata Steel has remained EVA + company and its profit has been skyrocketing in recent years.

The question that remains unanswered is about the impact of restructuring: Tata steel has no doubt emerged as a world-class steel producer after restructuring with improved production and productivity, but how much did it bring smiles to the people of Jamshedpur? There is little doubt that restructuring was inevitable for Tata Steel,
both insiders and outsiders realize that the downsizing initiative by Dr. Irani was essential at that juncture. No business can be sustained without reducing cost, and any deliberation on reducing cost automatically leads to the need to reduce worker compensation. But, to what extent loss of employment and casualisation of the workforce can be made sustainable in countries like India, where large numbers of job aspirants are queuing up to enter the labour market, is a million dollar question.

It is also a fact that the restructuring processes have caused erosion to the loyalty and sense of belonging of workers. It may be an easy task for any other business group, but for Tata Steel, which always talks about values, it has been very difficult to strike balance between business and philanthropy. Tata sensed the eroding loyalty and launched a slogan “Values stronger than steel” which resembles the unwritten slogan mouthed prior to 1990, “We also make steel.” To what extent this slogan could restore the loyalty and sense of belonging of the workers, is again a big question. It certainly is a matter for further investigations. But in the current scenario, it looks more rhetoric than genuine.

The restructuring processes brought several consequences to workers as job loss, fear and insecurity, casualisation, employment opportunity loss and diversification. How did workers face these challenges, and what has been role of Trade unionism during this period? Workers had more faith on management than union in 1960s-70s and government had also showed pro-labour attitude. At a time when both support from management and benevolent hand-holding by government are on the wane, what were options available to workers? How did trade unionism respond to the developments that unfolded on the industrial scene? These questions are answered in next chapter through minutely observing the responses of Tata Workers’ Union.
Notes
1. Labour productivity (Tons of crude steel per employee per year) in Tata Steel is as measured as Crude steel production +25\% of Pooled Iron\(^a\) divided by employee on roll\(^b\) at the end of specific time steel per period

   a) Pooled Iron: Hot metal dumped to pit and not used for steel making. 25\% credit is standard norm across Indian Steel Industries.

   b) Employee on roll: Number of employees engaged in Steel Works & Services department.

2. Labour cost incurred all cost to employee including officers (Currently 4000 thousand officers along with 16000 workers)