LABOURISATION OF INDUSTRY
NEED OF THE HOUR

A B. M. S. PUBLICATION

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A short treatise on the new concept of Labourisation as propounded by B.M.S. envisaging the worker owned enterprises.

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FOREWORD

This is a short note on a new approach propounded by Bharatiya Mazdoor Sangh-BMS-that of "Labourisation". 'Labourise the industry' call was given by it as a solution to some of the ills of the present day industrial pattern. It envisages not only participation in the management of industrial enterprises but also ultimately its a ownership by the very labour who toil in the said enterprises.

It is not easy to achieve. It requires a thorough change—change in the outlook psyche, preparedness and a strong will and determination to accept responsibility on the part of all social partners—the Government, the employers and the workers. The whole approach to industrial relations should get revolutionised. Instead of the present theory of class conflict, which has obviously run aground, the concept of 'industrial family' should dominate the thinking.

Labourisation is not meant to put all enterprises in a straight jacket. There could be various forms and degrees of labourisation. And certainly it is not meant as a magic solution to all the present industrial ills. But it would certainly succeed in breaking the present vicious circle and letting in fresh invigorating breeze in the prevalent suffocating atmosphere.

The author, a young activist of BMS, has a long experience of trade union working in the Jute industry in West Bengal. He is also the General Secretary of Bharatiya

Jute Mazdoor Sangh and Bharatya Mazdoor Sangh (W. B.). He is one of the major architects of reviving the locked out New Central Jute Mills Co. Ltd., Budge Budge, in West Bengal. This booklet therefore has a fragrance of practical experience.

Of course this idea of 'Labourisation' needs to be worked out in detail and developed to suit different situations. But Sri Baijanath Rai's venture which is the maiden one in this branch of thinking, is valuable and deserves commending.

It is hoped that this booklet would stimulate similar thinking in others and carry forward the idea of 'Labourisation'.

Ram Naresh Bhavan
B. M. S. National Head Quarters, **G. Prabhakar**
New Delhi.
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INDUSTRIAL growth is a major criterion by which we can measure the real economic growth and development of a Country. It is the industry which provides food, clothing and shelter to the people ; it is mainly the industry which increases country's income in the form of export business. On the one hand, it involves trade and commerce and on the other it provides work to the countrymen. It is because of this overriding importance of Industiral growth in the economic development that all countries are keen to set up and run different kinds of industries.

Recognising the importance of industrlal growth, our country too has established different kinds of industries both in the pre and post-independence period. On the basis of ownership our industries have been classified into different groups such as private sector, public sector, joint sector, etc.

OWNER-EMPLOYEE SYSTEM

Under this system investors or promoters are termed "owner" or "employer" and are generally known as "MALIK". Similarly those who lend their labour are termed "workers" or "employees" often described as "NAUKAR". On this criteria, a master and servant relationship is operating in all the industries.

The main object of industries in the private sector is to develop trade and business for profit. Its secodary or subsidiary function is to provide work to the countrymen. While investors are supposed to make an earning out of their investment, no investor or promoter should be allowed to earn income at the cost of industry or the workmen.

But now-a-days, we see that while the investors or promoters are becoming more and more 'healthy' i.e. rich, the industries run by them are turning sick and the sickness of industries is growing day by day. Prior to independence, the British established a few industries in our country to promote their own vested interests. Unfortunately, our own businessmen and industrialists after independence are showing a similar inclination of earning for their interests only. They seldom have any consideration for national interest. They are interested only in earning more and more money for their own purpose.

The result is that industrialists are found switching over from one industry to another by making 'sick' the previous one. One of the major reasons for this phenomenon is that they are running their industries with the help of loans from different financial institutions, including those owned by Government. After cornering all benefits avai-labve to a particular industry, they leave it in a bedridden condition. Large amounts of P. F. and E. S. I. contributions have also been digested by them. Of-late they have been advocating for acceptance of reduced wages for employees in order to keep, so they claim, to maintain their 'sick' industries in running condition.

REAL CAUSE OF SICKNESS OF INDUSTRIES.

The employers do not seem to be at all in a mood to run any industry by investing their own money. An enquiry reveals that 75% of the total bank credit given to the industrial sector is to-day accounted for by large and medium industries with a lion's share thereof cornered by the monopoly houses, whose own share in the equity capital is virtually nil, as will be seen from the follwing table relating to 7 top industrial houses of this country showing percentage of equity capital invested in the assets of the companies owned by them.

Tata	0·36	Birla	0·18
Mafatlal	0·99	J. K. Singhania	0·65
Thapar	0·16	Sriram	0·14
K. P. Goenka	0·25		

It is clear that the investment of the big houses in their industries is practically nil. It is less than one percent. If such is the position, is it justified in this situation to accept them as owners or employers or Malik ?

It appears that something has gone wrong with our Industry since the very inception. The share of profit was not wisely or judiciously divided. Some handful of industrial houses have been allowed to bring up the industry, but in the process, they are harming the whole industrial economic development of the Country. In fact we will find that amount due to the labour is much higher than any other creditors in any sick unit. Even in viable units the invested amount of worker on account of their Gratuity, P. F. etc. is also much higher than the total investment of promoters of the Company. So the very concept of "Employer" and

"Workmen" or "MALIK" and "NAUKAR" is worng at present. When both are equally responsible for achieving the object of production and when workers are becoming larger creditors day by day and when the operating investment of workers is always higher than any promoter how should he be regarded as merely a Worker or NAUKAR ? This conception can never be accepted as just. It is most painful that while a worker plays an important role in the process of production he is being provided some money like crumbs while the lion's share of the profit is being pocketed by the industrialists because he is the "OWNER" as only he can dangle the purse even though his actual investment is meagre.

This is the main reason why industrialists (except a few) have no love or respect for their industry and have no qualms in switching over from one to another industry. The growing sickness of industries in our country is mainly for the aforesaid reason.

While there are more than two crore of able, unemployed, young people, registered in different employment exchanges and more than four crore are looking for employment in the rural area, the closure or lock out of any industry has no justification. If we cannot provide employment to all the able-bodied young persons of India, we have no moral right to snatch employment by way of lockout or closure of any industry. Ruling political parties at the Centre and States talk about providing work to each hand but hardly any effective step has been witnessed for such forced unemployment of workmen of our country. A recent study shows that more than two and half lakh large and medium and small industries are now closed, rendering several lakh workmen jobless.

MULTINATIONALS.

Recently, the Government has started encouraging multinationals to enter into our business in the name of faster development of the country so that India enters the 21st century along with other nations of the World. These multinationals are bringing in investment, high technology, including sophisticated computers. It is a fact that they are not going to provide much employment to our unemployed. They might fulfil the objective of technical development with high rate of production in some areas but it should be kept in mind that mere technical development has nothing to do with the overall development of the Country. But Government and some self-centred capitalists are shaking hands with the multinationals. There is no guarantee that these multinationals will not repeat what had been done by British East India Company i. e. snatching our economic freedom with the help of which they can even control Political leaders. Moreover the technology, which is new to-day, has no guarantee to remain new even tomorrow in such a faster speed of scientific researches. There are evidences that Western or other developed countries are transfering their such machineries which are either obsolate or having of no use for them to-day.

While importing computer technology—which is capital intensive, the Government is, strangely enough, talking about workers participation into management. Such slogan of labour particapation, without providing share in ownership, can never provide desired result. On the contrary, these "MULTINATIONALS" Could endanger our economic independence. We might have to fight a second war of economic independence.

NATIONALISATION :

The so-called progressive i. e. Marxist and Socialist used to cry for Nationalisation of all Industries. They argue that Capitalist in private sector digest the company's account, exploit workmen, corner all the profits and as such lowers the National Income. The interest of worker and the country itself is always in danger, if, the Capitalist are allowed to dominate Industries through private sector. In their words, "Nationalisation is only panaecea for all Industrial maladies." It is for this reason that almost all the Industries are being owned by Government in the Communist Countries. But now they are also realising that their concepts were not scientific, because the nationalised units are not giving desired result. No significant difference was noted between bureaucrat and the capitalist in running an Industry. Rather, they observed that, in some cases, private sector is giving better results than Govt. sector. The sickness of industries in Govt. sector is also increasing day by day. The total concept of communism is now washing away. The coneept of class, 'Haves' and "Haves-not" private and public properties is now loosing its all qualities of progressiveness.

It is in this context that the Communist are now preferring for transfer of some units of Govt. sectors into the hands of private sectors. They are searching for the same capitalist, whom they hated by disignating as real enemy of Communist thinking. Whatever may be the conditon, it is now crystal clear that Industry can no longer be put only under two umbrellas of privatisation or Nationalisation. The chances of maladies exist in both the systems. So the choice could not remain only in between them while both the systems cannot be out right rejected, the new patterns of ownership cannot be ruled out.

PATTERN OF OWNERSHIP :

Bharatiya Mazdoor Sangh has always advocoted for different patterns of ownership. It believes that pattern of Ownership should be pragmatic. Different patterns might be suitable for different kinds of Industries. Industrial ownership may be in the form of self-ownership, Self-employment, Workers'-Ownership, Co-operatives, Socialisation, Common ownership, Municipali sation, Decentralisation, Nationalisation, Labourisation and so on. Thus we should not be rigid of only one type of Industrial Ownership. The choice is not only in between Nationalisation or Privatisation but of so many form. It is in this context that B M S has always demanded for :—

(i) Appointment of a National Commission to go into the question of and recommend different patterns of ownership taking simultaneously into consideration the peculiar characteristics of each Industry and the total requirements of national economy.

ii) Appointment of an expert panel on the selection, location, size and appropriate technology for the Industry which would be in the best interest of the Country.

But whatever pattern we may decide, it is now crystal clear that the present system of master and servant relationship or employer and employee relationship, is not going to achieve desired success from the Industry concern. Human labour (pasina) have to be given proper honour. In all pattern of Industrial ownership workers shall have to be accepted as co-sharer.

It is in this context that Bharatiya Mazdoor Sangh, (B M S) since its its inception advocates for "LABOURISATION" of industry.

Labourisation, of industries means that the value of human labour sbould be equally counted as capital in an industry. Workers should be given equal shares in Industry as their labour is as essential a factor in the process of production in industry as the capital investment. "PAISE" and "PASINA" should be equally treated. Workers should be recognised as co-sharers. Total share of capital should be equal to total share of labour in an industry. The term employer and employee should be so broadly defined that there should be no distinction left between them as regard to share. The whole profit should be divided equally between workmen and capital investors. This can be done by alloting equal shares to workers and investors in an indusrty and putting workers' representatives on the Board of Directors. Workers either with their own resources or with conditional association with private promoters or Government's Financial Institutions can succesfully run an indnstry.

LABOURISATION AS A CURE.

B. M. S., is of opinion that Labourisation is a remedy for most industrial maladies, if not for all. Some Europeans communist party and trade union have observed that "If the employees invested their personal savings in the work, it would improve discilpine and heighten responsibility and the sense of ownership." (Quoted FROM "NEW TIMES" April, 15, 1988, Page-23).

Though nowhere Labourisation of Industries has been fully tested, there are countries where some policies and laws have been enacted which are found to be quite similar to the idea.

FOREIGN EXPERIENCE

The French Government under Gen. De Gaulle issued an official decree by which profit sharing was compulsory in all private firms where more then 100 employees were working. In Yugoslavia, it is in the form of Automanagement. The law proclaims factories, mines communications, transport, trade, agriculture, forestry, municipal and other state economic enterprises as national property. These are to be managed by the workers collectively in the name of community within the scope of state economic planning.

In Hungary, Taurus Technical Rubber Goods works of Budapest, employing 9500, successfully adopted this idea in 1987.

In United Kingdom, the British Trade Union Congress also holds the view that the trade unions should have large and larger shares in determining the policy and day to day practice of an industrial enterprise at all levels of manangement.

There are industrial co-operatives in Singapore which are engaged in transport and other companies. Workers share profit and play an effective role in decision-making.

Communist China has also left some sectors where workers take part in decision-making process.

On May 21, 1951, the Co-determination law for coal and steel was passed in West Germny. On the basis of that law, the Board of Directors of capitai companies were expanded to include "a Labour Director" proposed by the Trade Union. The Labour Director could not be dismissed without Union's approval. His duties were in the field of social policies and labour laws. The Supervisory Boards were composed of five representatives from the share holders, five from the employeees and one neutral man (eleventh man). The eleventh man reqired the approval of both sides. In the beginning of 1968 the main union, D. G. B., published its draft law on "Co-determination". The draft provides that co-determination shall apply to firms which will meet any two of following three coditions :—

a) More than 2000 employees.

b) A balance amounting to 75 million DM.

c) A turnover of 150 Million DM.

NATIONAL EXPERIENCE

In our country, the National Productivity Council has evolved a formula to allocate the gains of productivity among the share-holders, workers, consumers and for plough back effect. To this N. P. C. formula Shri V. M. Dandekar, the then Director of Gokhale School of Economics and Politics, Poona, made a good correction to the effect that the plough back of 30% should be given to workers in the shape of shares to make them co-owners. Though both formulas require further technical working such as mode of determining the gains of productivity and basis of allocation of shares to different categories. One of the common objections against these schemes from the management side; is that so long as the management are held responsible for the suceess of the enterprise, they cannot share the responsibility of taking decisions. On the labour side the objection is that such schemes only provide some cosy jobs for trade union leaders who change over to the other side in due course. The Yugoslav pattern provides, probably for this reason, for a maximum term of two years for any employee to remain on the board and even during this period he continues to work at his regular job except for the period required for board meetings.

In any case, hesitation to go forward with such schemes can be understood since the special skills required decide long term policy and managements' affairs cannot be easily entrusted to the process of elections by common workmen. It must be noted that in Yugoslavia the elected body nominates the lower i. e. the management body, while in the Federal German Republic, the functions relating to personal and social co-determination are in the executive jurisdiction of the works council whereas in the functions relating to economic matters works councils have the right of only a co-decision.

Some years ago Honourable Supreme Court of our country asked the Tamilnadu Civil Supplies Corporation Employees Union to submit a detailed scheme of "workers co-oparatives" to run the fair price shops under the corporation, suffering from losses and heading towards clossure. In another instance the Maruti Udyog Ltd.; a public sector undertaking, once proposed the Govt. for considering sale of shares to its employees to improve productivity by ensuring greater share of its workers in company's affairs.

In West Bengal, the ownership and managements of a good number of enterprises, both in the Private and Corporate sector viz. Ganges printing Ink Manufacturing Co. Ltd., Underwood Typewriter Co. Ltd. Gladstone Liyals Co. Ltd. have been passed on to the workers either under Court direction or through voluntary negotiations. "Kamani Tubes" of Bombay have also adopted this Policy. Hon'ble Supreme Court of India has also given a favourable verdict on it. New Central Jute Mill Co. Ltd. of W. B. employing 13000 workmen is another encouraging example where workers have been running the Mill since 1987.

STEPS :

There may be different ways of approach towards the "Labourisation" of industries. However the following steps can be considered :

It has already been mentioned in the very beginning that the share of investment of present employers or owners in their establishment is practically nil. So there is a need for some suitable amendments in the definiton of the term "Employer", "Owner" in all the relevant laws. i. e. the Company laws, I. D. Act, Factories Act etc. There should be no term such as "Employer" or "Owner" and "Employees" or "Workmen",—all should be termed as co-sharer. While accepting this principle, the value of "PASINA" (Labour) should be more than that of investor. It may be termed as Co-Operation in the form of Co-Partnership wherein workers should be allowed to share in the profit of the business in agreed proportions which will be accumulated in the business on the individual accounts of the workers, to form some capital for them. On the basis of which they may hold share in "capital" and "management" of the business.

There is need for popularising the demand of "Labourisation" at all levels. Common man, bureaucrats, politicians and the Government as a whole should be convinced through democratic agitation regarding status of workmen and employer in the context.

Public sector and Government undertaking are running in losses. Government is determined to give them back to private sector. While pouring down more and more money to such industry is useless, the very thinking of giving them back to the private sector also leads to uncertainty. Such factories should be given in the hands of workers to run the same as share holders, without having the past liabilities, and on competition basis, by directing financial institutions fo provide all reasonable financial help as and when required. Some test on trial and error basis can be done.

A large number of our trained unemployed young are tempted towards jobs of abroad under multinationals in order to get better employment prospect with better facilities. To check this, we could provide our young unemployed some industries of our own by identifying the areas according to availability of our rasources. We shall have to Industrialise our nation at a faster speed like

Japanese than to accept the dictatorial terms of multinationals. Gandhiji's "Kargha Udyog" may be obsolate today but something like that may solve our present problems and here also the scops of Labourisation is bright.

SCOPE :

1. Keeping in view the risk of dishonest competition from private sector, it would be wise to bring such iudustries under this new sector whose production at the present stage will be directly consumed by the Government. This new sector may be termed as "WORKERS SECTOR".

2. Preference may be given for production of domestic consumer goods by pushing private sector to produce products for foreign consumption. If Private sector is asked to produce goods for export the prospect of foreign exchange would bo bright and will be more beneficial for our national economy.

WAYS :

This "workers sector" may be formed in the following manner.

(i) Paid-up capital to be shared by the workmen and financial Institutions of the Government.

(ii) Interested honest promotors may be included to share one time fixed capita lwithout an opportunity for future increase in it, under any circumstances.

(iii) Purchase of share will be allowed only by the concerned workmen.

(iv) Board of Directors, shall be constituted/reconstituted by appointing the Chairman either from workers' or Governments representatives and the Managing Director by taking one expert and professional man. Other members would be from workers and financial institutions according to their shares in the capital.

(v) This sector may be constituted/estahlished by cent percent capital from workmen only through their personal contribution.

(vi) In running of sick units the share capital may be obtained from a part of P. F. money of the workmen concerned and/or from their statutory dues.

(vii) "Shram Vikas Patra" (Labour Bonds) may be introduced in the country in order to form capital by regular and/or personal saving of workmen in general.

(viii) A Workers' Bank may be established to build up capital.

(ix) Industrial co-operatives may be formed.

(x) State and/or Central Government's financial institutions may contribute in the Equity Share to make it a joint venture.

(xi) From the list of Registered Unemployed in Employment Exchanges, which was risen to 2,97,57,000 in July, 1988, different groups may be formed taking engineers, technicians, skilled and unskilled labour with a direction to buy a share bond of of Rs. 5,000/- to

Rs 10,000/- each in order to form capital. A licence for production of new or any other product may be provided to them with adequate Financial and other help in order to create a "VISHWAKARMA SECTOR" (self employed sector).

(xii) Growers, workers, Government's Financial Institutions and/or promoters can also step into joint ventures to run an Industry of their choice by investing in the capital in cash or kind.

(xiii) "AUTO SHARE" system may be introduced in each and every Factory. All workmen/employee would be given a share as per their length of service in the Company for their each year of completed service. This can create a mutual trust and greater sense of responsibility in all concern.

(xiv) Unused or uneconomic part of assets of a company can also be encashed to provide Equity share in favour of workmen/employee where their dues are not secured.

(xv) All scraps, wastes, idle machines and other idle movable properties of the company can also be encashed to provide equity share in favour of workmen/employee.

(xvi) Self Employment Scheme, Nehru Rojgar Yojana and many such other programmes have been adopted by the Governments at the centre and states. But unfortunatly they are not giving fruitful results. However this can also be utilised in this respect by providing licenes of new pattern of Industry in place of old and rotten projects in order to create enthusiasm amongst the youths.

(xvii) Co-operative Credit societies formed by workers can also be encouraged to participate in Equity share.

PROCEDURE :

It is a well known fact that to run an Industry is not an easy job. Specially, it is too much tedious job for workmen and/or their Trade Union. Neither their mental set up is like that nor our society would easily believe that the workman could run an Industry. Unfor-tunatly most of us have learned the "Right to consume" but a very few have capability to understand the "Right to create". No one likes to take any risk. Govt. and Political Parties have never tried to teach the people "To create". On the other hand people were taught of Right "to consume", ignoring to most valuable concept of the duty "to create." That is why our Economy is still under bondage of stagnated in Trade than Industries.

As such our first approach should be to awaken the Conciousness through proper and intensive education. Working men should be convinced that they are not merely a servant. They would have to make understand that the following main factors are essentially respon sible for an Industry besides other things :—

(a) Man,
(b) Money,
(c) Machine,
(d) Material,
(e) Market,
(f) Management.

MAN i. e. the WORKMAN is never a less important factor than any other factor of an Industry. He is the creator, he is the producer, he is the pioneer and as such he is the God of work i. e. VISHWAKARMA. The bud of self pride, self respect, self confidence should bloom in his heart. Therefore a better "TRAINING" in this respect is urgently required. Social organisations, Trade Unions and the Governments should have to come forward to organise Trainings Programmes for workers in this line of onward march of Labour from a servant to owner.

Besides above, we shall have to conduct inquiry and adopt procedure in the following manner in order to LABOURISE the Industry.

(1) FOR SICK UNITS :

(a) Unity of All Unions is the first step.

(b) Liabilties of the Company should be enquired of

(i) Workers liabilities.

(ii) Govt's Taxes.

(iii) Financial Institutions such as Bank & others.

(iv) Creditors.

(v) Others, if any.

(c) MARKET POSITION :

(i) Whether it would be viable.

(ii) Whether its production would yield any profit in the market.

(iii) Whether ptoduce could be sold easily.

(d) MACHINERY CONDITION : Whether it could be operated for the process of production, if not, whether its replacement would bring more burden on the liabilities.

(e) PARTICIPATION IN "SHARE" : Any procedure as mentioned under the heading "WAYS" can be adopted.

(f) SOURCE OF FINANCE : What Assistance/help is available from.

(i) Governments.

(ii) Financial Institutions.

(iii) By any other source such as promotors etc.

(g) CONCESSION : What relief and/or concession could be achieved from Govts. Financial Institutions and others on past liabilities ?

(h) PREVICUS SHARE-HOLDER : Whether agreeable to transfer their share.

(i) RAW MATERIAL : Whether it could be easily obtained.

(j) MANAGEMENT :

(i) Whether old Management are trustworthy.

(ii) Whether any change in expert management is necessary.

(iii) How they would work jointly with workers representatives at plant level.

(k) BOARD OF DIRECTOR : It should be constituted with Technical expert and proportionate representation of workmen, Govt, Financial Institutions and promotors (if any). Chairman of the Board should be worker by

Rotation in case of multiplicity of Unions or Government's nominee. Managing Director should be the expert and professional man.

(i) CO-PARTNER, CO-OPERATIVES, CO-SHARER : It should operate either through co-operative society or on co-partnership or co-sharer basis in the Company.

(m) DIVERSIFICATION : It should also be seen whether any diversified product could be produced which has market value in order to achieve more Financial support for the Company.

(n) Technological Training is also needed which could be provided through Technical experts.

2. FOR ALL OTHER UNITS : i. e. Profitable Private Units or Public sector Units :

(a) "Auto Share" should be provided gradually as per length of service in order to participate in share.

(b) Workers Representatives in the Board of Directors should be taken.

(c) Participation in the Management.

CONDITION

To achieve better success of this sector following conditions must be fulfilled :

(a) All should work in one team spirit irrespective of their party, colour, rank or class.

(b) National spirit should be supreme in the minds of all concern.

(c) Past liabilities should be avoided as much as possible.

Truely speaking old employers should be compelled to shoulder that fully.

d) In case of sick units previous key post holders should be judged properly and then only they might be allowed to continue into such units.

(e) A time bound programme should be formulated.

SOME CASE STUDY :

U. S. A.

According to Mr. Corey Rosen, the Director of National Centre for employee ownership of U. S. A., employees have bought out more than 100 businesses since 1975. These buy out have become more successful since 1980. Following is one such example :

1. Workers ownership.

Omak wood products, washington, U. S. A.

Members of local 3023 of the lumber, plywood and Industrial Workers Division of Carpenters with the help of "EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)" took over omak wood products through bid. On 6th October, 1988 transaction took place by which workers got control of a promising business which consists of a Saw Mill, Plywood mannfacturing plant and 41000 Acres of Timberland.

The Union decided to bid for the company after watching that several distant owners came to omak, collect the profit and then move on. Some time they collect profit at the expense of Jobs i.e. by reducing working complement. Workers bid the company on 35 million dollar.

They took loan of 50 million dollar (whieh included 15 Million dollar for operating capital) from a financer namely Drexd Burnham and paid the bid money. Their Board of Directors includes three workmen representatives. They decided to set aside 10% of their wages until much of the said debt was paid.

2. Co-opeiative Partnership at U. S. A.

On 28th April, 1986 the Membership of United Steel workers of America (U. S. W. A.) held an agreement with National Steel Corporation (N. S. C). The back ground of the agreement was this that N. S. C. was becoming sick day by day. It was losing heavily which caused several lay-offs, work stoppages etc. There was no job security or employment security.

In the Agreement they integrated all the elements of co-operative Partnership such as Employment Security, contracting out, productivity, Gain sharing, safety and health. Profit was linked with share of employees.

Structure of co-cperative Partnership.

The negotiators set up joint Labour Management corporation committees at the corporate, division, and department levels each with an equal number of Management and Union participants. These committees shared information and assured that the Union members of the committee had full opportunity for input. The division and department committee should meet monthly and the corporation committee meets at least quarterly. The key element of the Agreement is the provision for shop-floor working groups to deal with the problems. The objective is to ensure that all bargaining unit employees meet at least monthly with their foremen or other management and union Representatives to share information and to provide employee input into decisions which affect the work group. Workers and Management will share in decision making process in order to bring the N. S. C. lowest cost producer of quality steel products with timely delivery in the market. And thus they saved their own fortune and also the fortune to Industry.

("Source—American Labour News Issues May 1990 and July 1990")

3. Taurus Technical Rubber Goods work, Budapest, Hungry.

This was a loosing concern. Payments of workmen could not be made in time. It was used to be delayed. Company was needing loan from workman for its survival. It was under these circumstances that in 1987 the Management, the works council (includes all categories of employees) and public organisations decided to take over the company by participating in share. They introduced two "Tickets" in terms of share namely :—

(i) Property Ticket,

(ii) Interest Ticket.

Property Ticket : Any workman of Taurus could buy from 5000 to 10,000 Forints worth of property Ticket. The Ceiling was further raised to 200,000 Forints. Proceeding from prices and earnings, this is approximately equal to

4000-800 robles. However state passed a resolution fixing the ceiling on such securities. The overall sum should not exceed 50 percent of the capital invested in a given enterprise. There is further incentive on Investment. If a worker invests 10,000 Forints i. e. buys two property tickets, all calculation would be based on 13,000 Forints. The interest on Investment was 7 percent (more than a saving bank). The works netted higher profit than it had planned. So it was decided to add a further of 6. 3% to the guaranteed rate i. e. 13. 3% interest which would be actually 17. 2% on whole amount of Investment. This ticket can be sold to only full time employee i. e. who had worked not less than one year. If a worker leaves the Factory he can sell his share. In this way in the starting year i. e. 1987 property tickets worth of 32 Million Forints were sold. These security could be cashed in open market par.

Interest Ticket :

In addition to property Tickets every employee would get interest ticket automatically depending on the number of years he or she has worked i. e. 500 Forints for each completed year of service. Thus they successfully saved the Industry by participating in share and making it viable.

The party, Trade Union and Young communist league committees, the Management and the works council now believed that if the employee invested their personal saving in the works, it would improve Labour Discipline and highten responsibilities and the sense of ownership.

("Source-New Times, A soviet weekly of world Affairs April 1988 issue").

4. Kamani Tubes Ltd. Kurla Bombay, India.

It was lying closed since september, 1985. Workers of the company decided to run the Factory by forming a co-operative. Accordingly they prepared a scheme into which they intended to participate in equity share. Management also prepared a scheme. Workers moved to Honourable Supreme Court of India. In terms of order dated 13 October, 1987 Honourable Supreme Court directed BIFR to file a feasibility report on workers' scheme. The Report was submitted by BIFR in due course of time. After hearing all concerned parties Honourable Supreme Court vide its order dated 20th April, 1988 directed BIFR for consideration, whether it should proceed to pass an order in terms of workers Scheme under Section 18 (4) of the sick Industrial Companies (Special Provision) Act, 1985 and thus rejected Management's Scheme. After hearing all concerned the BIFR sanctioned the Scheme of workers on 6. 9. 1988. The sanctioned Scheme is as follows :—

> The workers Co-operative with an initial membership of around 600 will make their contribution by raising Rs. 12,000 each consisting of Rs. 2000/-from their Provident Fund Acconnt and Rs. 10,000/- by taking loans individually from Urban Co-oparative Bank. The Shares of Kamanis (about 91·6%) and others of the face value aggregating Rs. 96 lacs envisaged to be transferred and allotted to the works co-opartive at the

reduced value of Rs. 1/- per share. The Management of K. T. L. is to be vested in a reconstituted Board of Directors consisting of 2 Directors from State Govt., 1 director from Bank, 2 directors fromworkers Co-oparative, 2—3 directors from professionals and a special director from BIER. State Govt. also agreed that it would contribute to the Share capital on matching basis after the workers Co-operative collect its contributions. Under the Scheme there was no need for any long term loan from any Bank.

From the aforesaid fund it was planned to spend Rs. 60 lacs for overhauling, repairing and rectification of equipment which would take 6 months time. Another 70 laces was estimated as against working capital. It was planned that as per projection Rs. 1183 lacs would be the fund availability in the next 10 year. It was agreed that profit sharing to the extent of 20% of the profits would be with the employee, 50% of the fund so available shall be used and adjusted for allotment of fresh equity shares to the workers co-opeaative and balance 30% of the funds available for profit sharing shall be utilised in liquidating the lone taken by workers.

A plant level committee was also formed to look after the day to day working of plant.

5. M/S. Jaipur Metals & Electricals Ltd. Jaipur (Joint Sector of State Govt. & Worker), Rajasthan (India). This company was also established by kamani group in 1943. It was a pioneer company in the field of

Non-ferrors metals and alloys in 1953. Later on, the management of the company was passed on to the hands of State Government assisted by Financial Institutions and Banks due to continuous losses in the year 1977. But then also it could not be a viable Unit. The company started incurring heavy losses from 1981-82 mainly because of abnormal high production cost, low productiviiy etc. The accumulated losses reached from Rs. 580 to Rs. 1130 lacs approximately by January 1984. It is under these circumstances that inspite of several doubts and fear both the management and workmen rise to the occassion and came to understanding through an Agreement held in January 1984.

(a) It was agreed that 500 unproductive employees would be relieved from the services. Their liabilities would be met with from generated funds in due course of time.

(b) Working hours of all employees including workers in shift were extended.

(c) Unnecessary gate-pass and leave during working hours were firmly curbed.

(d) Overtime was stopped.

(e) Annual increments were defferred for one year.

(f) Wage freez at the level of 1983 was done for next 5 years.

(g) Dearness Allowance was also freezed.

(h) Production norms were increased by linking the salary and wages of all the supervisors and workers.

(i) Sharing of operational profits to the extent of 20% with all the employees through allotment of Equity share to the corresponding extent.

(j) Equity share would be provided to the workers co-operative.

k) Workers would be representated from plant level to Board level along with State Govt. Financial Institution and Bank representative.

Thus the company started making profit. Workers co-operative took share of 78 lakhs within one and half year which was equivalent to 50% of Total Share in the company.

6. M/S. New Central Jute Mills Ltd. Budge Budge South 24-Parganas (W.B.)

This Company employing 13000 workmen became sick and locked out on 16th April, 1986. Promotors were reluncant to reopen. Workers along with management decided to run the mill by participation of workmen in Equity share. As such an Agreement was held on 31st January, 1987 by and between the management and 13 operating Trade Unions on following terms and conditions :

Terms of Settlements :

(i) All employees of all Units/establishment of the Company agree to contribute toward enhancement of the Capital Funds of the Company in the following manner :

(A) Permanent & Special Budlis agree to contribute to the additional Equity of the company in the following manner :

(a) Convert the outstanding of bonus for the years 1984-85 and 1985-86 to Equity.

(b) Convert to Equity the increases in all components of Wage due to D. A. escalations (except for P. F. & E. S. I. components) as from April, 1986 base for two years from the re-opening of the Mills.

(c) Such amount out of (b) above may however be given as Term Loan to the company as may be advised by the IRBI in the Scheme of Reconstruction.

(d) The employees (permanent and Special budlis) agree to form an Industrial co-operative to acquire and hold the Equity in the Company on behalf of the employees.

(B) All Budli (casual employees) will also provide contribution in similar way but the said contribution will be in the form of loan to the company as stated in Clause (1) A (C) hereinabove. However, the possibility of their participation in Equity would be considered in due course.

(C) Other than the category of workmen / employees covered in category A & B hereinabove all other categories of employees will also agree to contribute toward enhancement of capital funds of the company on the lines of those applicable for permanent and Special Budlis as in category A (a) hereinabove and by and large to the extent of per capita contribution to Equity for the workmen categories, since in all such cases D. A. element may not be there or D. A. element may be different.

(ii) The Company will agree to accept such additional Equity and complete all necessary formalities under related Sections of the Company's Act and also formalities for reduction of existing capital to the extent as may be directed by the IRBI in its scheme of Reconstructions in such manner as required.

(iii) The employees of the company will agree to retain with the company such sums of money as may be progressively collected in terms of (1) A (b) and C, for conversion to Equity on completion of formalities referred to in clause (ii). However, in case the company does not receive sanction for enhancement of equity or is restrained for any reason whatsoever to issue equity to the employees, then such funds as to be collected shall be treated as a loan on such terms as may be specified in the scheme of reconstruction and the matter would be reviewed once again by all parties.

iv) The company will accept such number of the nominees representing employees share holders as may be decided in the Scheme of Reconstruction to be finalised by the I. R. B. I.

(v) Both the parties agree that there are complex problems to be resolved before the Mills could be re-opened, particularly in view of the uniqueness of the proposal of labour participation in the management. The management promises to do its utmost to resolve such problems with the help of State Government, Banks and Financial Institutions and it is expected that the Mills may be re-opened any day in February, 1987 latest by first week of March, 1987. It is however agreed by both the parties that both for prevention of deterioration of stocks due to prolonged lock-out along with the effects of exposure to weather as well to find means to make some payments to the employees against their earned wages for the period immediately before the date of the lock-out the management will take necessary steps to sell goods as well as protect stocks as necessary.

On the basis of above agreement the mill started its operation. The Scheme of workers through its Financial Institution IRBI was placed before BIFR. After a protracted discussion and hearing the BIFR sanctioned the scheme as follows on 20th September, 1990.

BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION

CASE NO. 80/87 IN RE : M/S NEW CENTRAL JUTE MILLS LTD.

SACTIONED SCHEME

CAPITAL STRUCTURE AND SHARE HOLDING PATTERN

1. The authorised capital of NCJM is Rs. 500 lacs divided into 2 lacs Preference Shares of Rs. 100/- each and 30 lacs Equity Shares of Rs. 10/- each. The issued and paid up capital of NCJM as on 31. 3. 1990 was as under :

		(Rs./lacs)
25,60,000	Equity Shares of Rs. 10/- each fully paid up	256·00
33,000	7% Cumulative Preference Shares of Rs. 100/- each fully paid up	33·00
		289·00

2. Pattern of share holdings :

		No. of Shares	Value (Rs.)	%
A.	EQUITY SHARES :			
(I)	Promoters Group			
1.	Dnarmayug Inv. Ltd.	1,85,000	18,50,000	7·23
2.	Ashoka Marketing Ltd.	1,50,000	15,00,000	5·86
3.	Industrial Investors Ltd.	1,40,000	14,00,000	5·47
4.	Mahavir Finance Ltd.	1,05,000	10,50,000	4·10
5.	Caravan Commercial Co. Ltd.	1,60,000	16,00,000	6·25
6.	Ashoka Holdings Ltd.	2,15,800	21,58,000	8·43
7.	Ashoka Viniyoga Ltd.	68·931	6,89,310	2·69
		10,24,731	1,02,47,310	40·03

	No. of Shares	Value (Rs.)	%
(ii) Banks	42,842	4,28,420	1·67
(iii) Financial Institutions :			
1. L. I. C.	31,500	3,15,000	1·23
2. U. T. I	—	—	—
3. I. D. B. I.	—	—	—
4. I. F. C. I.	—	—	—
5. I. C. I. C. I.	—	—	—
6. I. R. B. I.	—	—	—
	31,500	3,15,000	1·23
(iv) Public institutions G. I. C. and Subsidiaries—		—	—
(v) Others	14,60,927	1,46,09,270	57·07
	25,60,000	2,56,00,000	100·00

B. PREFERENCE SHARES	No. of Shares	Value(Rs.)	%
(i) Promoter Group Dharmayug Inv. Ltd.	3,685	3,68,500	11·17
(ii) Banks	3,094	3,09,400	9·37
(iii) Financial Institution L. I. C.	10,481	10,48,100	31·76
(iv) Public Institutions			
1. The New India Assurance Co. Ltd.	5	500	
2. National Insurance Cc. Ltd.	100	10,000	
	105	10,500	0·32
(v) Others	15,635	15,63,500	47·38
	33,000	33,00,000	100·00

3. It is proposed that 90% of the Equity Share Capital and 75% of the Preference Share Capital is to be written off. At the extraordinary General Meeting held on the 28th November, 1988, the consent of shareholders in principle, to such reduction of capital and to forego arrear dividend on Preference Shares has already been obtained. Shares of the erstwhile promoter group shall be transferred to the employees and to the Government of West Bengal, to the extent to which they have not already been transferred. Employees are investing Rs. 510,25 Lakhs by way of equity and the Government of West Bengal are investing Rs. 400 lakhs by way of equity. The remaining shares of the erstwhile promoter group (both Preference Shares and Ordinary shares) shall be transferred to the workers at Rs. 1/- per share. After the transfer, the share holding position as on 31. 2. 92 shall be as under :

	Equity Shares		Preference	Share
	Value (Rs./Lakhs)	%	Value (Rs./Lakhs)	%
Govt. of W. B.	400·00	41·17	—	—
Employees	510·25	52·51	0·04	12·12
Bank/Financial Institution/Public Instn.	0·74	0·08	0·14	42·43
I. R. B. I.	46·00	4·74	—	—
Others	14·61	1·50	0·15	45·45
	971·60	100%	0·33	100%

4. Cost of the Project (Rs./Lakhs)

(A)	Cost of Capital Expenditure for Modernisation		264
(B)	Payment to Pressing Creditors :		
(i)	Arrear Gratuity/Wages Salary (for already retired)	180	
(ii)	Gratuity (Superannuated to be retired)	85	
(iii)	Payment to Employees' Co-op. Credit Society	60	
(iv)	Misc. Taxes & other dues	20	
(v)	C E S C	32	
(vi)	Jute & other creditors	129	506
(C)	Secured and Unsecured Loans of Bodies Corporate		41
(D)	Payment of statutory dues :		
(i)	20% of PF dues upto 30. 6. 90	246	
(ii)	20% of ESI dues upto 30. 6. 90	63	309
(E)	Margin money for working Capital		68
			1188

5. Means of Finance (Rs./Lakhs)

	Employ-ees.	W.B. Govt.	Bank	Financial Instn.	Total
(i) Equity Participation	*	263**	—	—	263
(ii) Loans from Institutions/Bank/Excise Loan	—	—	4	270	274
(iii) Special Loan- A—Under JMFS	—	—	—	42	42
B—Under JDFS	—	—	—	309	309
(iv) Special Interest free loan from Govt. of West Bengal	—	300	—	—	300
	—	563	4	621	1188

* The employees would be providing by 30. 6. 1990 a sum of Rs. 9 crores to the company (including outstanding Bonus of Rs. 150 Lakhs). Out of this, Rs. 5 crores will be adjusted towords Equity and Rs. 2 crores will be paid @Rs. 20 Lakhs per annum and balance Rs. 2 crores shall be contained as interest free loan repayable from accumulated surpluses, after servicing the debts, on a year to year basis. In addition, as mentioned above, the remaining shares of the erstwhile promoter group will also be transferred to the employees at the rate of Re. 1/—per share both preference and ordinary shares.

** W. B. Government has already contributed Rs. 137 Lakhs. Balance Rs. 263 Lakhs shall be contributed after 30.6.1990.

6. Special Conditions.

(i) The Government of West Bengal have recently appointed a Financial Controller on the Company's Board. He will continue as Finance Director.

(ii) Constitution of a management committee consisting of Chairman, Managing Director, Finance Director and a representative each from Government of West Bengal, Bank, Financial Institutions and Workers/Employees.

(iii) Appointment of a concurrent auditor with direct reporting relationship to institutions and banks with their prior approval.

On the basis of above it has been agreed that Board of Director of the Company would be Re-constituted as follows :—

(1) Chairman	1	A professional with adequate commercial and Industrial back ground.
(2) Managing Director	1	A professional with adequate background and experience on Jute Industry.
(3) Financial Institutions/Bank	3	(Three) Nominees.
(4) State Govt. of W. B.	2	(Two) Nominees.
(5) Workers/Employee	3	(Three) Nominees.

The Mill is being run successfully and thus loosing concern started giving profit.

(Source—From Sanctioned Scheme of B. I. F. R.)

In all the above cases we find that the workers or the Management or the Govt. has only adopted labourisation when the Industry became sick. It is not at all a healthy practice. Labourisation is not only for sick unit. Rather it is more beneficial for healthy and viable Unit. It will be more beneficial if we introduce it in one or another form in all kinds of Industries and Industrial ownerships.

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