Rationalisation of Industry

Urmila Devi

Our vital economic problem at the moment is of adjusting production to consumption so that shortage of goods and services inducing intolerably high prices and thereby inflicting great suffering on the consumer is got over. The Central Advisory Council of Industries, at its second meeting held on 27th and 28th July 1949 considered that in order to place industry in a healthy competitive position, both for supplying internal needs and for increasing exports, production must be increased, quality improved, and cost and prices reduced.

This will require, according to the Council, more efficient and better forms of management, rationalization of plant and machinery, fuller utilization of installed capacity, and higher productivity. These improvements can only be effected according to a well-planned programme of economic expansion and industrial reorganization. Rationalization alone holds the key to the successful social utilization of machines by men in the larger interests of the community and the nation. To achieve optimum level of industrialization in India and to maintain economic stability in the country our aim should be to effect economy and increase efficiency with a view to bring down both cost and price per unit.

Rationalization implies a more capital in highly mechanized plants and machinery which would lead to a more than proportionate increase in output. In its wider connotation, rationalization is the method of technique and organization designed to secure the minimum of waste in effort and material; added to that the scientific organization of labour; the standardization of materials and products and the simplification of processes and physical improvements in the system of transport and marketing. Conversely, the continuation of old plants, traditional processes and empirical provisions are fraught with the risks, under the present conditions of world competition, of inefficiency in production which implies high costs and prices and bad quality of products, contributing in the long run to permanent reduction of wages and of unemployment in the country. Stressing the social aspect of rationalization, the I.L.O. has well observed: "The machine raises the output, multiplies our wants and creates more leisure. A working class enjoying sufficient leisure and earnings adequate to keep up the speed of the machine can make the machine a blessing to mankind, a vehicle of higher civilization. An underpaid unhappy working class will cause the machine to work havoc in society."

Rationalization as described above is quite different from intensification. In our country often we find that instead of introducing a completely new machine or process of manufacturing, the old plant is renovated and the speed of the belt line is enhanced, leading to an increase in the pace of work, without improved agreement of the machinery, planning of the works, standardization of raw materials and finished products and without even better supervision. Thus intensification is coming in the guise of rationalization movement in Indian industry which if not checked will do incalculable harm to the economic stability of the country.

So the great problem before industry in India is, in the first instance, to utilize the hidden talents and sense of responsibility of Indian workers who can perform as hazardous, accurate, and responsible task as European workers and at lower wage-rates than their competitors abroad; and in the second instance to rationally share the gains from rationalization or intensification as between the workers and the employers. The Indian National Trade Union Congress, in its third annual session, (October 1950) on discussing this important problem of rationalization and retrenchment resolved:

"The INTUC is not opposed to proper rationalisation which does not merely mean reduction in the number of workers but includes adoption of improved and scientific methods of purchase, production and sale, reducing charges of management and stoppage of all leakages, wastes and corruption. In short, workers are of the view that rationalisation should be carried out in respect of both labour and capital.

In February 1951, the Government of India convened an important tripartite conference - Industrial Development Conference to discuss the principles and applications of rationalisation in industry. In this conference the following conclusions were arrived at:

1. Standardization of industries should be effected and standard work-load should be fixed. This should be done be agreement between the two parties and where no agreement was possible technical investigation should be undertaken by experts selected by management and labour whose reports should constitute the basis of agreement.

2. It any retrenchments are necessitated as a result of standardisation as mentioned above or due to technological progress such retrenchments should be subjected to the following conditions:

(a) Where such machinery is additional to existing plant, no question of retrenchment arises. Replacement of machinery necessitating a revision of work-load may

MYSORE IRON & STEEL WORKS

BhadraVati

Products Manufactured

CHARCOAL PIG IRON

In Seven Grades

CAST IRON PIPES

To B. S. S.

WOOD, DISTILLATION PRODUCTS

Such as Methanol, Acetate of Lime, Wood Tar, etc.

Enquiries Solicited

Branch Sales Office: LAKSHMI BUILDING,

V Floor, Sir Pherozesha Mehta Road, Fort, BOMBAY.
June 16, 1951

lead to certain degree of retrenchment but should not be such as to involve a large volume of unemployment. Secondly, the requirements of rationalisation should be met duly by (i) Stopping fresh recruitments; (ii) Not filling vacancies arising out of death, retirement or resignation; (iii) Offering work in other departments without break of service or reduction in wages to surplus labour; and (iv) Retrenching only those who have been recruited fresh. It was further agreed that wherever possible there should be extension of machinery so as to absorb labour as is rendered superfluous by technical improvements.

(b) Retrenchment, owing to lack of work for circumstances beyond the control of management, is accepted provided that such retrenchment is affected to the minimum possible extent and is fully justified. It should not involve any victimization.

(c) Retrenched workers will be entitled to gratuity as laid down. They will however have the option to avail themselves of facilities for training and maintenance during the period of training. A scheme of such training will be a joint one rendered superfluous by technical improvements.

3. Incentives for sharing the gains of rationalisation through higher wages and better standard of living should be provided. They will also be entitled to a share in the gains made through their efforts. Where wages are low, most of such benefits will go to workers.

4. These general principles are capable of being worked out in greater detail at each centre and industry by means of negotiations between representative unions and management. In ease of difference of opinion regarding any technical issue, necessary machinery for investigation would be set up through joint efforts.

5. Representatives of labour insisted that other issues relating to productivity and welfare of workers such as housing, health, insurance, working conditions, etc., should be taken up and settled as early as possible to facilitate implementation of this agreement.

6. If was finally agreed that a joint committee of three representatives of employers and three representatives of labour should be set up under the chairmanship of Shri. Gulzarilal Nanda to pursue these and other issues and work out the details.

Measure for the rehabilitation of personnel retrenched from industry as a result of rationalisation were accordingly considered further by a sub-committee of the Industries Development Committee at a meeting held in New Delhi on 24th April 1951 under the auspices of the Planning Commission. The sub-committee recommended that where gains arising out of rationalisation are made through the additional efforts of workers themselves they should receive a proportionate share in the consequent benefit.

Other recommendations made by the sub-committee are:

(a) Effective measures should be taken to minimise the effects of unemployment that may arise as a result of rationalisation,

(b) A scheme should be formulated for the rehabilitation of such unemployed workers and for providing facilities for training and maintenance during the period of training;

(c) For the implementation of the various proposals a joint board which should be a permanent body should be set up consisting of representatives of employers and workers, with an outsider appointed with the consent of both as chairman.

On the subject of retrenchment the sub-committee, while agreeing that workers may have to be retrenched as a result of rationalisation, observes that such retrenchment should be minimum necessary and should be resorted to only when fully justified.

In order to minimise the extent of retrenchment the sub-committee suggests the following measures to be taken by industry when necessary:

(a) Stoppage of fresh recruitments;

(b) Non-filling of vacancies occurring due to death, retirement or withdrawal;

(c) Offer employment to surplus workers in other departments of the industry without causing break in service and without bringing down existing emoluments; and

(d) Encouragement of voluntary retirement by paying gratuity.

The sub-committee recommended that incentive for rationalisation should be provided to the workers and where improvement in business is effected through extra efforts; made by workers they should receive, a share, in the consequent benefits. The additional capital invested by the management should also be taken into account. In industries where, the wages are below the living wages, most of the benefits derived as a result of additional efforts made by workers should go to them so that their standard of living can be improved.

Let us hope the above recommendations are given effect to without delay, so that Indian industry is soon rationalized in order to achieve maximum industrial efficiency and prosperity. For, to emote Professor Radhakamal Mukerjee:

"On the whole rationalization lies less disturbing effects in times of industrial prosperity when labour can be deflected into various fields of enterprise, though it is usually imposed upon a particular industry in a period of economic depression, calling for a drastic reduction of costs of production due to competitive conditions. The general rise of purchasing powers in the country in relatively favourable times may lead to improvement of demand and of prices causing expansion of the particular industry in which the efficiency system is adopted so as to re-absorb the unemployed labour force. In the case of such Indian products as cloth, corrugated iron sheets and cigarettes, of which the demand is elastic, the introduction of rationalization even in less favourable times will lower costs of production and selling prices and thus the demand for such products will increase, entailing re-employment of the discharged labour force. Thus the long run effects of rationalization will be cheaper production, larger consumption and greater employment. Such are the prospects of increase of wealth and improvement of the general standard of living which rationalization, well executed and adequately controlled, holds out for India . . . . Directed solely by the interests of capital and finance, rationalization in India now introduces the vicious circle of retrenchment, intensification; attack on the normal standards of work and wages and strike. It leads to waste of capital and man-power and introduces much instability in the industry and bitterness in the relations between labour and capital as to postpone its successful adoption for a considerable time to come."

598

THE ECONOMIC WEEKLY