CHAPTER III

Industrial Relations in India with reference to Karnataka
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INDUSTRIAL RELATIONS IN INDIA WITH REFERENCE TO KARNATAKA

One of the objectives of this study is to review the existing Industrial Relations in India in general and Karnataka in particular. Accordingly the same is discussed in this Chapter.

3.1. INDUSTRIAL RELATIONS DURING PLAN PERIODS

FIRST FIVE YEAR PLAN 1951-56

The First Five Year plan emphasised the importance of setting up of tripartite body consisting of representatives of employers, workers and Government for reaching agreements on conflict matters. The plan also emphasised the need for setting up of a mutually acceptable grievance procedure at the plant level. This plan conceived the “Works - Committee” at the plant level for settlement of disputes between the workers and the management. It also envisaged the setting up of joint management councils for dealing with the problems of settlement of disputes between the workers and the management.
The plan stressed more importance on collective bargaining as the suitable media for reaching agreements between the workers representatives and the management.

The plan provided for conciliation machinery to be set up by the State. If the parties fail to reach the agreement, there is voluntary submission by the parties for arbitration. In the absence of voluntary submission of disputes for arbitration by the parties, the plan further provided for compulsory arbitration. The Government of India has taken up all the measures for the promotion of healthy Industrial Relations between labour and management.

DURING SECOND FIVE YEAR PLAN (1956-61)

The code of discipline was adopted in the year 1958 in the Tripartite Labour Conference called by the Government of India. The National Employers' Organisation and Central Trade Union Organisation ratified it. The code of discipline provided that both management and unions should bind themselves to settle all differences and disputes by mutual negotiations, conciliation and voluntary arbitration. The code of discipline also provides that no unilateral action
should be taken either of the parties in the matter of disputes. The second five year plan dealt with the necessity of building a strong trade union movement which is free from political rivalries, multiplicity of unions with rights of recognition for the unions with strong finances as a measure for safeguarding the interests of labour.

**DURING THIRD FIVE YEAR PLAN (1961-66)**

The third plan emphasised the necessity of joint consultation machinery in which representatives of Government, employers, and workers participate at various levels. The third five-year plan also provided for setting up of a tribunal by the Government in the case of industrial disputes, which remain unsolved through amicable settlement by the parties. The Industrial Truce Resolution was adopted and the workers and employers pledged themselves to maximise production. The Bonus Act was also passed in the year 1965. The labour-management relations in the third five-year plan rests on foundations created by the working of the code of discipline. The usefulness of the code of discipline and its object of promoting constructive cooperation between workers and management avoiding work stoppages, securing settlement of disputes and grievances by
mutual negotiations, conciliation and voluntary arbitration have been reiterated as a step forward in the development of healthy and peaceful Industrial Relations in the country.

DURING FOURTH PLAN 1969-74

Industrial Relations during this plan period continued to be regulated by the protective legislative measures introduced in earlier plans and the tripartite arrangements. The payment of Bonus Act 1965, Shops and Commercial Establishments Acts and Labour Welfare Funds Acts in different states of the country which were enacted during the third five year plan showed good results during IVth plan period. The extension of Employee’s State Insurance Corporation’s medical facilities to families of all insured workers, to cover shops and establishments and to cover all centres having industrial concentration of 500 or more insurable workers have been envisaged in the Plan. Fourth Plan expressed its desirable priority to the growth of a healthy trade union movement, collective bargaining and raising of productivity through the cooperation of labour and management.
FIFTH FIVE YEAR PLAN (1974-1979)

This Plan observed the improvements in various aspects such as

(1) Improvement of communication systems;
(2) Setting up of shop councils and similar bodies;
(3) Increasing level of workers participation in certain spheres of decision making.
(4) Introducing of Productivity linked incentive scheme bearing good results.

The plan also stressed the importance of maintaining cordial and peaceful Industrial Relations for the efficient performance of the industry.

SIXTH FIVE YEAR PLAN (1980-85)

The sixth five year plan emphasised on the steady induction and promotion of professional management and industrial culture in the public sector undertakings relying on the Industrial Policy Statement of the Government of India of July 1980. The 6th Five Year Plan also stressed the importance of strengthening labour management relations to avert industrial disputes and work stoppages. The plan advocated
minimising the state regulations and its constrained use, only to serve weaker sections of labour from exploitation of a measure of upholding principles of association and collective bargaining. The 6th five-Year Plan stressed the importance of the changes in the existing laws on trade unions, industrial relations and standing orders considered essential for promoting healthy labour-management relations.

SEVENTH FIVE YEAR PLAN (1985-90)

The thrust of the 7th Plan is an improvement in capacity utilisation, efficiency and productivity. Labour enters the production process from the supply side as well as from the demand side. The focal point for both aspects is higher productivity because it is through higher productivity that higher real wages can be ensured, cost of production can be brought down and higher demand for products can be generated, which lead to further growth. Thus the role of labour has to be perceived in this broad perspective.

The success of labour policy has to be adjudged on the basis of productivity standard that it helps the economy to achieve. Technical factors and state of technology are crucial in determining productivity levels. Discipline and motivation of workers, their skill, the state of
industrial relations, the extent of effectiveness of participation of workers, the working climate and safety practices are of great importance. Requisite attention has to be directed to the improvement of labour productivity through the adaptation of up-to-date technology in productive processes in major sectors and corrective measures for industrial sickness. This in turn maximises employment generation. There is considerable scope for improvement in industrial relations which would obviate the need for strikes and the justification for lockouts. In the proper management of industrial relations, the responsibility of unions and employees has to be identified and inter-union rivalry and intra-union divisions should be avoided.

EIGHTH FIVE YEAR PLAN (1992-97)

The thrust of the Eighth Plan is an improvement in the quality of labour, productivity, skills and working conditions and provision of welfare and social sector measures. Special importance has been given to those working in the unorganised sectors and programmes are launched for quantitative and qualitative enhancement of employment opportunities in this sector. Therefore it laid emphasis on skill formation and development, strengthening and modernisation of
employment service, promotion of industrial and mines safety, workers' education, promotion of self-employment rehabilitation of bonded labour and enforcement of labour laws.

With a view to inducting an element of dynamism in Indian economy, a new Industrial policy was announced by the Government in 1991. It brought drastic change in the organisation and working of the industrial system of the country. This policy considerably influenced its labour policy to safeguard the interests of labour. The industrial policy has stated that the "Government will fully protect the interests of labour, enhance their welfare and equip them in all respects to deal with the inevitability of technological change. Government believes that no small section of society can corner the gains of growth, leaving workers to bear its pain. Labour will be made an equal partner in progress and prosperity. Workers participation in management will be promoted. Workers co-operatives will be encouraged to participate in packages designed to turn around sick companies. Intensive training skill development and upgradation programmes will be launched.

National Renewal Fund (NRF) has been established in 1992 to protect the workers affected by the industrial restructuring.
The Eighth Plan stressed on the Labour participation in management as a means of bringing about a state of industrial democracy. Ever since independence, the Government has been stressing the need to introduce workers' participation in management and various schemes have been notified from time to time. However, the results have fallen far short of expectations. The need to bring forward a suitable legislation for effective implementation of this scheme has been felt. Besides legislation, proper education and training of workers and co-operation from both employers and employees to overcome problems arising out of the existence of multiplicity of trade unions and inter-union rivalry will go a long way in promoting the system of participative management.

It has also given importance for promotion of a healthy Industrial Relations situation.

NINTH FIVE YEAR PLAN (1997-2002)

One of the major concerns of the Government has been the improvement of labour welfare with increasing productivity and provision of a reasonable level of social security. The planning process attempts to create conditions for improvement in labour productivity
and for provision of social security to supplement the operations of the labour market. The resources have been directed through the plan programmes towards skill formation and development, exchange of information on job opportunities, monitoring of working conditions, creation of industrial harmony through an infrastructure for healthy industrial relations and insurance against disease and unemployment for the workers and their families. The achievements of these desirable objectives in the areas of labour and labour welfare have been determined primarily by the kind of labour market that exists.

The labour market in India, being for the most part outside the regulatory framework, has adjusted itself without much strain to the process of reform of economic policies. In labour disputes the settlement can be much quicker if the rewards are linked with productivity improvement that comes from cost reduction and higher output.

**During the Ninth Plan it is envisaged that the Trade Unions will contribute to promoting changes in the work culture.** The contribution from the Trade Unions is also required for creating an environment that encourages linking of rewards to labour with
productivity improvement in a more flexible structure of the firms that deliver such services.

Ninth Plan also aims at reducing the number of laws which determine relations between workers and employers, with the objective that a much smaller number of laws can reach the entire workforce. Thus the Ninth Plan will rationalise, simplify and integrate labour laws to bring them in tune with the needs of the changing socio-economic scene. At the same time, the existing legislative framework will be strengthened to protect the interests of the labour in the unorganised sector.

The genesis of industrial relations in India shows that the state started with a laissez faire policy, followed by protective labour legislation and paternal administration, actively interfered in the field of industrial relations treating it as a law and order problem and subsequently extended its control over almost the entire labour field. While the basic contents of the industrial relations policy has practically remained unaltered throughout the period, the emphasis has changed from one aspect to the other in the context of the contemporary social, economic and political factors.
3.2. INDUSTRIAL RELATIONS IN THE PUBLIC SECTOR INDUSTRY IN INDIA

The public sector has come to occupy an increasingly important place in Indian economy. It has widened its role in different directions, in terms of involvement, turnover, capital formation, generation of internal resources, employment, exports, etc.

The history of public enterprises in India after independence may be traced through several industrial policy statements. The Resolution of Economic Policy in April 1948 favoured a mixed economy in which both the public sector and the private sector co-existed. The establishment of a socialistic pattern of society as envisaged by the Congress Party at its session in 1956, the public sector was given dominant role in the industrialization of India. The Industrial Policy Resolution of 1956 pronounced the place of the public sector. "The adoption of the socialistic pattern of society as the national objective, as well as the need for planned and rapid development require that all industries of basic and strategic importance or in the nature of public utility services, should be in the public sector, other industries which are essential and require investment on a scale which only the state in the present circumstances could provide have also to be in the public
sector". According to the Bureau of Public Enterprises, the primary objectives of the public sectors are to:

(a) give an adequate return on investment;
(b) capture commanding heights of the economy;
(c) share the burden in industrialisation;
(d) generate additional employment and
(e) develop ancillary and small-scale industries.

The significance of the public sector in India is also advocated by the growth of investment and employment over the years.

Generally there are three distinguished categories of the public sector undertakings in India.

(a) Undertakings directly run by government departments such as Railways, Posts and Telegraphs, Telecommunications, Defence Production, Printing Presses.

(b) Undertakings run by statutory corporations of Central and State Governments and also Companies registered under Companies Act, and

(c) Nationalised undertakings like Insurance, Banks, Coal Mines, Oil Companies etc. The public sector has grown to a large extent
covering a wide range of production, mining, marketing, trading, financial institutions, public utility services etc.

"Its role in eradicating imbalances in the economic structure and reducing the scope for accumulation of wealth and large incomes in private hands" – has also been well recognised.

The seventh five year plan seeks to ensure that growth of employment opportunities is faster than the growth of labour-force, over the seventh plan the employment potential is expected to increase by 40 million standard person years, against an increase in the labour force of around 39 million person years. The employment potential will grow at 4% per year as compared to the expected growth of 2.6% per year in the labour force. Investment-wise and sophisticated technology-wise the public enterprises have come to occupy the commanding role in the economy of the country.

The public sector is expected to serve as a model employer. The First Five Year Plan report stated,

(a) The public sector should set the pace and serve as a model in respect of wages, working conditions and welfare amenities.
(b) There should be progressive participation of labour in 'the running of many matters of the undertakings' so that the workers feel that the practice, as well as in theory they are partners in the undertakings'.

(c) The benefits of all labour laws applicable to private undertakings should be made available to workers of public undertakings and as such exception from such labour legislations should not be granted.

(d) Healthy growth of trade unions in the public sector should be encouraged and the employers of these undertakings be allowed to exercise their trade unions rights freely.

The Administrative Reforms Commission's Report (1967), on public sector undertakings and the study group of labour problems in the public sector, appointed by National Commission on Labour 1968 also stressed the role of the public sector as "model employer" saying that they may stand out as an example to private concerns. The draft of the fifth five year plan stated that "In matters relating to Industrial Relations, the public sector should strive to set an example to the rest of the country". But the massive investment in public sector is actually neither attaining any success nor representing the model employer in
true sense. The study group on labour problems in the public sector 1968 also stated the widespread labour unrest as "unfortunate" that pervades the public sector. The Administrative Reforms Commission 1967, too expressed concern over the increasing number of strikes. It was observed that industrial relations in the number of public sector undertakings are not cordial.

In view of the dominant role of the public sector in Indian industrialisation, any discussion of industrial relations, therefore remains incomplete without a critical examination of it in the public sector, not only because of the size of that sector which is already so vast but also, because in that sector inevitably influences those in the private sector. Industrial relations in the public sector may be discussed with the involvement of 3 actors, namely, the trade unions, the management and the government and their interaction with each other. The employees in the departmental undertakings have the status of civil servants but it is only a legal or formal difference. The employees who are workmen in all departmental undertakings are unionised and can resort to industrial action, in case the dispute raised by them are not resolved through the processes of negotiation, conciliation, arbitration and adjudication. Some of the central government establishments (like
Railways) have evolved their own consultative and negotiation forums and standing orders framed under Industrial Undertakings (Standing Orders) Act, 1946. In India, the trade union movement first started in the non-government sector. However, in terms of the style of functioning and the methods adopted to attain labour demands from the management concerned, trade unions hardly make distinction between public sector and the private sector. In spite of union rivalry and differences in political issues the trade unions in public sector share two issues in common, that is, their suspicion and lack of confidence in the management of the public enterprise concerned and their resentment against the Bureau of Public Enterprises (BPE), whose role they oppose as an interference in collective bargaining. Thus, trade unions complain the difficulty in conducting collective bargaining with public enterprises. Because the plant level management cannot concede any major demands without the approval of the government or beyond the guidelines laid down by the BPE. Hence, trade unions are concerned for full autonomy to the public enterprises.

In the public sector management, the Government often gets involved in the matters of industrial relations which invites politics resulting in more complications. As such, the politicians appear on the
industrial relations scene having vested interests of vote catching tactics and play their own detrimental role in public sector undertakings. That is why industrial relations are poor in public sector. This is also because of the absence of a strong and stable labour leadership, both at the national level and plant levels. It would be more effective if the situations got out of hand by political interference. In the case of public sector, as far as possible, it is better if the Government could keep out of industrial relations issues in their enterprises. The Director General of the I.N. Labour Organisation has stated in his report to the Conference in 1985 that trade unions regardless of size, state or nature of the economy, are basic and key institutions of society, they are a force for social justice, for human dignity, for progress, and for making the voice of the working people heard by the society. The trade unionists have to contribute more effectively to economic and social issues on a broader plane and thus enhance their role in the public sector considerably.

Collective Bargaining in the Public Sector Undertakings:

Acceptance of collective bargaining and trade unionism as significant factors in the rule making processes in the public sector undertakings in India. In fact, the pattern of collective bargaining in public and private sectors shows more or less common coverage of
issues in the collective agreements. Since public sector is gradually expanding in India, large employment is being provided in this sector. Today, state being the biggest employer, the burden is lying on the Government to maintain harmonious industrial relations.

According to the first five year plan report "A worker in the public undertaking stands on a different footing from a worker in the private undertaking. He has a dual role of master and servant. Master as a citizen of the country and servant as a worker of the undertaking. It is, therefore, necessary that he should be made conscious that in serving the undertakings he is serving himself and the better he works and greater his efficiency, the better he will serve and help himself. He must be made to feel that the responsibility for the success or failure is as much his as that of the management and the undertakings belong to the country as a whole including himself. He should take pride in his contribution to the success of the undertaking." The plan also suggests that collective bargaining between worker and public sector management should be encouraged, embracing both economic and non-economic demands. But this is possibly only, if the management on the spot should be given full discretion to enter into commitments, though within certain prescribed financial limits.
The main problem in the public sector is with whom do the trade unions bargain, because the owner of the enterprise is the Government. The manager is a civil servant, who is bound by a whole set of rules and regulations for a decision in the personnel and industrial area. The practice in the public sector usually covers the issues for collective bargaining consisting revision of wages and pay scales, dearness allowances, house rent allowances and other allowances, loans and advances, medical, residential and other facilities, welfare measures, service conditions, etc. The negotiation preparations are made at least a year before the expiry of wage agreement; exercises are carried out, such as review of prospects and financial position of the organisation and accordingly tentative allocations and benefits are worked out. In the course of collective bargaining various external and internal forces intervene for some matters like wage hike and higher productivity. Negotiations take place to initiate measures to raise productivity. It will also consider the resource and the capacity to pay by the organisation.

Unions always keep in mind the similar or neighbouring public sector industries in terms and negotiations of the bargaining agent. The wage revision usually takes place once in four years mainly on the basis
of collective bargaining and more or less unrelated to Profits, Production and Productivity.

The main feeling of the union is that while the management in different public sector units may differ, but the ownership remains the same. The existing disparities in the wages/salaries/fringe benefits etc., are the causes of industrial disputes, though, it could be attributed to their size, turnover, profits, skills of the employees, nature of job performed etc. Thus the issues like industrial peace and labour as partners contain complex overtones in the study of industrial relations in public sector undertakings in India.

3.3. INDUSTRIAL RELATIONS IN KARNATAKA

In Karnataka, the beginning of the formation of the industrial relations system was a little later than that at the all India level. Though there was a feeble plant level labour organisation viz., Binny Mill Workers’ Council which was formed as early as 1920 itself (Cutinha), it was in 1920 alone that there was a feeble manifestation of discontent among labourers in Mysore (Dept. of Industry and Commerce 1920-21), which resulted in the formation of the Binny Mills Council. But a relatively more powerful industry level organisation of labour in the
state was formed in 1929, which was called Bangalore Textile Trade Union (BTTU). However, the legal recognition to labour organisation in the state was accorded only in 1942 by the passing of the Mysore Labour Act 1942.

The above developments clearly show that the development of Trade Union Movement in the State of Karnataka was rather slow as compared to that of at the all India level. The slow development of the movement in the state has been attributed by R Balakrishna (1940) to many factors such as scarcity of workers in the beginning of the process of industrialisation in the state and the consequent willingness on the part of the employers to offer advantageous terms to workers, lack of solidarity, among workers consequent upon the immigration of workers from the neighbouring states of Madras and Andhra Pradesh, who along with the local labourers formed a heterogeneous group of workers affecting such solidarity, and finally the absence of legislation promoting labour organisation in the state. There was no powerful urge for it from the working class and the state government itself had not evinced any interest in promulgating such legislation. Owing to these factors, there could not have been any free growth of trade union movement in the State.
The Movement in the Inter-War Period

The history of labour movement in Karnataka during the inter-war period was one of struggle for bettering the economic conditions of labour and securing legal recognition to labour organisation in the State. The high profits the factories earned during the 1 World War had led to the demand from workers for higher wages and the employers had conceded these demands and they had given marginal increases in wages to workers besides introducing a system of bonus payment in some of the cotton mills of the state. But, when the profits of the factories dwindled after the cessation of the 1 world war and in the early post war years, these marginal increases in wages as well as the system of bonus payment were stopped. This put the workers of the state on the offensive and it was the time when the congress movement was trying to strengthen itself as a political party in the state and rightly the Congress workers sought to enlist the support of the Industrial workers to achieve their aim. The Industrial workers too required a dedicated leadership which they found among the Congress leaders. There was an alliance of politicians and industrial workers in the state for mutual support, as it happened in the other states of the country earlier.
The denial of higher wages and payment of bonus to workers compelled them to seek political support by the Congress leaders at that time and an alliance led to labour unrest in the state and the first industrial strike in the state took place in 1920. The credit of organising this strike goes to Mr K T Bhashyam. The strike was organised over the issue of non-payment of bonus to workers. It is significant, indeed, that even when trade unionism had not developed, this strike was quite successful. The success of the strike made the workers realise the necessity of having a permanent organisation of their own and consequently Binny Mill Worker's Council was formed in 1920, followed by the formation of similar organisations subsequently in the other two mills in the City of Bangalore viz., Minerva Mills and the Krishna Mills.

At this stage, it was realised that a very serious act of omission which failed to give the necessary impetus to the growth of trade union movement, was the lack of trade union legislation in Mysore which could confer on the unions and their members a measure of immunity for civil-suits and criminal prosecutions. It was at the same time that the Trade Union Act of 1926 was passed by the Government of India. Following this, Government of Mysore appointed a Committee in 1927
to examine the feasibility of introducing a similar legislation in the state providing for the registration of trade unions in Mysore. But, since the Royal Commission on Labour was engaged at that time in its investigations, they considered it desirable to await its recommendations. Again in 1935, the issue was revived and the views of the large employers, existing trade unions and the Department of Industries and Commerce were taken. Unfortunately, it was finally decided to defer the issue of Trade Union legislation in the state. As a result, the trade unions in Mysore State had to be registered as charitable institution and not as militant trade unions (Balakrishna, R). They were registered under Societies Act of Mysore (Cutinha).

The period following 1926 and ending with 1940 proved to be a difficult period for the trade union movement in the state. During this period, there was an industrial recession leading to widespread retrenchment of workers. These retrenchments in turn caused strikes and lockouts in the mills, on which occasion the workers had to suffer a severe defeat involving the loss of lives due to police firing. This workers' defeat was mainly attributable to their untimely claims for monetary betterment during a period of widespread recession.
The series of failures in strikes made the labour leaders to realise the necessity for organising workers' union for every industry. Consequent upon such a realisation, the Bangalore Textile Trade Union (BTTU) was founded in 1929 by the textile workers under the leadership of Shri K T Bhashyam, who was responsible for gradually making this union so powerful as to compel the state Government in 1938 to intervene on behalf of the management in a strike organised by the Binny Mills Workers. The President of the BTTU, who was Shri Bhashyam himself and his associate, Shri K C Reddy, were arrested. This led to a further demonstration of workers for the release of their leaders. Mills had to be shut down completely till the employers themselves requested the Government to release the arrested leaders. Besides, there occurred another longest strike in the Minerva Mills in the same year as a result of the dismissal of a worker. The strike prolonged for 75 days until the worker was reinstated. These victories of BTTU, were enough to attract the attention of the government towards the growing labour unrest in the state and the outbreak of the world war II necessitated the maintenance of peace in the industrial field for ensuring continuity of production for war purposes through government's policy of intervention. Thus, when there was a strike in
the Binny Mills in July 1940, the Government intervened and appointed a special committee to settle the dispute in the Mills and to suggest ways and means for maintaining industrial harmony in future.

**Legal Basis for Unions**

Based on the recommendations of the special committee, an act was passed by the Government in 1942 called the Mysore Labour Act of 1942, providing for legal recognition to the unions for the first time in the state and for their registration. An undesirable feature of the Act was that it forbade the formation of industry-wise union and advocated one union in one undertaking. Thus, though the Act conceded the irresistible right of the workers to organise themselves into unions, it restrained them from becoming too powerful. Consequently, the powerful BTTU was given a severe blow and it degenerated into unitary group. The unity of the workers was thus undermined in the State. In spite of these restraints of the Mysore Labour Act, the Workers' strikes continued to occur more frequently. In the Mysore Mills alone there were 39 lightening strikes in the year 1941-42. The Government continued to evince interest in these labour struggles by appointing ad-hoc tribunals to probe into the workers' demands for higher wages, DA and other allowances and to give their awards.
Influence of International Labour Organisation (ILO)

Another event that has influenced the structuring of the industrial relations system in many of the countries and segments within them is the establishment of the ILO. The Industrial relations system of Karnataka also has been indirectly shaped by the International Labour Organisation and the promulgation of comprehensive group of conventions and resolutions by it. The need for a central trade union federation in the country was felt mainly because of the necessity of sending a workers' delegation representing India to the first International Labour Conference held in 1919 organised by ILO. The result was the formation of AITUC. Subsequently, with the formation of different national federations of trade unions to which the trade unions at the level of state, including those of Karnataka are affiliated, a system of selection and nomination of workers' delegation to ILO from these central organisations has been evolved. Besides, most of the Indian Labour Laws which have been extended to the state of Karnataka by a decree of the State Legislature have been directly influenced by Conventions and recommendations of ILO. Thus the influence of ILO on Karnataka's Industrial relationship system may be said to be important though indirect.
Influence of the Government.

The third important event, which influences the development of a national industrial relations system in its formative stages is the Government itself. This is because of the Government in any country today enters the system not merely as a sovereign but often as the largest single employer. The earlier princely State of Mysore followed a fairly active industrial policy which aimed at industrialising the state by resorting to two directional approach, viz., (1) direct government enterprise in fields beyond the capacity of private effort, and (2) encouragement and help to private enterprise (Rama Krishna Reddy 1967). In pursuance of this policy, a number of industrial enterprises beyond the capacity of the private capital were started and they are the Mysore Iron and Steel Works, the Government Porcelain Factory, the Government Sandal Wood Oil Factory, the Government Silk Weaving Factory, the Government Electric Factory, the Government Soap Factory, the Mysore Implements Factory, etc., which owe their existence entirely to the government’s initiative and investment. The only two industries in which private enterprise concentrated at the time were gold mining and textiles. However, it must be noted here, that the policy of the Government was not to encroach on the rights of the
private enterprise in the process of industrialising the state. In fact the
Government encouraged the private investment and enterprise in many
ways such as providing the necessary land and the required power at
cheap rates (Mysore State was the first in Asia in generating
hydroelectric power which helped the supply of power at cheap rate).
Provision of "Takkavi" loans to the private industrialists, promoting the
industries and handing them over to the Private enterprise and lastly
collaborating with private enterprises through state participation in the
equity capital of some of the industries in the state. The Mandya Sugar
Factory, the Mysore Papers Mills at Bhadravathi, the Radio and
Electricals Manufacturing Company (REMCO), Bangalore, the New
Government Electric Factory (NGEF), Bangalore, etc., are instances of
government's participation in the equity capital along with the private
capital investment in them. Thus a mixed economy principle and the
joint sector principle had already been adopted in the state even before
the adoption of such principles by the Government of India in its first
industrial policy statement of July 1948 and in its subsequent
amendments. Thus the private and public sectors have been established
and are working side by side in Karnataka. The Government sector is,
in fact, getting expanded gradually and quite a large number of
industries are brought under the Government management, not to speak of those industries in which government had participated in their equity capital. The ultimate goal of this policy of the government is to establish gradually the socialistic pattern of society with the object of achieving distributive justice. With a view to achieving this vowed goal, the public sector in the industrial sphere is continuously expanding itself. Under the statement of Industrial Policy made in April 1948 and subsequently revised in 1956 and 1969, certain industries were to be exclusively the monopoly industries of the government and these industries are the manufacture of arms and ammunitions, production and control of atomic energy and the ownership and management of railway transport, etc. Besides in six other industries like coal, iron and steel, telegraph and wireless apparatus and the production of mineral oils, the state was to be exclusively responsible for the establishment of new undertakings except where the national interest the state itself finds it necessary to secure the cooperation of private enterprise subject to such control and regulation as the Central Government may prescribe" (Boothalingam, 1973).

The public sector has not, confined its activity to the sphere exclusively reserved for it. The Industrial Policy statements already
mentioned envisaged that even in other scheduled industries the public sector might enter although it would not seek a monopoly. In pursuance of this policy industrial enterprises have been created in the public sector in many fields, like electrical equipment, heavy engineering, machine tools, refineries, fertilisers, aluminium, copper, drugs and pharmaceuticals, precision instruments, ship building and so on.

The continued enlargement of the public sector has itself in the course of time become a policy. It has been stated authoritatively on various occasions that public sector should attain the commanding heights of the economy. Some of these heights were identified at the outset and further development through the establishment of new units reserved for the state.

The growth of employment in the public sector has had considerable impact on the structuring of industrial relations system in the state because within the government itself some forces appear to have been working to influence the system both within the state and in the country as a whole. As Dufty has pointed out "Evidences are not wanting to prove that some efforts put further to introduce legislations favourable to labour have met with counter measures from those
ministers whose departments are major employers of labour". In other cases, the findings of industrial tribunals have not been accepted and implemented by the government because of their budgetary implications (Report of the Labour Investigation Committee Main Report (1946). The Government's ambivalence is also seen in the public acceptance of certain minimum wage standards and its refusal to apply these standards on the ground that it would be impossible to pay the higher wages to all the agricultural workers. In all these cases, it is highly probable that the Government's reaction would have been different if it had not been a major employer. In that event, it would have certainly worked whole-heartedly in favour of workers or it would have adopted a policy of promoting industrial relations system with a greater tendency towards collective bargaining.