



Interpreting Industrial Disputes in India: A study with special reference to the garment Industry

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Abstract

This paper examines determinants of industrial disputes in Indian garment industry. Industrial disputes are a problem at different levels. They cause production loss, discourage investment and thereby eventually slowdown economic growth. There is a drastic reduction in the number of industrial disputes and the workhours lost due to disputes in Indian garment industry currently. The paper explores and shows that the female presence in the labour force is one of the factors instrumental in significantly reducing the number of strikes and lockouts.

Keywords: industrial disputes, garment industries, women workers, labour, strikes

Introduction

The garment industry is one of the oldest and largest export industries. The industry exemplifies the challenges associated with global manufacturing: low wages, "flexible" contracts and sweatshop conditions. Informal garment and textile workers often experience isolation, invisibility and lack of power, especially those who produce from their homes.

Industrial disputes are very much common, more so in a mixed economy like India. Industrial disputes are the result of conflicts between employers and workers. In the constant tussle for the limited economic resources where employers are always trying to resist increase in wages and also try to increase the hours of work but the workers or employees are organising themselves through trade union for raising their wages along with betterment of other conditions of work; disputes become inevitable.

In order to achieve their goal, workers tread the path of protests by resorting to gherao, go-slow, demonstrations, strikes etc. and the employers in order to enforce discipline and to safeguard their interest may go for retrenchment and dismissal of employees and in the extreme case may declare a lock-out.

Thus, both the strikes and lock-outs are the two extreme measures followed by employees and employers respectively in extreme cases. Thus, these sorts of conflicts between the employer and employees are known as industrial disputes. The industrial disputes result in huge loss of man-days as well as production.

The industrial relations are disturbed by industrial disputes and growing industrial disputes may pollute the entire industrial climate of the country leading to a total chaos in the economy.

Historical background: Industrial Disputes in India: Data and Trend

In India industrial disputes are growing with the progress of industrialisation in the country. Increasing price level, rising

cost of living, growing industrial inefficiency, indiscipline and sickness are the most responsible factors for the growing industrial disputes in the country.

Using the definitions given in the Industrial Disputes Act of India 1947, Labour Bureau, Ministry of Labour, Government of India collects and publishes statistics on Industrial disputes, which consist of strikes and lockouts. An industrial dispute is taken as a temporary stoppage of work in a production unit due to breakdown of understanding between workers and employers on some issue. Strike is defined as the temporary stoppage of work by a group or all employees of a production unit to express a grievance or to enforce a demand. Lockout is defined as the temporary withdrawal of work from all or a group of employees by the employer for matters relating to employment or non-employment or the terms and conditions of employment. The industrial dispute statistics exclude work-stoppages due to political strikes, sympathetic demonstrations and the like as these are not connected with any specific grievances or demand which lies within the competence of the employer concerned for redressal.

In 1951, total number of work stoppages was about 1,071 which involved nearly 6.9 lakh workers and resulted in a total loss of 38.2 lakh man-days. During the planning period, the problem of industrial disputes magnified considerably. In 1974, total number of work stoppages rose to 2,938 and number of workers involved significantly increased to 28.55 lakh resulting in a huge loss of 402.6 lakh man-days.

Due to the imposition of various suppressive measures during emergency in 1975, there was a significant fall in the case of industrial disputes. But after the restoration of normal conditions, there was a sudden spurt in industrial disputes during 1977 and 1978. 1992 experienced a prolonged general strike of textile workers in Bombay which resulted in a huge loss of man-days to the extent of 748 lakh in that year.

In recent years also, the industrial disputes remain unabated. Thus the number of man-days lost due to strikes and lockouts over industrial disputes was 307.7 lakh in 1989-90 which

declined significantly to 236.0 lakh in 1990-91. But in 1991-92, there was a sharp increase in the man-days lost to the tune of 341.5 lakh. There has however, been a steep decline in the mandays lost in 1992-93 which stood at 22.97 million mandays.

This is mainly due to the fact that there were quite a few bandhs and strikes both at the state and national level and widespread social unrest. All these have resulted in a substantial loss in mandays worked and also in production. However, industrial unrest in general remained confined to cotton and jute textile and engineering industries located in the states like Andhra Pradesh, Maharashtra, West Bengal and Tamil Nadu.

A recent study made by the CMIE on the current position of industrial disputes in India shows that in 1992, total number of industrial disputes was 1,737 out of which 1034 were strikes and 703 were lockouts. Total number of workers involved in these disputes was 1.34 million. Total number of mandays lost was 2 lakh. The study shows that even during 1991 and 1992, lockouts accounted for nearly 53 per cent of man-days lost.

Thus this higher share of lock-outs in the total man-days lost is to be re-assessed and the factors responsible for such lock-outs should be tackled properly so that repeated use of lock-outs against the working class be controlled. Thus the policy of industrial relations should be updated considering the changes in the character and composition of industrial disputes.

The current state

Industrial relations have shown a steady improvement in the years following the economic reforms introduced in India. Man-days lost due to strikes and lockouts declined significantly from 34.57 million in 1991-92 to 20.44 million in 1993-94 and then to 17.99 million in 1995-96. This was mainly due to improvement in the industrial relations situations in Cotton, Engineering, Coal and non-Coal mining, Beverages, Tobacco and Tobacco products, Jute and Rubber industries.

During 1991-94, industrial unrest mainly witnessed in the states of Andhra Pradesh, Gujarat Tamil Nadu and Maharashtra. Government's proactive role through timely and effective conciliation of industrial disputes and involvement of the social partners in the formulation and implementation of labour and industrial relation policies and programme has successfully harmonised the interests of employers and workers through a change from confrontation to collaboration, and their appreciation that employment security is promised upon productivity and viability of the enterprise.

There has been an improvement in the industrial relations scenario of the country in the 1990s as compared to the 1980s as reflected in the statement of mandays lost on account of strikes and lockouts. The above table reveals that the number of strikes which was 732 in 1995 has increased to 793 in 1997 and then it declined to 173 in 2012.

The number of lockouts also increased initially from 334 in 1995 to 512 in 1997 and then it declined to 121 in 2012. Total number of strikes and lockouts which was 1,066 in 1995, gradually increased to 1,305 in 1997 and then it declined to 181 in 2013. There have been a few instances of protests by workers in response to restructuring measures in the

infrastructure sector like power and ports and docks.

The reduction in strikes and lockouts was more prominent in public sector and the central sphere compared to the private sector and the state sphere. The proactive role of the Government, seeking solutions through involvement of social partners in various tripartite for arriving at policies impinging on labour interests, was responsible for bringing down the outbreak of strikes and lockouts.

The man-days lost on account of strikes and lockouts have however, increased from 16.3 million in 1995 to 3.29 million in 2013. Man-days lost due to strikes increased to 2.05 million whereas mandays lost due to lockouts decreased to 0.84 million in 2010.

Wage and wage related issues were the important reasons behind the strikes along with personal issues and retrenchment. There were also incidents of protests against privatisation and multi-nationals.

Considering the radical changes that have taken place in the domestic industrial scenario and the labour market, Second National Commission on Labour was set up to suggest among others, rationalisation of the existing laws in the organised sector so as to make them more relevant and appropriate in the changing context of globalisation and opening up of the Indian Economy.

Materials and methods

Rationale for the study

Industrial disputes are a matter of great research interest. As already explored, many studies have made significant contributions to the study of industrial disputes in various sectors. This study is focused on the garment industries in particular. This is because the garment manufacturing sector is characterized by one very important difference from the other sectors. i.e., Geographic Dispersion. In the garment sector, production can be dispersed to many locations across and within countries. In developed countries, this is associated with outsourcing production to developing countries. In developing countries, production moves within and between countries in search of cheaper/faster labour. This has resulted in very complex value chains and power imbalances. Modern production and distribution of garments has created a "global assembly line" (Carr, Chen and Tate 2000) ^[11]. Power has shifted from producers to traders and retailers. Buyers set the terms for what is to be produced, by whom, where, when, and at what price (McCormick and Schmitz 2001).

Moreover, there are various types of Garment Workers who categories this industry. There are important differences between workers depending on whether they are hired by large factories as core or contract workers, hired by small units, or work under subcontracts from their homes. There are also self-employed garment makers who produce for local customers or markets. The workers employed in the garment industry usually comprise of unskilled or semiskilled workers. A point that is interesting and needs specific mention is the fact that the majority of workers in the garment factories This uniqueness offers a great ground for researching the industrial dispute dynamics.

Scope, focus and limitations

Time along with numerous and conflicting sources have been

the important limitations. Another important limitation pertains to most of the resources being very general in nature of pertaining to the topic.

Sources of data

The data for the current paper is mainly gleaned from secondary sources such as books and articles.

Causes of Industrial Disputes in India

Theoretical literature on strikes and lockouts are based on three sets of ideas.

- (1) Existence of asymmetric information when firm and union bargain over wages (Hayes, 1984; Cramton and Tracy, 1994)^[18, 13].
- (2) Joint-cost hypothesis of Reder and Neumann (1980)^[28], and
- (3) Reputation building models of Calabuig and Olcina (2000)^[10]; Kreps and Wilson (1982)^[21]; Milgrom and Roberts (1982)^[24].

The basic idea of asymmetric information models of strike is that firm has private information about its willingness to pay and union has bargaining power and strike is an instrument employed by the unions to elicit the private information of the firm. A highly profitable firm, which is really willing to pay more, prefers to avert a strike by accepting higher wage settlements. On the other hand, a less profitable firm, which is unable to pay high, chooses to endure a strike in order to settle at a lower wage. Models of lockouts, on the other hand, assume that firm has bargaining power and union members have private information regarding their alternative wage and lockout is the mechanism firms use to force union members to truthfully reveal their alternative wage (Fisher, 2001)^[15].

(i) Demand for Wages and Allowances

The most conspicuous cause of industrial disputes in India is the demand for higher wages and allowances by the workers. While the price level has been increasing constantly at a higher rate but the increase in the rate of wages could not keep pace with it. This led to a situation where workers resort to strike for raising their rate of wages.

In India most of the industrial disputes have resulted from demand for the higher wages. If steps could have been taken for ensuring a system of automatic adjustment process in the wages and prices then the number of disputes would have been reduced to minimum.

Most homeworkers in the garment and textile industry are paid by the piece (according to how many items they produce), earn very little, and do not receive overtime pay. Most receive no sick leave or paid vacations.

By hiring homeworkers to do the labour-intensive work of assembling garments and paying them by the piece, these subcontractors keep their wage costs and overhead low, and minimize the risk of loss associated with uncertain orders (Carr, Chen and Tate 2000)^[11].

Subcontracted homeworkers have little power over the terms and conditions of their work. In Bangkok, 60 per cent of subcontracted workers in the IEMS study reported that wages were set by the contractor; 51 per cent said they could not bargain.

A study conducted by the Worker Rights Consortium between 2001-2011 across 15 countries found garment workers' wages declined overall. The IEMS findings on earnings confirmed low incomes. For instance, In Ahmedabad, the average monthly turnover (gross earnings, before deducting any input costs) for the study's garment workers was 2,337 rupees (about US\$42). They reported working over 23 hours in the week preceding the survey.

(ii) Demand for Bonus

Another important cause of industrial disputes in India is the demand for bonus by the workers. This has resulted from workers' increasing demand to share profits of the industrial units and employers' non-acceptance of this provision. During emergency the government reversed its decision and reduced the rate of bonus from 8.33 per cent to 4 per cent. Later on the rate of minimum bonus was raised to 8.33 per cent again. The economic demand for workers, i.e., for wages and bonus has resulted in about 46 to 50 per cent of industrial disputes in India during 1961-71 and during 1976-84 wages and bonus has been responsible for 32 to 40 per cent of industrial disputes in the country.

(iii) Personnel and Retrenchment

Another important cause of industrial dispute in India is the retrenchment and personnel which accounted nearly 29 per cent of the total disputes during 1961-76. During 1981-84, these causes resulted in about 21 to 22 per cent of the total industrial disputes occurred in the country.

(iv) Demand for Improved Working Conditions

Industrial disputes in India has also resulted from demand for improved working conditions such as leave, lesser hours of work, better working conditions like better safe measures, canteen facilities etc. About 2 to 3 per cent of the total disputes is resulted from such demand.

(v) Other Causes

There are varieties of other causes which are also very much responsible for higher incidence of industrial disputes in the country. These causes include introduction of rationalisation measures in the factory, employers' apathy to recognise trade unions, conflict between rival unions, insult of union leaders by the employer, fear of retrenchment arising through computerisation, strikes of political nature etc.

All these other causes are responsible for about 30 per cent of the disputes during 1961 and 1976 and around 40 per cent during 1981-86.

(vi) Lock-Outs

Lock-out declared by the employers to counter the militant workers is also another important cause of industrial disputes in the country. Lock out is the result of prolonged strikes and irresponsible trade unionism.

The major causes of increasing number of lock outs are:

- (a) lower labour productivity,
- (b) rising wage rate,
- (c) increasing competition arising through the introduction of liberalisation policy,

(d) Higher degree of bargaining power of employer etc. Thus the bargaining power of the trade unions has weakened considerably due to the policy of liberalisation and restructuring introduced in the country in recent years.

Settlements of Industrial Disputes: Policy of the Government

Growing industrial disputes is not a healthy sign of industrial development in the country. Thus from the very beginning the Government has been taking various steps and policies for the settlements of industrial disputes in the country.

The main objectives of industrial relation policy of India are:

- (a) Prevention and peaceful settlement of industrial disputes and
- (b) Promotion of better industrial relations.

The Industrial Disputes Act 1947 and its Amendments in 1956:

In order to prevent and settle the industrial disputes, the Government of India passed the Industrial Disputes Act in 1947 which was later on amended in 1956.

Following are some of the provisions of the Act to settle industrial disputes in the country:

(a) Work Committees

Work committees are to be formed taking the employers and employees together for all undertakings employing 100 or more workers for maintaining good relations between them. At the end of December 1987, work committees were functioning in 546 establishments.

(b) Conciliation

This Act permits the Government to appoint conciliation officers and also to constitute board of conciliation, representing employers and workers for the settlement of such disputes.

(c) Court of Enquiry

When conciliation failed to yield any result then the matter must be referred to court of enquiry for making investigation on the dispute and report it to the Government.

(d) Labour Courts

Labour Courts were set up by the State Governments to consider the disputed matters like dismissal, suspension of employees, legality of strikes and lock-outs etc.

(e) Industrial Tribunals

Two types of industrial tribunals were set up by the Government which includes: (I) state tribunals and (ii) national tribunals. These tribunals are adjudicating disputes relating to wages, bonus, profit sharing etc. The adjudications of these tribunals has a binding on the concerned parties.

Moreover, in recent years some other practices are introduced for settling industrial disputes in the country.

These include:

- (a) Formation of joint management Councils with the participation of workers in the management for bringing better relationship between management and labour;
- (b) Introducing code of discipline evolved in Indian Labour Conference 1958 by which the employers and workers voluntarily agree to maintain mutual trust and co-

operation within the industrial unit;

- (c) Adopting industrial truce resolutions in 1962 by the central organisation of employers and employees pledging neither to interrupt nor to slow down production; and
- (d) Setting up of National Arbitration Promotion Board in July, 1967 by the Government for settling industrial disputes.

Findings

An overview of the statistics pertaining to Employment in garment industry (2013) shows that 8 million people are employed in the garment industry (2014: 45 million in Textiles and Clothing 'T&C') of these, Approximately 60% are women, but this varies from region to region. This figure is the official figure, but it is worth noting that there are many garment workers in the informal sector, which this number most likely does not count.

Textiles and Clothing contribute to 4 % of GDP (2013) and form 12% of export (T&C) (2013/14). The Industry contributes 25.8% of GDP and the Value garment export (2013/14) is at \$15.7billion/€12.4 billion (apparel only) 9, \$40billion/€31.6 billion (textiles and apparel). The Percentage of the world market for apparels (2013) is 3.7%, which is apparently, the 6th Position for Apparels.

The Minimum wage is approximately 4000Rs which average of key regions. Living wage calculation by Asia Floor Wage (2013) indicates it to be around 125Rs.

The trade union membership statistics give a good insight into the state of workers organization. In the garment industry, there are generally low levels of TU membership; however, the above figures show that across all industries (and presumably in the garment industry) union membership is growing. Still, much of the garment industry is still in the informal sector, with little regulation. Even where Trade Unions exist, their power is limited. Those who participate may face discrimination. Furthermore, collective bargaining agreements are 'virtually non-existent' in the garment industry. Some unions in the garment industry are: - Garment and Textile Workers Union (GATWU) - Garment and Fashion Workers Union (GAFWU) - Mazdoor Ekta Manch (MEM)

Women's Work

Garment workers around the world, especially those who do the basic stitching of children's and women's garments, are predominantly women. Also, the vast majority of homeworkers are women. According to statistics in Chen, Sebstad, and O'Connell 1999, women accounted for 87 per cent of homeworkers in Argentina, Germany and Hong Kong, and over 90 per cent in Japan and Mexico.

But often, some of the higher-skilled tasks such as cutting are often done by men. And where products require higher technical skills to produce, women have been squeezed out of garment manufacture by men, who have more opportunity to learn the new skills (Carr, Chen and Tate 2000) ^[11]. Export factories tend to hire young women before they are married or become pregnant, and let them go once they are.

The share of female workers has significant negative impact on the number of disputes, strikes and lockouts. Large presence of female workers in the total direct workers can

have a negative effect on the frequency and extent of industrial disputes. This is attributed to the widespread female aversion to militancy as well as to the fact that female workers are concentrated in industries where workers are poorly unionised (Tracy, 1986; Shorey, 1976) ^[36, 32]. A one percentage point increase in the share of female workers reduces the number of strikes by 3.23 per cent and lockouts by 3.27 per cent. In number of workers involved and number of mandays lost regressions, it is significant and negative only in the case of lockouts. These results in general suggest that female presence in the workforce is reducing the incidence of industrial disputes.

Concluding Remarks

This paper examined the determinants of industrial disputes in the case of Indian garments manufacturing industry. The paper shows that in the current scenario, where factors like import competition, captured in terms of tariff and import penetration rate, has in general curbed the extent of industrial disputes. Variables like high rate of contract labour is also found to have contributed to the significant negative effect on strikes. The study emphasises the important variable of female presence in the labour force, which is found to be reducing the incidence of industrial disputes.

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