

## CHAPTER X

### CONCLUSION

Present study has endeavoured to examine a relatively new type of unemployment situation on the Indian urban-scene, i.e., 'factory unemployment'. The mass closures of 'industrial enterprises, resulting in the unemployment of lakhs of workmen, was an unprecedented phenomenon in the Indian industry during the mid-seventies. This phenomenon falsified the prevailing assumption about the non-existence of 'cyclic unemployment' in a developing country like India. The study also points out the inadequacy of the common assumptions regarding the nature and sources of 'industrial unrest' in the country, i.e., 'workers' lack of commitment to factory job' and their 'unceasing agitation for higher wages'. The study deals with a situation where the workers remained mute spectators while their wages were suddenly discontinued, not because of their agitation for higher wages, but due to the mismanagement and the performance failure of the industrial units concerned.

The closure of the two Kanpur textile mills led to the far-reaching socio-economic consequences for the 6,000 workers employed there. Originating from the backward eastern districts of Uttar Pradesh, these workers had hardly any economic resources to sustain them during a financial emergency. Since

decades, they had been poorly paid and living at or below a subsistence level. They were hardly prepared for a contingency like the prolonged closure of their mills. The result was that the closure situation faced them with a burning question of 'how to make a living'? The saturated labour market of Kanpur hardly had an answer to this question.

The workers' hope and belief about an early and eventual reopening of their mills, added to their uncertainty and misery. Some of them simply waited in hope while the others sought temporary work to avoid starvation and still others failed to find any reemployment. The result was that almost half of the respondents were found to have remained idle throughout the closure period. Those who succeeded in getting reemployment, were mostly doing ill-paid 'inferior occupations' like rickshawpulling, vending, cycle repairing, daily-wage casual labour, hand-cart pulling and so on. In the words of Mrs. Robinson, they were in a state of 'disguised unemployment'. In this context an important observation emerged. While choosing an occupation, the workers showed a 'community behaviour' and the choice was independent of their caste and job status. The average income of a worker from reemployment was only one-third of his previous income from his job at the mill. The other sources of income available to the laidoff workers provided only a very meagre help with the result that they

had to drastically reduce their family expenditure. The extent of such reductions varied from 20 percent to as much as 80 percent.

The workers had to suffer numerous economic privations superimposed on their semi-starved condition. These privations took several forms like the drastic reduction in their family expenditure, the forcible evictions from their houses and intermittent starvation. It reached a grim culmination when some of the workers were reduced to beggary, led to survive on prostitution earnings, committed suicide and died of starvation. The social, psychological and moral costs of such economic deprivation are not easily computable.

As regards the response of the society to this agonising situation, it was grossly inadequate and delayed. The laidoff workers were left on their own to face the prolonged unemployment. They did not have any social security coverage. The various social agencies related to the situation differed widely in their response to the workers' miseries and destitution. The employers were unsympathetic, the unions were ineffective and ill-organised and the voluntary social welfare agencies were unconcerned or indifferent. The government was undecided and vacillating in its approach. In spite of the fact that since as early as 1970, the government was aware of the deteriorating state of affairs of these mills, it took as much as seven years

to resolve the problem. And by that time, a great deal of harm had already been done to both the organisations and their employees.

Synoptically, the present crisis- situation was a conjoint outcome of the institutional failure and inadequate regulatory response of the society, i.e., ineffective social control. It was a situation where the institutional failure (the mills' closure) engendered the social crisis (the economic failure of the laidoff workers) which inturn evoked the societal response ( the government's 'take over' of the mills). This situation may be depicted by a negative feedback control mechanism ( see the diagram on the next page)!<sup>1</sup>

The figure shows the dynamic interrelationship of the three phases of the present situation. The items shown within the brackets explicate the three macro level variables. Mismanagement and economic recession are the exogenous factors leading to the institutional failure in the present case. The arrows show the delay periods between the sequential phases of the situation. The delayed evokation of response from the government led to the continuance of the crisis situation for

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1. 'A feedback control mechanism is a circular reactive structure which consists of a chain of activity cycling upon itself recurrently. A negative feedback cycle aims at maintaining the stability and balance within given limits'. See, Rastogi, P.N.- Cybernetic Analysis of Complex Ill- Defined Problems in Organizations (1978).

Economic Recession

Institutional Failure (1974-76)

- II. Workers' Unrest Over Wage and Bonus Arrears
- III. Prolonged Closure of the Mills (May 1975 to July 1976)

Societal Response (1970-76)

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- I. Unions' Representations to the Government
- II. Official and Semi-official Committees to Look into the Mills' Situation
- III. Mediatory Efforts of the State Government
- IV. Government's Eventual Take over of the Mills

Social Crisis (May 1975 to July 1976)

- I. Mass Unemployment of the Workers
- II. Socio-economic Role Failure of the Workers
- III. Anomie and Alienation
- IV. Absence of Social Security Coverage
- V. Misery and Destitution of the Workers

DYNAMIC RELATIONSHIP AMONGST THE THREE PHASES OF THE CLOSURE SITUATION

a period of sixteen months. Both the crisis as well as the institutional failure, leading to it, were avoidable had the government's response been timely and adequate.

Before we conclude this study, a pertinent question remains to be answered: what possible measures may be suggested to prevent the recurrence of such crisis situations which produce disastrous consequences for thousands of law abiding and productive citizens? Under the present course of capitalistic development in the country, it will be difficult to suggest a remedy that could prevent the recurrence of trade cycles. As the Indian economy is characterised by uneven and low economic growth accompanied by a 'free play' of market forces ( though in a limited sense ), the trade fluctuations would appear to be inevitable. The path of capitalistic development demonstrates the universality of this fact, and Indian economy can not be an exception in this regard. Each and every trade cycle brings in the periods of economic recession and leaves a part of the machine and man power idle. As, Mrs. Robinson remarks:

"Unemployment is not a mere accidental blemish in a private- enterprise economy. On the contrary, it is a part of the essential mechanism of the system, and has a definite function to fulfil."<sup>2</sup>

And this function is nothing but a chance for the indu-

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2. Quoted in V.B. Singh (1963), op. cit., p. 235.

industrialists to get rid of their mounting liabilities and wait for a favourable business climate to renew their quest for profits. As, Glyn and associates observe:

"Bankruptcy, for all the disruption it causes, is in a way the natural reaction of the capitalist system, since it enables capital to be rescued from unprofitable activities. When a firm goes into liquidation, the capitalists are saved from liabilities which they would otherwise have had to pay. Some of the fixed capital which remains may be sold off at bargain prices and become profitable again; the rest is left to rust."<sup>3</sup>

If this has been the purpose behind the closure of the hundreds of sick industrial units during the mid-seventies, the government was prudent enough to allow the market mechanisms to take their course. Indian economy, like any developing economy, suffers from a low rate of overall investment. And it would be beyond the resource capabilities of the Indian government to rehabilitate all the sick units. Mass layoffs and retrenchments therefore could hardly be avoided in such a situation. Once the government finds it impossible to prevent the sick units from their financial collapse, the only course left before it is to provide some social security for the survival of the unemployed workers. Such a social security could be in the form of 'unemployment insurance'.

Before we discuss the unemployment insurance as a device

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3. Op. cit., p. 129.

to help the unemployed factory workers against penury and destitution, it is desirable to say a few more words about the closure of two Kanpur mills and their relationship with the then prevalent industrial sickness. The most important factor behind the closure of both the mills, was their gradual financial erosion. This happened primarily because of the mis-appropriation of the mills' funds and the non-reinvestment of surplus by the mill owners. This tendency of owners to misutilise the mills' resources coupled with the then operating adverse market forces like input shortages and glut in the market finally led to the collapse of both the mills.

A number of basic issues arise here. What should and can the government do in the cases of mismanaged private units? Should it allow them to collapse leading to the wastage of investment resources, productive capacity and the unemployment of thousands of workers with all the attendant social and political costs? Or should it take them over as a rule, irrespective of its own limitations of capital resources? In such a situation, it would be expected from the policy makers, to at least devise certain measures for an effective 'vigil' on the business behaviour of such delinquent industrialists.

The second measure would be to provide social security in the form of an 'unemployment insurance' for the affected workers. The way Indian economy is functioning, the factory

unemployment phenomenon is likely to persist during the foreseeable future. Therefore, it is extremely important to equip the factory workers to meet such contingencies. In this regard, unemployment insurance is an effective measure to minimise the grim consequences of unemployment. As the majority of the Indian workers hardly receive living wages, they are in no position to cope with such adversities on their own. Therefore, such a measure will not only enable a factory worker to survive during his idleness but also help him to accept job mobility. It would hence be desirable to regularly deduct a small share from his wage in the form of an unemployment security fund and thus help him during his enforced idleness.

As regards the feasibility of such a measure, it would be relevant here to refer to Lord Beveridge, an authority on this subject. When asked whether India could afford a programme of social security for the unemployed factory workers, his answer was:

"Well, I am often asked whether Britain can afford the Beveridge Plan, and my reply is that this is a question with a catch in it, like the school boy's question, "Have you left off beating your Mother!" It assumes something that is not true, it assumes that wise distribution of your income costs anything. Now to my mind it does not cost anything to distribute your income so that you spend it upon the more urgent things before you spend any of it on the less urgent things. That is merely wise spending. When people ask, can Britain afford the Beveridge scheme, its like asking if a house wife can afford to buy bread for her family before she buys a radio. Ofcourse she can and should!"<sup>4</sup>

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Quoted in R.N. Misra, op. cit., p.216.

The above suggestion should be noted by the policy makers of the country who believe that, while millions of Indians are unemployed, the factory worker can not be given a 'privileged treatment'. Unemployment insurance will not be a privileged treatment provided by the State to the workers. It should be a practicable social security measure to protect the idle workers from starvation and destitution. Only then perhaps there will be no repetition of the crisis- situation faced by the laidoff workers of the closed mills of Kanpur.