CHAPTER VII

PROFIT-SHARING AND THE PLANNED ECONOMY OF INDIA.

Having thus seen the concept of copartnership in its various aspects, let us direct our attention as to how far it fits into the Socialist Society and Planned Economy of India. It is today generally accepted that without an increase in production, there can be no lasting economic progress. Therefore, in many countries of the world, increased production has been the major target in recent years. During the war, it was a decisive factor. Even after the cessation of hostilities, it continues to play an important role in the development of war-devastated countries and in their economic recovery. Increased production provides the key to the rapid industrialisation of the undeveloped and under-developed countries of the world. Besides these, political developments in recent years have given rise, in several countries, to an economic system of "armed peace" which of necessity be based not only on the restriction of civilian consumption, but also on an appreciable increase in production.

Apart from the fact that it is an outstanding economic necessity, increased production is now recognised as a primary social one, if not by all workers at least by a growing
number of their leaders. Strong support is now gaining for the view that improvement in social welfare is to be obtained not only by measures aimed at ensuring a more equitable distribution of the national income, but above all, by increasing production and efficiency. This is true of all countries irrespective of the type of economic and social systems in vogue. A significant example is to be found in the preamble to the time and motion study agreement concluded in 1948 between the Swedish National Employers' and Workers' Organisation which runs as follows:

"A continual development of efficiency in industry and production is a general and essential condition for raising the standard of living of labour and the nation. Such rationalisation must be carried out continually in each enterprise in order to enable it to keep pace with technical developments. The common interest of the entire staff of every enterprise is to assist in making it truly competitive. Like all other members of the community, the employees will benefit by a rationalisation which leads to increased production and thereby basically contributes to a general improvement of the standard of living."

But it is also increasingly appreciated today that production can be stepped up only with the help of all participants, especially the wage earners who constitute

the vast majority. For an undertaking to be able to produce more goods, it is necessary in the first place that all its members should be convinced of the need to do so; they must then be asked to consider themselves how the undertaking can be made to produce more. The workers need to be assured that they will get substantial benefits from the increased production and to be given the opportunity of putting forward their own view as to the methods of securing the increase.

India has already launched her Second Five Year Plan. One of the major objectives of the plan as laid down by the Planning Commission is to bring about a sizeable increase in the national income by stepping up production both in the industrial and agricultural sectors. Since the plan has a pronounced bias towards industrialisation the role of labour becomes very important. If there is cooperation from all sections of labour and if there is sufficient mass enthusiasm, initiative and discipline, the success of the plan is assured. But if the workers in the country hesitate to contribute their due share, planning will be a failure.

In countries where labour is not highly organised the industrialists often seem to forget that workers have an effective role to play both in the matter of enhanced production and equitable distribution; it is also forgotten that workers are an integral part of the industry with integral responsibilities. They are even now considered as mere wage-
Earners and the employers have still the right to "hire and fire" whenever they like. If the national plan for developing industries is to be a success, workers who are employed in the industrial sector must be given such conditions as will place them in a position to devote to their work all the intelligence, enthusiasm, physical energy and skill which they possess, so that their work will be efficient and the output both in quantity and quality will be the highest. Under the present industrial system in India, only those who invest capital in the industry control it fully. So long as the employer acts in isolation and prefers to impose technical progress, he will not inspire in the workers the confidence required for fruitful cooperation with his efforts, however justified they may be. The great fear that weighs the minds of the workers is that to the extent they improve their efficiency and their production, they stand the risk of unemployment and of wages going down. To free them from this risk and to eliminate their fear, it will not be enough to provide Social Insurance and machinery to fix their wages, without changing the system as regards the conditions under which the labourers work.

It is an oft-quoted dictum in political science that good government is no substitute for self-government. Although politically speaking the workers under a democratic system have the same rights as all other citizens, in the industries in which they are working, they feel often enough that they are mere cogs in the proletarian wheel and that everything
is imposed from above, because in general they are not given any hand in the taking of the decisions which nevertheless vitally affect them. Therefore, in the industrial system in addition to imparting good conditions of work, they will also require the higher satisfaction that by doing their work efficiently, they are rendering service to the community as free and independent men. In order to give the satisfaction of a higher motive, the workers will require to be given a hand in the conduct of the industrial system.

Therefore, unless there is a thorough re-orientation in the attitude of the employers, in the matter of labour cooperation in the conduct of the industrial system, planning is not likely to succeed. Cooperation in industry, in common with other concepts, must change with the change in the pattern of the society. Upto this time, we have been working in India under a capitalist system. But now we have changed the whole structure, which should lead us to the establishment of a welfare state, or a cooperative commonwealth slowly evolving into a socialist state.

The second Five Year Plan considers the attainment of a welfare state not merely as a long-term objective, but as a goal that has to be reached as early as possible. It is this fact that explains the growing volume of emphasis upon various types of redistributional measures both in regard to income and ownership of wealth. The higher extent of expenditure upon social services as well as upon transport
and communication can also be partly explained on the basis of the above. It appears that the general approach of the Second plan is that it is possible to obtain a high rate of capital formation, simultaneously with a high rate of approximation to the welfare state. If we have to achieve these objectives, there must be full cooperation between labour and management. Private enterprises should slowly lessen the idea of profit-seeking and more and more become the guardians and custodians of the nation's production.

A socialist society places grave responsibility on the creative forces of the state. In the industrial sector, the burden must largely rest on the workers and technicians. In the capitalist industries, the workers have to bargain from time to time with their employers for better conditions of services and wages. But in a socialist system, if the patriotic urge does not adequately replace the profit-motive on the part of the employers, it will be for the workers to give a lead in the matter of production.

To cite an example, in Soviet Russia, the responsibility of the workers is of a very severe nature and a particular section of the workers known as "STAKNOVITE" goads the Directors of the Board of Management on to an ever-increasing tempo of production and thus the Directors are always afraid of this section and would utilise their individual initiative, and enterprise in securing production,
as otherwise, they may be liable to punishment. The very basis of Socialist State necessitates the maximisation of production, by every possible means, and there can be no limit to the workers' contribution so long as that contribution is made possible without undue interference with their health and dignity and consistent with adequate wages and just conditions of service.

In the United Kingdom, workers and managements believe in Joint Standing machinery at all level for arriving at voluntary agreements in the matter of the settlement of trade disputes, and on the question of production by joint consultation from time to time, the object being to give employees wider interest in and greater responsibility for the conditions in which their work is carried out. A number of industries managed by private industrialists have special schemes such as profit-sharing and association with the management through copartnership for the efficient running of the unit. In some industries, the representatives of employees are having a voice in the control of the industrial system.

In the Scandinavian countries, workers-managements relations are advisory in character; but they have established the right to be consulted on many vital subjects relating to the running of the industry. Thus, for example,

2. V.V. Giri. "Industrial Relations" p.23 N.M. Tripathi Ltd. Bombay 2 (1955)
in Sweden, the production committees are authorised to examine
the Balance Sheet, Profit and Loss Account, Directors and
Auditors Report and have their say in all these matters. 3

In Germany, in the year 1951, laws were passed
especially in the Iron and Steel and the Coal Industries for
the participation of Workers' representatives on an equal
footing in the management, or "co-determination" as it is
called is being recognised and representative of labour have
a place in the Board of Directors. 4

In Yugoslavia, under Marshall Tito, according to the law established, factories, mines, communications, transport
etc., are managed by workers' Collectives through workers
councils and Management Boards. These Boards run the business
and are responsible to the workers councils and the competent
state organ. During the tenure of the Management Board which
is for a year's duration, members remain in their regular
jobs in the factories and receive no extra pay for the work done.
The system of management by workers is still in the process
of development. The Yugoslavian Trade Unions, on their part
have been engaging themselves in training the workers in the
art of business management which is very essential for the
success of the system. The new changes have produced beneficent results such as appreciable reduction in the working

population in individual undertakings coupled with an increase in the overall production, saving in raw materials, fuels etc.\textsuperscript{5}

Thus the system of association of workers with management and control through copartnership schemes and otherwise is gaining influence over the management in many countries with Planned Economy. But in India, the idea of workers' participation in management control was not appreciated both by labour and management alike. The latter thinks that it is too strong and independent to allow any labour infiltration into their ranks and similarly organised labour on their part feel that they too are strong enough and do not like any position leading to a compromise. They are still working at cross purposes and at best, there is only "cease-fire" friendship, between them. Since independence, both legislation and public opinion have sought to better the workers' lot and have succeeded to some extent in doing so. But these have not appreciably affected the outlook of the employer. He has no doubt yielded to the new measure; but there has been, by and large, not very much of a change of heart. But of late, employers have begun to recognise the need of associating labour with management.\textsuperscript{6} It is the duty of employers as the guardians of the nation's productive resources to set a new ideal for the future of the country.

\textsuperscript{5} The Eastern Economist. June 20, 1956. p.1008.
\textsuperscript{6} Refer Preamble to the Supplemental Agreement dated 4.8.1956 between TISCO and the "Tata Workers' Union"
The time is ripe for a bold experiment in the matter of conceding to labour an increasing share and voice in the conduct of the industry. The expenditure Rs 7100 crores during the period of the Second Five Year Plan of which a sizeable portion is earmarked for the industrialisation of the country requires much organisation and cooperation between the two indispensable partners of the industrial system namely employers and workers. It is to be remembered that the workers are the integral partners in the industrial undertaking and without their good work, discipline and integrity, the industry will not be able to produce effective results. However efficient the machine touch in an industry may be, if the human element refuses to cooperate, the industry will fail to prosper under the present world conditions. Therefore it is necessary that labour should be given a new status in the industry through copartnership schemes. The mere financial incentive produced by giving to the workers a share of the profits in the shape of annual

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which states that the company appreciates the view that an increasing measure of association of Works Employees with management in the working of the industry is desirable and would help

(a) in promoting increased productivity for the benefit of the enterprise, the employees and the country,
(b) in giving employees a better understanding of their role and importance in the working of the industry and in the process of production, and
(c) in satisfying the urge for self-expression.

Also vide the Preamble of the Agreement signed by the workers and management of Belur Aluminium Works and those of Alway Aluminium Works.
bonus, as is being practised in the various industries in the country is not enough, though it is something towards the right direction. This something will be all the greater if profit-sharing is combined with a share in the ownership and management of the business. Especially in a property-based democracy like ours, participation in control and management without ownership is a paradox. Therefore, in all industries where employers realise their full responsibility and workers have responsible organisations which would speak in a reasonable way, workers and employers should sit together and evolve participation on the principle of copartnership. Such a step should merit serious consideration and is worthy of being given an honest trial in a country like India which is trying to strike a middle road between western capitalism and eastern socialism. Profit-sharing with distribution of stock to the workers will pave the way towards the realisation of industrial democracy and the building up of a pattern of socialism that may be in greater consonance with Indian Social Traditions based on harmonious personal relationship between labour and management.