CHAPTER 1-
INTRODUCTION
The Indian economy is undergoing a dynamic transformation. This transformation has been the outcome of the changes introduced in the economic structure due to the shift in the economic policy of the Government of India in 1991. The implementation of new strategy led to the emergence of foreign players in the market, more prominent role of the private sector and disinvestment of public sector. As a result the Indian market witnessed various modifications in economic, technological and social factors affecting labour markets and the principle of welfare was gradually replaced by the new phenomena of profits over people (Thakur, 2003) and such replacement led to gains for some sections of the economy that continued to push the growth rates. However, closely accompanying were the pains for some other sections of the economy which were relegated to the background. The slow piling up of such pains led to the volcanic eruptions of the anger and discontentment of the workers in the economy which is clearly explicit in the resurgence of disputes in the Indian economy.

These disputes have largely been the result of lack of communication and trust between the employers and the employees from either or both sides. If we fail to address such issues at the right time then they may take an ugly turn as it happened in the case of strike in Maruti Suzuki’s Manesar plant. This strike led to the horrific death of an HR executive and more than 50 executives along with some workers were injured (Hindustan Times, 2012). Such an incident has manifold repercussions. There is an irreparable loss of human lives on one side and on the other side a multiplier negative impact runs on the economy. The strike reported direct losses of Rs 525 crores to Maruti Suzuki (The Economic Times, 2012) whereas, 1.9 lakh workers of at least 50 ancillary units were also adversely hit (Hindustan Times, 2012).

Such a precarious situation is the outcome of not just one immediate incident but it is the result of the gradual growth of anger, humiliation and discontentment which could have been avoided with either of the parties giving an ear to the other. Apart from Maruti Suzuki, other companies such as Air India, Nestle, Mahindra and Mahindra’s plant in Nashik, Hyundai in Chennai have also experienced disputes (Business World, 2009, The Economic Times, 2010).
The present study makes an attempt to gauge the incidence, impact and determinants of disputes in manufacturing industries in pre and post-reform periods. The analysis is done at 3 digit level and 46 manufacturing industries are covered as majority of the disputes occur in the manufacturing sector.

Manufacturing sector includes those units that are engaged in the conversion of raw materials into new products. It transforms the outputs of agriculture, forestry, fishing, mining or quarrying into new products. It also converts the products of other manufacturing units. Thus, manufacturing sector may produce finished or semi-finished goods. Manufacturing sector includes units that may process materials or may contract with other units to process their materials for them. This sector also covers the assembly of the manufactured products which are either self-produced or purchased (NIC 2004, mospi).

The industry wise data on disputes are available from 1981-2007 but the industry wise data on strikes and lockouts are available from 1984-2007. Secondary data are used in the study. The data are taken from the reports published by Government of India, Ministry of Labour and Employment, Labour Bureau, Shimla and Chandigarh. The variables used in the study are: number, mandays lost and workers involved in disputes. These variables are available sector wise: all sectors, public sector and private sector. The data have been adjusted as per the National Industrial Classification (2004).

For measuring incidence of disputes different percentages have been calculated in each sector for disputes, strikes and lockouts. Social and individual intensities of disputes, strikes and lockouts along with workers involved per dispute / strike / lockout have been calculated to study the impact of disputes in all sectors, public and private sectors. For studying the determinants of disputes the present study has followed the model given by Saha and Pan (1994). Unlike the other models who have taken only strikes; this model takes disputes which covers data on both strikes and lockouts.

Saha and Pan have done the analysis at 2 digit level and covered 19 industries. The dependent variable in the study is mandays lost per employee in an industry. The independent variables are degree of trade unionization, average monthly earnings of...
an employee and average factory size. A dummy variable has been incorporated in the
model in order to capture the impact of long disputes like the textile strike.
Generalised least squares is used to estimate the coefficients and the results of the
study revealed that degree of trade unionization and average factory size are the
important determinants of disputes but employee’s earnings were found to be weak in
affecting disputes.

The present study has extended this model and it is used to study the determinants of
disputes, strikes and lockouts separately in 46 manufacturing industries.

1.1 INDUSTRIAL DISPUTES IN INDIA

Sustaining industrial peace is one of the prerequisites for economic development.
However, the literature and the data have reflected a conflict between the employers
and the employees which adversely affects industrial peace and thereby the level of
economic development. Such a conflict is usually seen as the upshot of the
disagreement of the distribution of economic profits between the two parties. Workers
endeavor to seek more shares in profits by asking for a push in their wages, good
working conditions, better standard of living but this comes in contrast to the
indisposition of the employers to distribute more wages and agree to their other
demands.

Such a disagreement is on account of the differences in the opinions of the two sides
as employers link wages to their (employers) capacity to pay and workers link wages
to the needs of their family (Tulpule, 1978). Thus, the interests of the two sides do not
match with each other and when two different opinions come face to face with one
another then they take the brutal form of industrial disputes. Industrial disputes are
thus, the expression of the anger of either or both the sides. Industrial disputes are
manifested through strikes and lockouts. Strikes are regarded as the oldest weapon
with labour against their struggle with capitalism. It is a tool for the labourers to vent
out their resentment and grievances. Lockouts are a device in the hands of the
employers and through these employers emit their anger and complaint.
Economists have explored the reasons for such outbursts since long. Wages have undoubtedly remained the central focus of the research; however, various other factors have also caused such frictions. Economic factors such as economic development, unemployment, and prices have been the interest of various researchers (Ashenfelter and Johnson 1969, Rees 1952, Edwards 1978, Chaudhury and Bhattacherjee 1994). Apart from these trade unions are also known to strongly influence the behavior of workers and employers. Researchers like Britt and Galle (1972), Saha and Pan (1994) have investigated the role of trade unions, size of the plant in the determination of disputes.

However, other researchers have not opted for the macro approach towards the measurement and determination of causes of disputes and conducted micro level studies in order to find out the reasons for the occurrence of the disputes. Researchers like Langford (1994), Giri, Patro and Parida (1992) and Sundar (2010) have done the plant based studies and covered the various quantitative and qualitative dimensions of disputes. Researchers like Ross and Hartman (1960), Haas and Stack (1983) and Reddy (1981) have analyzed the impact of industrialization on disputes / strikes.

Of late a gradual change has been witnessed in the Indian economy which is being experienced by the workers as well as by the employers. There is the change in the orientations, perspectives and pressures on the management. With the introduction of reforms employers have been exposed to more competition thereby leading to increased pressures on them. Present day entrepreneurs are expected to reduce costs of production, reduce the time taken in production, produce quality goods and also to maintain international standards not just in output but also in maintaining labour. Along with this there is pressure on them to constantly innovate and adapt new techniques. A small delay on the part of the employers makes them lose their share in the market.

There is a change being experienced by the workers also. With the increased participation of foreign players in the Indian market, the present workers have to adapt themselves to the new managerial styles of multinational corporations. Such an adaptation is sometimes difficult for the workers and may put pressure on them to constantly upgrade to be more efficient. This change is not only peculiar to the foreign management but the domestic employers also vouch for the same. However,
such demands of improved efficiencies are to be supported with improved wages, improved working conditions. If these are not met, then it leads to conflict.

Such a change in the work culture has also brought with it the new hire and fire culture. Workers which were earlier accustomed to job securities, due to the huge public sector have to accept jobs for a few years, a few months and even a few days. The gradual increase in the concern for the informal sector in the economy has seen the different trade unions to involve more and more such workers in their organizations (Sundar, 2010). As a result the trade unions also strive for giving more rights to the workers from the informal sector. Hence, frictions are bound to be there and as a result the Indian economy has experienced disputes in the recent past.

In India industrial disputes are defined in Section 2(k) of the Industrial Disputes Act of 1947 as, “Any dispute or difference between employers and employers or between employers and workmen, or between workmen and workmen, which is connected with the employment or non-employment or the terms of employment or with the conditions of labour, of any person”. This connotes that a dispute can be termed as industrial dispute only if it has the following elements: there should be a dispute or difference, it should be between employers and employers, or between employers and workmen, or between workmen and workmen, and the dispute must be related with the employment or non-employment or the terms of employment or with the conditions of labour, of any person. Therefore, the initial part of the definition relates to the factum of a real and substantial dispute, the second part explains the parties to the dispute and the last part refers to the subject matter of the dispute (Padhi, 2010). This implies that the dispute should be long and continuous and there must be some grievance of the workers or the employers attached to it.

A dispute can arise on account of reasons attached with the employment or non-employment of any person. Employment indicates a situation when the trade unions ask the employer to not to employ any person and non-employment indicates a situation when the request of the trade union pertaining to the employment of a person is rejected by the employer. It may also imply a situation when a person is dismissed by the employer and the employer declines to employ him again even at the request of the trade unions (Goswami, 2008). Other reasons for the occurrence of the dispute are the terms of employment and conditions of labour. Terms of employment imply
issues like wages, bonus, provident fund etc. and conditions of labour imply health and safety issues, hours of work, rest hours etc. Thus, a dispute can arise on account of any these reasons.

Further, Section 2(q) of the Industrial Disputes Act of 1947 defines strike as, “means of cessation of work by a body of persons employed in any industry, acting in combination or a concerted refusal or a refusal under common understanding, of any number of persons who are or have been so employed to continue to work or to accept employment”. Thus, in case of strikes, workers stop their work intentionally so as to affect the production and output. Such intentional acts of the workers involve not performing the assigned duties or not reporting or even reporting late for their duty. And such an action is the group action. However, such action is not without any reason and the reasons are related with issues like employment or non-employment, terms of employment or conditions of services.

Depending on the different techniques involved, strikes can be of various types (Sundaram, 1992). Apart from the complete cessation of work, there can be stay-in-strike, sit-down strike, pen-down strike, go-slow, work to rule, hunger and relay hunger strike etc. Out of the above, in the case of first two, workers stay in their premises and refuse to vacate their seats and do not let anyone else do their work. In go-slow strikes workers intentionally slow down their work so as to reduce the output of the industry. In case of work-to-rule, workers work strictly as per rules which delays flexibility and reduce output. Hunger and relay hunger strike exert moral pressure on the management.

Even employers can have grievances which are represented through lockouts. Lockout is the reverse of the strike. Lockouts are used by the employers as a tool to rationalize labour, or it is used as a tool to bargain with the workers. According to Section 2(l) of the Industrial Disputes Act of 1947, lockout implies, “temporary closing of a place of employment or the suspension of work, or the refusal by an employer to continue to employ any number of persons employed by him.” Sometimes the employer closes the place of employment, or he suspends work or he refuses to employ any number of persons employed by him so far (Goswami, 2008). However, the essential element of a lockout is temporary. Sometimes, lockouts are confused with closures. However, in closures the employers close down the place of
work on permanent basis whereas in lockout the employer closes down the place of work for only some time.

The Indian industrial relations scene has been quite disturbed as the data shows that the 11,409 disputes occurred in 1981-1985 but the same declined to 9,047 in 1986-1990. When the Indian policy makers decided to change the course of strategy for attaining economic development by giving wider role to the private sector, lesser interference by the public sector in markets and the gradual opening up of the economy, it was expected by many that there would be unleashing of the forces of workers agitation and the economic reforms introduced by the Government would be crippled but the data shows that the number of disputes declined after the introduction of the reforms as in 1991-1995 only 7,184 disputes occurred. These declined further to 5,266 in 1996-2000, to 2,738 in 2001-2005, and to 2,059 in 2006-2010. Thus, the disputes declined in number before the introduction of reforms.

However, these disputes caused huge loss of mandays as 243.3 million mandays were lost in 1981-1985 and in 1986-1990 the loss of mandays were 158.8 million days. In 1991-1995 and in 1996-2000 the loss of mandays declined to 115.3 million days and 114.9 million days respectively. However, in 2001-2005 there was an increase in the mandays lost from disputes to 134.1 million and in fact this was the highest figure since 1991. The involvement of the workers was high in the pre-reform period as in 1981-1985, 7.5 million workers were involved in disputes but declined to 7.3 million workers in 1986-1990. Thus, the involvement of the workers also started to decline before the initiation of the reforms.

The data shows that 5.4 million workers were involved in disputes in 1991-1995 which increased to 5.9 million workers in 1996-2000. The same trend was observed in 2001-2005 (8.6 million workers). Thus, in 2001-2005, maximum involvement of the workers in disputes was experienced since 1981. Though the disputes have declined in number yet the involvement of the workers in disputes has increased particularly after 2001 and the loss of mandays was also highest in 2001-2005 period. The breakup of the data into strikes and lockouts shows that the number of strikes and lockouts started to decline much before the initiation of the reforms. As in 1981-1985, 1

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1 The data in this chapter are from the various publications of Government of India, Ministry of Labour and Employment, Labour Bureau, Shimla/ Chandigarh.
9,311 strikes and 2,098 lockouts occurred. These declined to 6,966 and 2,081 in 1986-1990 respectively. In 1991-1995 only 4,743 strikes and 2,441 lockouts occurred. The same trend was observed towards the end of 1990’s and in 2006-2010 the number of strikes and lockouts declined sharply to 1,161 and to 884 respectively.

However, there is an altogether different picture in the case of mandays lost. In 1981-1985, 149.7 million mandays were lost due to strikes and 93.6 million mandays were lost due to lockouts. However, 1986 onwards more mandays were lost due to lockouts and in 2001-2005 (100.1 million) the loss of mandays due to lockouts was the highest since 1981. Further, more workers were involved in strikes than lockouts in both pre and post-reform periods but the involvement of the workers in strikes increased sharply to 7 million workers in 2001-2005 which was the highest since 1981. Also, the involvement of the workers increased sharply in lockouts in 1991-1995 (1.8 million workers in lockouts) which is indicative of the rise in the employers militancy immediately after the reforms. Thus, though strikes and lockouts declined in number but more mandays were lost due to lockouts and more workers were involved in strikes.

The data of Labour Bureau reveals that these disputes occur on account of various reasons. However, indiscipline is regarded as the major reason for the occurrence of the disputes as its share in the causes of disputes varied from 24 percent to 41 percent from 2005 to 2010. The second reason for the occurrence of the disputes is wages and salaries which accounted for the occurrence of 19 percent to 24 percent of the disputes from 2005 to 2010. Also personnel and non-implementation of the charter of demands are the other major reasons for the occurrence of the disputes.

The sector wise data on the disputes from 2005 to 2010 reveals that more disputes occurred in the private sector and more loss of mandays was experienced by the private sector. However, but for the year 2007 more workers were involved in the public sector in disputes and more loss of wages due to disputes was observed in the public sector. The private sector experienced more loss of production. Thus, although majority of the disputes have occurred in the private sector and the same sector has experienced more loss of mandays yet more workers were involved in disputes in public sector.
Further, manufacturing sector accounted for the majority of the disputes as 64 percent of the total disputes occurred in this sector in 2005. In 2006 and 2007 its share remained at 60 percent and 61 percent respectively whereas in 2008, 58 percent of the disputes occurred in this sector. Thus, manufacturing sector is experiencing majority of the disputes.

As India is undergoing a transformation, its industrial relations are undergoing a change. These changes are reflected in the frequent occurrence of the disputes. In the post-reform period the number of strikes and lockouts has gone down but lockouts are causing more loss of mandays. And, also, majority of the disputes have taken place in the manufacturing division. Thus, the dimensions of the incidence and impact of the disputes is changing. Hence, an exhaustive investigation into the same is needed. In the next section, the plan of the study is elucidated.

1.II PLAN OF THE STUDY

The detailed plan of the study is given below

Chapter 1- Introduction

This chapter highlights the situation in the Indian economy related with the industrial disputes and it also explains a brief outlay of the present study.

Chapter 2- Review of Literature

In this chapter a systematic review of the literature on disputes is discussed. The studies are classified in three categories: studies on incidence and impact of disputes, studies on causes of disputes and studies on the micro level research. Such an in depth review gives a detailed knowledge of the studies already done.
Chapter 3- Methodology

In this chapter the methodology used in the study is explained. The data base, variables and years covered under the study are explained. It also explains the tools and techniques used in the data analysis. The different ratios and percentages are described. The formation of the model for estimating the determinants of the disputes in all sectors is elucidated. Similarly, the formation of the models for the estimation of strikes and lockouts in all sectors is also explained in this chapter.

Chapter 4 – Incidence and Impact of Disputes

An attempt has been made in this chapter to identify the extent of incidence and impact of disputes. Various ratios and percentages have been calculated to find out the incidence and impact of disputes, strikes and lockouts. The comparison has been made in the pre and post-reform periods. These ratios have been estimated for all sectors, public and private sectors separately.

Chapter 5- Determinants of Disputes

This chapter presents the causes of disputes, strikes and lockouts in the Indian manufacturing industries. The chapter discusses the determinants of disputes from 1981-2006 in overall periods of disputes. The determinants covered under the model are the degree of trade unionization, real wages and salaries per worker, average factory size and dummy variables. The same model has been used to find out the determinants of strikes and lockouts separately. However, since the industry wise data on strikes and lockouts were available only from 1984. Therefore, the time period for strikes and lockouts models is from 1984 to 2006. An attempt has also been made to find out the determinants of all disputes, strikes and lockouts in pre and post-reform periods. The time period for pre-reform is from 1981 to 1991 and for post-reform is from 1992 to 2006.
Chapter 6 Summary, Conclusions and Recommendations

The last chapter presents a summary of the whole study and also explains the findings. It is revealed that although the disputes decreased in number but the loss of mandays increased. The private sector was found to be experiencing more disputes. The degree of trade unionization, real wages and salaries per worker and average factory size are also found to be significantly affecting disputes. This chapter also elucidates the recommendations and limitations of the study.