

## 1

## From Class Compromise to Class Accommodation: Labor's Incorporation into the Indian Political Economy

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For labor in the developing world, the process of rapid industrialization over the past five decades or so has been a decidedly mixed bag. On the one hand, it has brought, in many regions, rates of growth that surpass anything witnessed in the nineteenth and early twentieth centuries; on the other hand, this rapid growth has been accompanied by regimes marked by labor's political exclusion or simple, brutal repression. One need only to glance at the experience of Latin America or East Asia during the 1960s and 1970s for the unpleasant record. In this regard, labor in India seems to have fared somewhat better than its counterparts elsewhere. Growth rates in India since decolonization have been consistently higher than those of the colonial era; further, but for a short spell in 1975–1977, the Indian working class has enjoyed the full gamut of democratic rights in this period, now stretching beyond five decades.

This happy conjunction, however, should not obscure some less comforting dimensions of Indian labor's fortunes. Of particular interest to us is the fact that, despite having secured the formal democratic freedoms which have eluded workers for long stretches elsewhere, organized labor in the subcontinent has been, and remains, exceedingly weak in its organizational power. In their relations with employers, unions are constrained by an industrial relations regime which is tilted heavily toward capital. Collective bargaining is discouraged in favor of compulsory arbitration; the rules governing arbitration are such as to make it toothless against employer intransigence; the capacity for plant-level collective action is hampered by the allowance of multiple unions; the capacity for sectoral collective action is crippled by the rarity of peak bargaining.<sup>1</sup> At the level of national politics, unions are split into warring federations, each of which is deeply dependent on state pa-

tronage. As a result, unions are typically the wards of political parties, their leaders often appointed or forced into position by party bosses instead of being voted into place by rank and file workers, and labor strategy is often subordinated to the exigencies of party politics.

This has some far-reaching implications for the concerns that animate this collection of essays. First, poverty is quintessentially a class phenomenon, despite the latter category's fall from academic fashion in recent years. Now, it is of course true that, in developing countries, the industrial working class only comprises one part of the laboring poor—a category that also encompasses rural workers, peasants, and the teeming millions in the unorganized, informal sector. Nevertheless, any analysis of the dynamics of poverty and inequality is incomplete without a careful consideration of the reproduction of industrial labor. Second, for this category of labor in particular, improvements in material welfare are centrally bound up with the capacity of collective action—within the workplace and without. Labor makes gains for itself when it becomes a labor *movement*. This being the case, the industrial working class is perhaps the poster-child for analyses which seek to link the dynamics of poverty to social movements.

This essay seeks to explore the roots of the Indian working class's organizational weakness. Now, the structural conditions of a developing country are never favorable to its working class. The ubiquity of a massive reserve army of the unemployed or underemployed, the small size of the organized factory sector, the migratory character of much industrial labor—such factors centrally contribute to labor's weakness relative to capital, and India is no exception to this. But it is also true that the underlying structural conditions can be mitigated by the institutional framework which governs the labor-capital relation. Conversely, an unfriendly set of institutions can function to amplify the weaknesses generated by the underlying structure. There is, depending on the nature of the institutional mediation, a wide diversity of class politics compatible with capitalist economic structures. The fact of the Indian labor movement's weakness cannot, therefore, be “read off” from those features of backward capitalism which it shares with so many other countries. For the same features have produced starkly different political dynamics elsewhere—one need only think of the remarkable resurgence of the labor movement in Brazil and South Africa in the 1980s.<sup>2</sup> To explain why the subcontinental working class has remained organizationally weak, we must, therefore, attend to the manner in which it has been incorporated into the political economy.

Investigating this issue in the Indian case is made somewhat easier by the fact that the relevant institutions were installed during one brief “critical juncture”—the years immediately following Independence in 1947. It is made *interesting* by the fact that, at the time, the labor movement was not only very different from that which we witness today—in that it was centrally coordinated and relied on mobilizational strategies—but it also managed to place

on the policy agenda a set of proposals which, if enacted, would have amounted to a very different kind of labor politics in India. In fact, in early 1947, perhaps few could have predicted that labor would end up as enfeebled as it eventually did. It seemed at the time that the governing framework for labor-capital relations would be of a solidly social-democratic kind, with labor having considerable power at the level of the plant as well as the state. As I shall show, all indications were that labor would be party to a far-reaching class compromise with employers, complete with legally sanctioned works committees, profit-sharing, and limited co-determination at the firm level, complemented by sectoral bargaining at the meso-level and state representation at the macro-level. In the event, these reforms were either never passed, or did not go beyond the cosmetic. The policies which were passed produced the pattern of class politics which has been characteristic of the subcontinent since, and which was described above.

The distance between initial promise and eventual outcome invites analysis. Its value, however, should not be taken to be of a purely historical sort—as an exercise in excavating a buried past. It is also of some analytical and political interest. The examination of why Indian labor was unable to push through its agenda for postcolonial industrial relations provides insight into two issues that are critical to the contemporary political scene. First, I will argue that a basic constraint on labor's ability to extract greater concessions was the economic project that the state had taken up, which was structured by an alliance between the state and domestic capital. This made state managers view labor's interests as secondary to the imperative of maintaining the goodwill of employers. That is to say, the immediate desideratum of state policy was taken to be the cultivation of investor confidence, with labor's interests viewed as a constraint that had to be *accommodated*, not maximized. Second, given this political environment, labor made crucial strategic mistakes which deprived it of the very resources which had enabled it to put its demands on the immediate agenda. In particular, I shall argue, labor leaders erred in abandoning unions' organizational independence and reliance on mobilization; instead, a considerable segment of the labor movement chose to demobilize, subordinate its independence to a political alliance with the ruling party, and rely on the latter's goodwill. But given the structural pressures on the ruling party, this resulted in an immediate loss of leverage and negotiating power. These factors—the state's political bias and the strategy which it recommends—are, I suggest, still in play decades later. The mistakes of the past therefore still hold lessons for the present.

The relevance of the labor movement's strategic choices during the "critical juncture" of 1947–1950 is highlighted toward the end of the paper, when I close with a discussion of the strikingly different fate of labor in the south-western state of Kerala. The Kerala working class chose a political strategy quite different from the one adopted by the national labor movement after

Independence. Instead of hitching their wagon to the discretion of state managers, unions in the state protected and built upon their independence. While it is true that the labor movement has been allied with a major political party in the state—the Communist Party of India (Marxist)—the fact that the latter itself has never been able to enjoy a steady monopoly of power in Kerala has meant that the reliance on the *party* has not turned into a reliance on the *state*. Indeed, if anything, it is the CPM that is dependent on its union federation. This organizational independence has provided the means for unions to protect their interests through a steady and rather successful use of mobilization as a strategy, as against the politics of political favors and patronage. As a consequence, not only has Kerala labor been more successful than the national labor movement in averting factory despotism, but it has been able to wrest an impressive *class compromise* from employers. So whereas the promise of a class compromise was glimpsed and then lost at the national level, it came to something approaching fruition in one state. That these contrasting outcomes can be connected to different political strategies adopted by labor is, I believe, highly significant not only for understanding the *past*, but also for devising a politics for the *present*.

### THE CONGRESS PREPARES FOR INDEPENDENCE

The central elements of the Indian labor relations system, most of which continue to this day, were put into place within a span of less than four years after 1947. This makes the initial postcolonial juncture of immediate interest; what makes it even more interesting is the fact that, in the immediate aftermath of World War II, there appeared to be a strong possibility that the ultimate political settlement of the "labor question" might be strongly social democratic—with considerable power for labor at the level of the shop floor as well as at higher institutional and political levels. The promise—and for some, the threat—of a kind of class compromise between capital and labor was in the air. Of course, at the end of those four years, the position of unions and organized labor was anything but what its leadership had originally envisioned. So it is not just that, in these four years, the foundations for postwar labor relations were put into place. It is that, in this short interlude, forces came into play which managed to sharply turn the political momentum away from the possibility of a class compromise, toward the kind of statist paternalism that has been the hallmark of the industrial relations system.

As the country emerged from World War II, it was widely recognized that independence from the British was imminent, though its precise time-line still unclear. For the past ten years, the Indian National Congress (INC) had been preparing for taking over the reins of state power, and inaugurating the first government of Independent India. The turning point had come in 1935,

when the colonial state passed the Government of India Act, which allowed for competitive elections in several Indian provinces. Led by Nehru, the Congress entered the fray with gusto, winning handily in most all of the major Provinces.<sup>3</sup> With the reins of government now in hand, the Congress High Command moved rapidly toward two ends: first, to cement its somewhat shaky relationship with Indian capitalists, who, until this point, had evinced a decidedly suspicious mien toward the Party.<sup>4</sup> The industrialists' attitude was not without foundation, for the Congress was, in the 1920s and '30s fast transforming itself from an elite lobbying caucus into an organization of mass mobilization, with an increasingly vocal radical wing.<sup>5</sup> But the conferral of state power had a sobering effect on the Congress hotheads. Within a year of the Provincial Ministries' formation, the various governments were moving in tandem to placate Indian capital. On the one hand, the ministries lavished domestic business with government contracts—a mine quarry operation in Madras,<sup>6</sup> an electrification scheme in Gujarat,<sup>7</sup> and a paper mill for the Birlas in Orissa.<sup>8</sup> On the other hand, the ministries took a stern stance against labor militancy in their provinces. After a short spell in 1937 when it dealt somewhat sympathetically with labor, the Party took a decidedly negative view of strikes and independent labor action, passing a law in Bombay which severely curbed the right to strike.<sup>9</sup> These two dimensions of Congress policy—boosting business sales and curbing labor militancy—triggered a sea-change in its relations with domestic capital. While segments of the class continued to harbor doubts about the Party's reliability, most of the prominent industrialists now adopted the INC as their party of choice.

The second step taken by the INC in anticipation of its eventual ascension to power was to establish a body that would draw up the contours of future development policy. In 1939, under the leadership of Jawaharlal Nehru, the Congress High Command convened a National Planning Committee (NPC), which was assigned just this task. Continuing the political tilt described in the previous paragraph, the NPC was heavily dominated by industrialists and Congress-appointed "experts," with only one recognized labor leader (as against five industrialists and seven "experts").<sup>10</sup> The Committee's life was short-lived, lasting scarcely one year, but it managed to make a good bit of progress. Through its deliberations, it was able to effect a consensus around one basic fact: that India's future development would be initiated under the guiding hand of the state, through some kind of national planning, with a focus on rapid industrialization.<sup>11</sup> On this, there was agreement between the Congress leaders, the experts, and industrialists—though there was some considerable disagreement around the *scope* of state regulation of capital.<sup>12</sup>

But equally significant was that on the matter of labor policy, the NPC offered recommendations that were surprisingly radical. Chaired by N. M. Joshi, one of the pioneering leaders of the Indian labor movement, the NPC's subcommittee on labor policy submitted a report that was, from the stand-

point of Indian industry, a virtual charter for the rights of labor. It recommended the reduction of the working week to forty-eight hours, the implementation of a child labor law which put the minimum age for factory labor at fifteen; the upgrading, and more importantly, the implementation of health and safety regulations, and the implementation of a minimum wage.<sup>13</sup> But more troubling than any of these recommendations was the final section of the report, entitled "Workers Voice or Control." If the future plans are to succeed, the report argued, workers must be willing to "devote to their work all the intelligence, physical skill, energy, and enthusiasm they possess"; under the present regime, in which capital held unfettered sway over all matters pertaining to the functioning of enterprise, "two of the greatest fears of the workers are that to the extent they improve their efficiency and their production, they stand the risk of unemployment and their wages going down." Hence, it concluded, "in order both to remove their fear about the future and to give them security and also to give them the satisfaction of a higher motive, the workers will be required to be given a voice or control in the conduct of the industrial system." The report refrained from submitting any concrete proposals toward this end, as the committee regarded it as being "too early" to arrive at decisions on these matters; it simply pointed to the need for such machinery if future plans were to succeed.<sup>14</sup> But it was difficult to miss the basic message: future industrial relations in India would have to be structured by a political exchange between labor and capital—a class compromise, if you will.<sup>15</sup>

The recommendations of the Sub-Committee on Labor represented the possibility of a direct challenge to the statist model of development for which Congress leaders were showing a clear preference. The consensus coming out of the rest of the subcommittees was that the direction of future development would be negotiated between the state and domestic capital; this was also evidenced in practice, in the Congress Provincial Ministries, as described above. Labor's welfare and rights would be respected, but there was no indication that it would exercise any real power in the political economy. The idea of a political exchange, however, carried the possibility of extending to labor just such power—at the level of the shop floor and beyond. Of course, these recommendations did not represent the reigning view in the Congress High Command, in which the attitude toward labor ranged from paternalism to outright hostility. But they were in keeping with the opinions of the segment of Congress leadership that was at the front ranks of the labor movement. Furthermore, they did very much reflect the wider consensus among non-Congress labor leaders—in particular, the Communist Party and other left groupings. Which of the two approaches to labor eventually came to reign would depend on the balance of forces within the Party, and within the broader civil society. As long as the labor movement did not gather considerable independent momentum, the Congress High Command

would *be* able to ward off ideas such as those expressed by the subcommittee. But of course, if the movement did careen out of control, it would be a different matter altogether.

### THE POSTWAR LABOR UPSURGE

The course of the war in India changed the political equation rather drastically. For some, the war had been an opportunity for enormous windfall gains in income. Industry and merchants groups benefited tremendously, as operations in India were financed through enormous deficits, and hence inflation.<sup>16</sup> The steady rise in prices afforded splendid opportunities for profit to local business, while a thriving black market for goods under controlled distribution gave a boost to merchant groups who were able to corner those items in short supply." On the other hand, wages, though increasing in money terms, failed to keep up with the price rise and hence declined in real terms. Throughout the war years and in the immediate aftermath of it, Indian labor suffered a declining real wage, which did not stabilize to prewar levels until 1950.<sup>18</sup> In 1945–47, the real wage hovered at between 80 and 90 percent of its prewar level. This should be considered while keeping in mind that the 1939 wage levels were hardly adequate to begin with.<sup>19</sup>

The Indian labor movement was led at this time by two labor federations—the All-India Trade Union Congress (AITUC) and the Indian Federation of Labor (IFL). AITUC was the oldest of the labor organizations in India, founded in 1920 and with a strong base in the industrial centers. In the first two decades of its history, AITUC had had a strong Congress presence in its leadership: its very first president was the Congressman Lala Lajpat Rai, and in the years that followed AITUC worked closely with the INC. But the two organizations never established formal links, despite some considerable effort by the Congress Left in the mid-1930s to secure functional representation for unions within the High Command.<sup>20</sup> The Congress's formal links with labor therefore remained limited to Gandhi's HMSS, a kind of volunteer service for labor which, while it took part in labor actions, never really assumed the role of a full union. The IFL was a younger organization, founded in 1941 as a break-away faction from AITUC. It was led by followers of M. N. Roy, one of the founders of the Indian Communist movement, and renowned for his debate with Lenin in the Second Congress of the Communist International. Roy led his colleagues out of AITUC in 1941 over the issue of nonparticipation in the war, arguing against the Congress's position of abstaining until Britain conceded more favorable terms for Indian self-rule; he founded the Radical Democratic Party (one step in his rapid move away from communism) and the IFL was its offshoot.

Hence, as the war came to an end and negotiations around the issue of Independence went into full swing, the INC found itself confronted with two

labor organizations, both of which were out of its control, both of which were led by leftist parties, and hence opposed to the continuing upward redistribution of income due to inflation and business malfeasance. The result was that, starting in late 1945, the level of strike activity and labor actions in India exploded. The new militant mood within the Indian working class was of course dangerous in itself, but more so because it was being harnessed by political grouping which the Congress neither controlled nor trusted. Of course, this was exactly the circumstance which could catapult the notions of a "political exchange" between labor and capital into prominence. The strike wave itself would have been enough to embolden unions to question the elite pact that Congress leaders preferred as a foundation for future development; but the fact that this upsurge came with Independence within sight gave labor leaders added motivation to push through their agenda, since so much was clearly at stake.

Business, for its part, responded with a steady stream of pleas to the public and the new government to take measures to quell the labor unrest. Significantly—and the importance of this point will emerge particularly sharply below—while business complained unrelentingly about the strike wave, one searches in vain for public calls emanating from this class for economic concessions to labor. Instead, the typical tactic was to point to the strikes and demands as signs of labor's narrow self-interest,<sup>21</sup> the proper response to which was to remind labor of the need for sacrifice in order to build the nation.<sup>22</sup>

By early 1947 it was clear that there was no end in sight to the industrial conflict. And now the idea of a political exchange, long buried in the proceedings of the National Planning Committee, came once again to the fore. With the pleas from employers and the Congress for industrial peace having little to no effect, the new government reached for an institutional solution. By Spring of that year, Nehru began to float the idea that there ought to be a conference to bring together the two sides in order to reach an agreement—a truce—so that production could be brought back to normal levels.<sup>23</sup> Nehru thus explicitly called for a class compromise between labor and capital, to be brokered by the state. Both unions and employers saw this as a welcome opportunity to break the impasse, and hence arrangements were quickly made for the affair. India achieved its independence on August 15, 1947, and four months to the day after that was held the tripartite conference to end the class hostilities.

### THE INDUSTRIAL TRUCE CONFERENCE

The Industrial Truce Conference was held in New Delhi on December 15–18, 1947, a massive affair with almost 150 listed participants representing government, labor, and industry. Its immediate aim was to negotiate a

truce, ostensibly for three years, between labor and capital; its more ambitious design, however, was to lay out the terms on which both parties would agree to the construction of institutions appropriate to long-term planning." The conference was thus intended to hammer out a class compromise between labor and capital, and to then point to the institutions which would cement this compromise for the long term.

As a first and immediate measure, both labor and capital agreed to bring to an end all strikes and lock-outs for three years. But more importantly, recognizing that this was in large part a concession by labor,<sup>25</sup> particular measures were agreed to which would give workers both economic security and greater participation in economic decision-making. These were codified in the notorious Resolution 9, which became the focus of employer criticism the moment it was introduced. Some of its components were innocent enough, like the call for adequate safety and health conditions at the workplace. But in addition to this, the Resolution called for measures which amounted to nothing less than a revival of the idea of a class compromise. Starting with the announcement that workers were entitled to a "fair wage,"<sup>26</sup> it went on to call, even more audaciously, for:

- the prevention of excessive profits, through taxation and other redistributive measures;
- the redistribution of excessive profits through a means of profit-sharing of such profits between labor and capital;
- methods for the involvement of labor "in all matters concerning industrial production," through such bodies as "central, regional, and unit production committees," as well as works committees.<sup>27</sup>

These components of the Resolution were geared, explicitly, to hammer out a compromise with regard to labor's distributive interests (profit sharing, fair wages), as well as its participatory interests (works committees and regional production committees).

In addition to the terms of the compromise between labor and capital, the Conference also laid down the framework for immediate and future industrial policy in India. For the immediate measures, the Conference agreed to a number of technical and operational issues which government was enjoined to tackle: the procurement of raw materials, the provision of adequate technicians in high-skill industries, the provision of adequate credit and foreign exchange to firms, the provision of adequate transport, and the like.<sup>28</sup> But in addition to this immediate role, the Conference also agreed that the state should undertake measures to initiate *long-term* planning,<sup>29</sup> for which the following conditions were agreed to:

- a separate planning commission or planning board devoted exclusively to planning;

- the division of industries into three groups: state owned, jointly owned and managed by the state and private capital, and privately owned/managed;
- measures to ensure that the spread of industry would be centrally controlled, so as to ensure a fair regional dispersion of industry;
- measures to ensure that industrial policy would be guided by the constraints of equity and social justice.<sup>30</sup>

Taken together, these resolutions pointed to a framework that was, or could have been, a pioneering attempt at a labor-inclusive developmental state—a type, if you will, of a social democratic developmental state. On the one hand, it granted labor an enormous role in the planning process, at every relevant level; on the other hand, it also granted the state considerable discretionary power with respect to capital. Private property itself was not threatened; its prerogatives, however, were to be severely constrained. Business itself wanted planning of some sort, so the Congress could reasonably be optimistic. As for the agreements on labor issues, capital was not happy with them, but labor was simply too strong to ignore or simply dismiss. Further, measures such as those proposed and agreed to in the Conference were being implemented across Europe with some success, and without threatening the rule of private capital. If they were being used as a means of achieving industrial peace elsewhere, perhaps Indian capital could be persuaded to learn to live with them at home. In any case, they had agreed to it, and if it could be made to succeed in the first few years, if profits could be stabilized and normal conditions restored, there was good reason to believe that the compromise would stabilize.

But the compromise would not stabilize. As we shall see in the next section, the resolutions of the Truce began to break down almost as soon as they were agreed to. The institutions which the Truce envisioned guiding Indian industrial policy, for the most part, never materialized—or if they did, it was in a form which rendered them largely ineffectual. There were two basic reasons why the promise of the industrial truce conference was not realized: first, the INC had already moved to demobilize and weaken labor. Congress leaders were wedded to a vision of development policy which would basically revolve around a partnership between the state and the business class; and active labor voice was regarded as too disruptive. Second, employers themselves had no intention of sticking by the agreement. Given the weakened labor movement and an unsympathetic ruling regime, it was little surprise that the employer offensive was successful in scuttling the agreements of the conference.

## THE DEMOBILIZATION OF LABOR

The demobilization of labor<sup>31</sup> occurred in two steps, both of which *preceded* the convening of the industrial truce conference. The first was a legislative

package aimed at increasing the presence and latitude of the state—as opposed to the unions—in the industrial relations regime. At the core of this strategy was the Industrial Disputes Act of 1947, which drastically reduced the scope for collective bargaining between unions and employers. First, all strikes or lockouts were to be resorted to only after providing a notification of at least fourteen days. But more importantly, in the case of public utilities, government was given the power to compel the parties to resort to an arbitrator if it saw fit. This immediately foisted compulsory arbitration onto workers in the postal service, the railroads, and power industry. But the Act also gave state governments the power to declare *a n*. industry a public utility for a period of six months; this meant that compulsory arbitration could now be extended to virtually all sectors of industry.

The combined effect of these two aspects of labor law was this: when faced with an intransigent management, labor was forced to contemplate a strike only if it provided a two-week notice to the appropriate government. But the moment it got a whiff of any such impending action, the government could simply intervene and refer the dispute to an arbitrator. Further, while the law provided for compulsory arbitration, it did nothing to ensure rapid delivery of a verdict. Management was left with the ability to drag out the proceedings for months, even years.<sup>32</sup> This meant that under the new dispensation, collective bargaining held little value for employers, as their recalcitrance was only likely to deliver the parties to a conciliator or arbitrator, and in such a case, the whole matter would turn on which of the parties would give in first. And with immeasurably greater resources at its command, the odds always favored management.

To complete the circle, legislation was passed so that matters which are normally the objects of deliberation between labor and capital—conditions of employment, promotion, wage scales, safety, leave and holidays, discipline, etc.—were now covered by a new legislation, most prominently the Industrial Employment (Standing Orders) Act and the Factories Act. Together, these defied the conditions of employment to which employers with establishments above a nominal size now had to adhere. Nominally, these orders and conditions were to be drafted through consultation with unions, to insert a semblance of mutuality into what would otherwise seem a blatantly authoritarian series of measures; but the authority rested firmly with the state.

The new laws crippling labor's place in collective bargaining were accompanied by the creation of a new national union, programmatically committed to arbitration and labor peace. The key here was to wrest control of the labor movement away from the Communist-dominated AITUC and bring it under the broad carapace of the INC leadership. In May 1947, three months after the Industrial Disputes Act was passed, Congress labor leaders and the HMSS called a meeting to launch a new national labor federation, one that

was explicitly committed to the party's labor policy. The idea had wide support within the party, from the Right as well as from much of the Left (with the exception of the Socialists).<sup>33</sup> The new federation was called the Indian National Trade Union Congress (INTUC) and was fashioned to be the arm of the party, disclaimers notwithstanding. The INTUC constitution made it clear that its strategy was to be “in harmony with the ideas and resolutions of the Indian National Congress.”<sup>34</sup> Specifically, this entailed a commitment to the arbitration regime and a disavowal of militancy.

The creation of INTUC created a split within the labor movement from which it never recovered. Moreover, with the backing of the party in state power, the proportion of the national unions which came under the Congress influence could only grow with time. Indeed, within just a few years, INTUC did in fact become the largest labor federation in the country, ensuring that the bulk of the labor movement was now demobilized and programmatically committed to industrial peace. When conjoined with the new labor legislation, this move cemented the INC's attempts to tame what appeared to be an unruly and unpredictable ally, clearing the way for some kind of compact with capital.

What made this whole project a contradictory one, as we shall see presently, was that the Congress failed to appreciate the difference between industrial peace attained through a genuine class compromise, and one achieved through the kind of statist measures that it favored. Nehru and other (though not all) members of the Left within the Party continued to labor with the conviction that the mechanisms used for the latter could take the place of those required for the former: instead of resting social democracy on the independent power of unions, it could be developed by bringing a tamed labor leadership into the institutions of the state, where it would bargain with capital under the watchful eye of bureaucrats and party leaders. But events were to prove otherwise, and in a rather drastic fashion. We turn now to examining how the steps taken by the Congress prior to the Industrial Truce Conference, when conjoined with the employer reaction to the Conference's resolutions, scuttled the nascent class compromise.

#### THE EMPLOYER OFFENSIVE AND THE FAITE OF THE INDUSTRIAL TRUCE

The immediate effect of the Truce was in fact what the concerned parties had hoped for. Despite the new divisions, unions did by and large attempt to scale down the strike activity of previous years, and did so more or less immediately.<sup>35</sup> The drop-off in industrial conflict was not, however, complete, and this is somewhat significant. It signified the continuing suspicion among labor leaders that employers were not serious about their commitment to the

truce,<sup>36</sup> and indeed, as we shall see, this suspicion came to be confirmed. Moreover, the intransigence of the employers was coupled with the persistent lag in wages behind the unceasing rise in prices. Recall that it was not until 1950 that the real wage began to approximate prewar levels. Given these conditions, it is perhaps remarkable that unions were able to contain labor unrest at all.

While the actions of the Congress weakened labor, the escalating industrial conflict of the past two years and the danger of the Congress Left served to bring together the disparate elements of the business class. This unity was only galvanized by the content of the Truce Conference's resolutions, which, despite the friendly show of hands by the Congress, were regarded as a series of major concessions by employers. Far from taking the actions of the past year as signs that the Congress leadership could be trusted with a labor-friendly industrial policy, as the latter had in fact hoped, employers took the events and the resulting scenario as an opportunity to escalate their attacks against the strategy.

The resolutions of the Industrial Truce Conference pertaining to labor had, it will be recalled, focused on several objectives. We may group these together into two broad clusters, embodying different aspects of labor's interests:

1. *Distributive interests*: These are interests related directly to issues of wages and remuneration. The measures central to these interests were the call for minimum wages and, most ambitiously, the recommendation of profit-sharing.
2. *Participatory interests*: These are interests pertaining to the degree of voice that labor might have in economic decision-making, both at plant-level and on a larger scale. These interests were embodied in the proposals for works committees and, more ambitiously, for co-determination. They also extended into proposals for labor representation in governmental and bureaucratic bodies presiding over industrial issues.

The striking aspect of the business response to these proposed measures is not just that it was unhappy with them, but that it opposed them *in toto*, and the opposition *was across the board*. The Congress had hoped, even expected, that the "lead segment" of Indian business, like Birla, Tata, and Kasturbhai Lalbhai, would back the measures proposed in the Truce. But such support was nowhere on the horizon. These elements were either loudly denouncing the proposed measures regarding labor (like G. D. Birla), or remained silent (like Lala Shri Ram). Indeed, one searches the available sources in vain for any defense of the measures within the business class. The attack on the agreements of the Industrial Truce Conference was universal.

## LABOR'S DISTRIBUTIVE INTERESTS

The main focus of criticism from business was the proposal for profit-sharing and its attendant measures. As it stood, the proposal as stated in the Resolution gave the impression that profit-sharing was to mean that all profits above a certain minimum would be shared between labor and capital:

The system of remuneration to capital as well as to labour must be so devised that while in the Interests of the consumers and the primary producers excessive profits should be prevented by suitable measures of taxation and otherwise *both will share in the product of their common effort after making provision for payment of fair wages to labour, a fair return on capital employed in the industry and reasonable reserves for the maintenance and expansion of the undertaking*<sup>37</sup>

Thus, the first charge on revenues would be the "fair" remuneration to labor and capital, after which the remainder would be shared between them. To employers, the whole proposal was objectionable, from top to bottom. The dilemma was that they had agreed to it, and it was on the basis of the agreements embodied in the Resolutions adopted at the conference that labor was carrying through on its promise to scale back strikes. It is therefore worthy of notice that, despite an initial hesitation in some quarters, employers nonetheless went forward with a vigorous attack on the proposed scheme.<sup>38</sup>

The fundamental issue for employers was, as Planning Member Ardshir Dalal put it, that the proposal gave labor the claim to the surplus "as a matter of right," rather than as conditional upon performance.<sup>39</sup> They were of the view that the central problem plaguing Indian industry at the time was lagging labor productivity, which had been further exacerbated by the radicalization of the postwar years and the increasing recourse to strikes. Implementing the profit-sharing scheme, employers argued, would only add to the problem. If it was ever going to be acceptable, profit-sharing would have to be more directly tied to labor's productivity—if the latter increased, those revenues arising as a consequence could be passed on to labor.<sup>40</sup>

A second issue to which employers objected, again on principle, was the implication in the profit-sharing scheme that labor and capital were to be regarded as partners in enterprise. But if labor was to be granted all the advantages of partnership, in that it would share in excess profits, it ought also share in the risks. "Profit sharing in this form," the Federation of Indian Chambers of Congress and Industry (FICCI) wrote to the Industry Minister S. P. Mookerji, "seeks to give labour a partnership in industry without the liabilities and obligations attendant upon partnership."<sup>41</sup> It is not clear what was meant by the insistence that labor ought to share in the risks of enterprise; presumably this referred to something over and above the loss of livelihood that typically accompanies the closure of uncompetitive units. But

if so, what? It was a part of the scheme that in lean years labor would of course have no claim to "excess profits," since there would be none. There was therefore no implication that *all* profits would be shared, regardless of the condition of the enterprise.<sup>42</sup> It seems more likely that this latter point was a rhetorical lead-up to the more substantive demand industry was striving to make: if profit-sharing was to be premised on a ceiling on profits, with the excess being shared between labor and capital, then the latter ought to be remunerated by the state in years with less than normal profits. In other words, if profits were going to be regulated, then they should also be *guaranteed*.<sup>43</sup> Hence, if labor was a partner in industry, sharing in its spoils, then the state, as custodian of labor's interests, should step in to compensate for losses.

While it ratcheted upwards the conditions which would have to be met if profit-sharing was to see light of day, thereby making it increasingly remote, industry recommended in its stead another proposal, more consistent with the concerns it had raised thus far—and that was a policy of remuneration through a production bonus.<sup>44</sup> The distinction between profit-sharing and a bonus system is not entirely clear, and it was unclear to industry's interlocutors as well.<sup>45</sup> After all, the former was to be instituted in such a manner that the extra remuneration would flow to labor only in years with excess profits, much as it would in a bonus system. And a bonus is, as most commentators recognize, a subtle form of profit-sharing, as it is disbursed in periods of above-normal profits. What appear to have been the motivation behind this preference were two factors: first, in the scheme visualized by employers, the bonus would be expressed as a percentage of *excess production*, and not of *excess profits*. A production target would be set by management at the beginning of the period and if production exceeded that target, workers would be given a bonus proportional to the excess.<sup>46</sup> Second, the bonus system would operate at an enterprise level, as opposed to the profit-sharing scheme, which was likely to rest on a sectoral pooling of profits, which would then be distributed to workers in that sector. Employers were fiercely committed to blocking any scheme that pooled resources in such a manner.<sup>47</sup> The bonus scheme would thus, in the view of industrialists', not only tie extra payments to labor productivity, but would also tie it to the performance of the particular firm. A natural consequence would be a less solidaristic labor movement. Lastly, this system would leave a great deal more leeway to employer discretion and power. Bonuses would accrue only after they exceeded production targets, and those targets were to be set by management.

Where capital stood firmly and resolutely opposed to all talk of profit-sharing—its acceptance of the proposal at the Truce Conference notwithstanding—it soon became clear that labor, for its part, did not meet the challenge with a correspondingly committed stance in the proposal's favor. This is not to say that profit-sharing had entirely fallen out of favor with the latter.

But in the Left unions—AITUC, the IFL and Hind Mazdoor Sabha (HMS)—the measure was regarded as a second-best means of meeting workers' economic interests, after the more preferable route of a guaranteed fair wage and employment policy. There was a concern among the unions that the profit-sharing scheme was being considered as the sole means to extend a fair remuneration to labor, rather than as part of a larger package; being aware of the fierce opposition to the scheme by the business class, union leaders regarded this possibility with some alarm.<sup>48</sup> Further, they were uncertain of the political ramifications of the proposal, since it carried the possibility that it would further weaken the organizational capacity of unions, who would no longer play any real role in the setting of wages and payments to labor.<sup>49</sup> Hence the unions moved to insure that the focus of the negotiations did not lose sight of the necessity for adequate wage legislation as the first concern, with profit sharing playing a subsidiary role.<sup>50</sup>

The support for profit-sharing among the Left unions was thus lukewarm. It was, nonetheless, real, for reasons that did not bear directly on labor's economic interests: unions saw the scheme as a means to increase the democratization of the workplace. Having lost the battle on collective bargaining, unions were keenly aware that the prospect for their influence on firm-level decision making was rapidly receding. If the state was serious about the profit-sharing proposal, then this provided an avenue to continue the fight. For the proposal, if it was to work without descending into endless squabbles about actual profits and fair disbursement, would have to carry in train significant powers for unions in the managerial domain. Profit sharing could thus provide a bridge to codetermination.<sup>51</sup>

The decision to focus on the need for adequate wage legislation was perhaps understandable, but to publicly announce its priority turned out to be a tactical mistake. In contrast to labor's equivocation, business stood firmly united in its stand. The apex organizations like the Federation of Indian Chambers of Commerce and Industry and the Indian Merchants Chamber took the lead in making certain that the resistance was not only concerted but also coordinated, with correspondence flowing back and forth and member firms adroitly coached on appropriate public positions.<sup>52</sup> The strategy worked. As the business community's resistance to profit sharing continued to be unshakable, negotiations on the mechanics of the measure soon became bogged down in matters of detail. The tripartite body appointed to facilitate a *modus vivendi* between capital and labor, the Central Labor Advisory Council, had its first two meetings end in a fast deadlock;<sup>53</sup> even the expert committee convened to produce a report on the matter submitted a document in which, of the seven non-official members (i.e., members who were not representatives of government), six submitted dissenting notes.<sup>54</sup> The deadlock was apparent and seemed irredeemable. It was resolved by two factors, one a testimony to business's adroit maneuvering and the other



a fallout of labor's dithering. With respect to the former, as the deadlock wore on and the investment slowdown continued, business increasingly took the line that any measure that further dampened the investment climate or did not contribute toward its amelioration was not desirable—and profit sharing seemed a glowing example of such a measure.<sup>55</sup> In this context, labor's stated lack of enthusiasm provided the INC with an easy way out of the dilemma. Rather than push capital into accepting the proposal, the government let it die a quiet death, and it never passed into legislation.<sup>56</sup> Instead, remuneration reflecting excess profits was to be decided through the channel that had been pushed by employers all along—an annual production bonus.

With profit sharing a dead letter by late 1950, labor's economic interests came to rest squarely on wage legislation and the bonus system. An examination of the mechanics of these measures, however, will have to be put off for a short spell, as it will be best understood in the wider discussion of the fate of the labor ministry, which will be dealt with in the final section of the paper. Before that, let us examine the struggle around the other axis of contention, viz. labor's participatory interests.

### LABOR'S PARTICIPATORY INTERESTS

The measures to democratize economic decision-making were to rest in labor's direct voice through the works committee and codetermination, as well as through its place on tripartite policy committees appointed by the state. The first casualty of the post-truce dispensation was the initiative toward codetermination. The resolution of the Truce Conference had called for instituting "methods for the association of labour *in all matters concerning industrial production*," and had suggested as examples "the formation of Central, Regional, and Unit production committees."<sup>57</sup> The production committee was to be supplemented by the works committees, and both of these would in turn be bolstered by the powers that would flow from the profit-sharing measures.

The success of this scheme would depend centrally on the development of an institutional environment that would conduce to the adequate functioning of these bodies, once they were instituted. But events had already conspired to render any such prospects distressingly remote. First, Congress's measures to undermine collective bargaining dealt a preemptive and decisive blow to the prospects of a proper setting for micro-level co-management. The recourse to a system of compulsory arbitration virtually ensured that labor and capital would be perennially locked in disputes over wages and conditions of work, so that the typical relation between the management and workers in any given firm would be fiercely hostile and mu-

tually suspicious. In such circumstances! the prospects for a genuine participation by labor in matters pertaining to production were greatly reduced. Further, with the labor movement itself split between several and competing unions, the animosity between the rivals would simply get reflected onto the committees themselves. This was only exacerbated by the conspicuous links between INTUC and the INC, which made competing unions suspect that governmental and bureaucratic partiality would militate against the prospects of their getting adequate representation of the committees. Lastly, despite the pleas of labor leaders like Guruswamy and N. M. Joshi, legislation to protect such committees from employer manipulation was never set up, and union suspicion of its vulnerability to abuse was thus never allayed.

The lack of progress on this front was conditioned strongly, as suggested above, by the shrill opposition by business to the granting of further powers to labor. The Industrial Disputes Act was passed not simply to tackle conflict around wages, but in a manner which assuaged employers' concerns. Its collateral effects on measures pertaining to labor participation could have been taken as signals for its appropriate revision. But again, the Congress leadership decided in favor of jettisoning another component of the Truce, as employers continued with their opposition to it. Hence, despite the fact that a small number of such committees were set up in firms across the country, they tended to remain a dead letter. Worse yet, given the weak institutional backing, the success of the employer offensive in making increased production the *sine qua non* of any policy tended to subordinate any autonomy that the committees may have had to the authority of management. As one student of the subject, himself a former labor administrator in the civil service, observes:

[In] the early days of mental [*sic*] participation in management, there were serious expectations that there would be legislation giving labour an adequate share in management. . . . [But] labour leaders whose visions were restricted to the possibilities close at hand were quite disturbed when *participation* was in turn reduced first to *cooperation* and then to *consultation*.<sup>58</sup>

The same author concludes, after a study of the Indian experience with works committees, that:

Joint consultation can be a success only in a climate of satisfactory adjustment of labour-management disputes and differences. . . . So one of the important prerequisites to joint consultation is the existence of a well-organized and well-conducted trade union, recognized by management, for the purpose of collective bargaining. The settlement of terms and conditions of employment in a satisfactory and acceptable manner is the foundation of all joint consultation.<sup>59</sup>

Throughout the debate on profit sharing, employers had steadfastly maintained their opposition to the implication that labour would come to enjoy the status of a partner in production. The INC seemed to be laboring under the illusion that capital's animosity toward such schemes could be reduced if union autonomy was sufficiently circumscribed by governmental control. What it failed to see was that employers were opposed to workers' participation on *principle*. As the power of the labor movement to force the issue was reduced, employers took the route of simply ignoring the committees or extracting their subordination to decisions already arrived at. Though some committees continued to function in various sectors, they remained, like many other products of Indian labor legislation, ornamental.

What the labor movement was left with in the end was the following: its *distributive* interests were to be met through legislation laying down appropriate wage levels, to be administered through wage boards and provincial governments, and through a system of bonus payments, which would be adjudicated through labor tribunals and courts; its *participatory* interests were now to be filtered through governmental tripartite bodies and through its input into policy through the ties between unions and parties. For both, labor was now by and large completely dependent on official patronage and succor. The capacity to force legislation more conducive to its autonomous development was greatly reduced by the splits that occurred in 1947; this was reinforced by the ties that INTUC enjoyed with the INC, which generated an incentive for the new organization to maintain its distinct identity on the one hand, and to support the state's control over so many matters pertaining to labor's interests on the other.

With labor split and demobilized, and a significant segment programmatically committed to political quiescence, the fortunes of the remaining parts of the Truce now came to rest in large measure on the willingness of the Indian state to take up the cause.

#### FROM INDUSTRIAL PARTNERSHIP TO INDUSTRIAL RELATIONS

It had been assumed by the more pliant union leaders, particularly those in INTUC, that their retreat on the more ambitious measures would be rewarded by a degree of indulgence by employers and the state on the basic issues of minimum wages and industrial welfare. But the offensive launched by business against profit sharing and codetermination also extended into these seemingly less controversial demands. Throughout the years following the war, employers continued to hammer away against the idea of mandated minimum wages,<sup>60</sup> insisting that wages should be pegged according to industry's ability to pay, and that industry was in no such position. But here, unlike with the measures for profit sharing and codetermination, the case

was more difficult to make. Business during the war had made enormous profits, and was continuing to do well in the postwar inflationary scene. Further, the miserable condition of most of Indian labor made it more difficult still to argue in principle against wage legislation. Those elements of the business class involved in negotiations on labor policy therefore had to show a concessive face on wage issues.<sup>61</sup> They agreed in principle to wage legislation, but argued that it ought to be implemented in a manner that took cognizance of the dismal economic situation and the peculiarities of an underdeveloped economy.<sup>62</sup> Given the enormous regional and sectoral differences in economic development, any standardization of wages would have to proceed with extreme caution, so as not to increase the panic within industry.

The overall effect of this strategy—to rail against the foolishness of wage policy in public forums while counseling caution in private—was to drive policy makers to the view that if wage policy was going to be implemented, it would have to wait for the development of an apparatus adequate to meet industrialists' worries, so that production would not be disturbed. Since such an apparatus was not in view, wage legislation could be passed, but its implementation would have to wait; a corollary to this was that those sections of the state which were pushing for speedier movement on labor policy increasingly found themselves losing power and status. The most concrete expression of this was the changing fortune of the Labor Ministry.

The Labor Ministry had been the primary fount for the formulation and implementation of labor policy throughout the immediate postcolonial years. It had drawn up the ambitious five-year plan for labor policy in early 1947, had been the main mover behind the labor-inclusive parts of the Industrial Truce, and continued to be that part of the state that was in closest touch with unions.<sup>63</sup> With the proposals for profit sharing and codetermination in cold storage after the first two years following independence, the ministry was pushing in 1950 for a speedy implementation of the remaining wage legislation. But this brought it into direct conflict with those ministries in closest touch with industry and involved in devising industrial policy, for by mid-1950, it was becoming clear that even on the issue of minimum wage policy, government had decided to adopt a "go slow" strategy.<sup>64</sup>

Policy makers in the labor ministry now found that the state's initial enthusiasm for labor policy had subsided considerably. Far from pushing ahead with the remaining agenda, state managers now came to regard these matters with a considerable measure of skepticism. By 1950, the rising star on the policy-making horizon was the nascent Planning Commission, and the attention of the Congress leadership was riveted to the formulation of the first five-year plan. If the plan was to succeed, the first priority would have to be given to mobilizing private capital in the required quantum and direction; given the latter's views on wage policy, it would have to wait for more

propitious times. Hence, as the year wore on, the labor ministry even found itself excluded from the inter-ministerial discussions on industrial and labor policy.<sup>65</sup> Increasingly, the responsibility for the formulation of labor policy shifted to the Planning Commission and other economic ministries, and the views of planners were far less congenial to the agenda that had been laid in the Industrial Truce. Labor policy now was placed firmly behind industrial policy, and the labor ministry's efforts on such matters as wage legislation, employee insurance, and broader welfare issues were rebuffed, as their "added cost to the employer would be burdensome and would discourage industrial expansion and production."<sup>66</sup>

The result of this change was twofold. First, the labor ministry was no longer the central node for the formulation of labor policy. That had shifted to the Planning Commission. "Indeed, with the transfer of policy-making initiative to the latter, labor policy itself as a distinct concern rapidly faded, becoming incorporated into the broader fold of industrial planning. Second, the ministry was apparently reduced mainly to the implementation of policy, but even here it would have to wait for the signal from other ministries. Legislation that had been passed would be implemented only if it did not interfere with plans, and since plans depended centrally on the participation of private capital, the implementation of labor legislation came to be influenced heavily by the demands of Indian business. The latter, for their part, increasingly questioned the right of the labor ministry's activity in such matters, insisting that they fell under the purview of the planning bodies." The immediate expression of this new dynamic was the successful delay by the planning commission in the implementation of the Minimum Wages Act of 1948 and the Employees State Insurance Act of 1951.<sup>69</sup> The Labor's Ministry's role fell from formulation of policy to its implementation, and, given the veto power of other ministries even in this dimension, from *power* over implementation to what can only be called an *allowance* to administer.

For labor, the most concrete effect of this development with regard to its distributive interests was a ten-year delay in the setting up of the wage boards that were to administer minimum wage legislation. Despite the fact that the law was passed in 1948, it was not until the late 1950's that the wage boards were in fact set up.<sup>70</sup> During this time, wage policy came to be driven by the tribunals and courts set up by the arbitration system.<sup>71</sup> Thus this last vestige of the Industrial Truce, while not jettisoned altogether, was put into cold storage for over a decade.

A more important long-term effect was this: not only was the initial idea of a class compromise radically undermined, but the institutional infrastructure that might have sustained such a development in the future was never developed. While capital had the capacity as well as the institutions to develop and articulate its economic and political interests, labor—now split into competing unions and utterly dependent on the state—did not. It would en-

joy a presence on governmental bodies and study teams, but the meso and micro level organization that could give such a presence meaning was drastically undermined. Labor representatives would thus not only lack the authority to actually represent labor interests—since labor was split into competing organizations—but the lack of organizational coherence made it a remote possibility that the representatives would even be able to *formulate* the interests.<sup>72</sup> Governmental bodies would thus become deliberative machines for representatives of industry and a labor bureaucracy that was increasingly remote from the concerns of its constituents.

## CONCLUSION

By 1950, the basic lineaments of the Indian political economy were in place, at least as regards labor's incorporation into it. In that sense, these years were the "critical juncture" at which the institutional mediation of labor's interests was settled. There are two axes on which the outcome can be understood: one which seeks to make sense of the overall nature of the settlement and another which points to the conditions that might have brought about another possibility from the menu of choices. In the current literature on Indian labor, there is scant attention paid to either of these issues, for while it is realized that the immediate post-Independence years were critical, the actual class dynamics of these years have rarely been brought under scrutiny. Indeed, the Industrial Truce Conference, which was the lodestone for virtually all debates on the Indian future at the time, barely even registers in the current historiography of the period. It is not altogether surprising, therefore, that the possibility of other political settlements is not even examined, since the occasion at which such possibilities were inscribed into the political agenda has been lost from sight. But now that we have rediscovered it, there is some merit in pondering its significance and the conditions which might have facilitated the realization of its promise.

How are we to understand the nature of the settlement? The possibility that was ruled out from the outset was that of an *exclusionary* regime—one in which the labor question would be dealt with through basically coercive mechanisms. While employers may not have been averse to such an outcome, it would have been difficult to force through, given the balance of forces; but it was ruled out by a more fundamental condition, which was the INC's commitment to basic democratic rights for labor, a commitment which even the conservative elements held steadfastly.<sup>73</sup> As far as the rights of labor are concerned, there was only one framework on the agenda, viz. an inclusive one. But what this essay has shown is that *within* the rubric of an inclusive political regime, there were two further possibilities as to what the final outcome would be. One possibility was that the capital-labor relation

would be governed by some kind of *class compromise*, in which labor would promise industrial peace in exchange for some concessions from employers on the shop floor and on distributive issues. This is what some of the Congress Left hoped for, and what most of the Socialists and Communists were demanding. The ultimate outcome, however, was in the direction of the second possibility within an inclusive regime—one in which labor's interests were merely *accommodated*, and not maximized. Put another way, labor was not strong enough to push through a class compromise, but it was strong enough to ensure that its interests would have to be accommodated.<sup>74</sup>

These two kinds of settlements differ in the place they grant specific class interests. Unions and the Left were pushing for a system in which the furtherance of capital's interests would be *conditional*—on, for example, capital's willingness to concede certain prerogatives to labor and the broader national community. Profits would be respected, in other words, if capital submitted to discipline. In this system, it was labor's interests that would be the immediate maximand of state policy, and capital's interests that would be taken as a constraint. Hence, the importance of the business climate and investor confidence would be recognized, but only as a constraint, as a condition that had to be met in order to further other goals. This has been the strategic vision of left-wing social democracy in more developed countries, especially in its most well-known avatars, such as Sweden of the late 1960s and 1970s. Opposing this vision was one which reversed the order of importance with regard to class interests: on this view, it was *labor's* interests that would be taken as a *constraint*, and the interests of investors that would be given first priority. This was the immediate preference of employers, one which they did their utmost to bring to life, despite having agreed to the class compromise embodied in Resolution 9 of the Truce Conference.

The treatment of labor's interests as a constraint instead of a maximand was also the preferred option of the Indian state and the INC. This is the final piece in the puzzle, which is crucial not only for understanding the nature of the political economy that emerged, but also for appreciating the strategic orientation that labor would have had to adopt for bringing about a class compromise. For the Party had a project of its own, common to so many political elites in developing countries, viz. to launch upon a program of rapid industrialization. As shown in this paper, the mechanism that Congress leaders sought to secure this program was an alliance with domestic capital, which was in evidence as early as 1937, in the Provincial Ministries. For the top leaders of the Congress, including Nehru, this meant that, while they were in principle sympathetic to labor's interests, they had to give the highest priority to employers and their willingness to undertake the warranted investments.<sup>75</sup> But since employers insisted that a condition for their making such investment was the imposition of labor discipline, the new state could not but see an autonomous, organizationally strong, and potentially

militant labor movement as an unjustifiable disruption *to the development process itself*.

Which brings us to the issue of strategy. If two critical factors leading to the dissolution of the class compromise were the employer offensive and the state's class bias, the third was labor's decision to agree to demobilization. Even the Communist-led AITUC scaled down their strike activity after the Truce conference; for the unions affiliated with the new Congress labor federation, INTUC, the decision was made on the assumption that direct action could now be replaced by participation in the bodies put in charge of labor administration and policy. It seems difficult to escape the conclusion that this was a crucial strategic miscalculation. That the matter of a possible class compromise was put on the agenda at all was because of the upsurge in strike activity after the war; it was not something to which the INC was programmatically committed. It was, in other words, direct class pressure that brought the issue to the fore. Its abandonment for committee membership simply allowed the more basic structural pressures on the state to now gain ascendancy, forcing state managers to attend to the matter of business confidence as their first priority. This is not to say that labor should have foresworn participation in policy-making—it is difficult to imagine a class compromise stabilizing without some state support. The mistake, rather, was to see inclusion in the policy agencies as a *substitute* for mobilization.

Interestingly, an example of a development strategy based on a class compromise, or at least something approximating such a compromise, is at hand in India itself. Though it probably does not warrant the designation of a "model," the experience in the Southwestern state of Kerala might offer a vision of an alternative, which, if the INC had so chosen, it could have pursued. Kerala is typically pointed to as proof positive of the virtues of significant redistribution, and the provision of basic state services.<sup>76</sup> But recent work has pointed to another component of the state's development strategy, which is its quite successful forging of a class compromise between labor and capital.<sup>77</sup> The turning point in its history was the coming to power of the Communist Party in 1957, which initiated its development program as one based on agrarian reform but which has gradually incorporated a mobilizational approach to industrial relations as well.

The strategy adopted by the Communist Party of India (Marxist) (CPM) and its union federation, the Confederation of Indian Trade Unions (CITU), bears an interesting contrast with that of the larger Indian labor movement. Crucially, whereas since its demobilization after Independence Indian labor has largely relied on the patronage of employers or local political bosses, unions in Kerala have relied instead on an explicit strategy of political mobilization around class interests. Just as importantly, they have found a political ally in the Communist Party of India (Marxist) which, unlike the INC in 1947, has used this mobilizational strategy to further empower unions in

their bargaining with employers. Knowing that they could not rely on a sympathetic state government (as long as the CPM was in power), employers had to reach agreements with labor around basic issues of wages, work conditions, tenure, etc.—again, in contrast to the rest of the country, where work relations tend to be straightforwardly despotic. In turn, this has closed off many "low road" strategies of accumulation, which in turn has forced employers to give greater attention to innovating and upgrading plant and equipment.<sup>78</sup> Patrick Heller has called this the "democratic developmental state" model of development, though it would probably be more accurate to refer to it as the "social democratic developmental state." Of course, the comparison is more suggestive than definitive; to cast the experience of one state onto the larger canvas requires a heroic imagination. Nevertheless, the Kerala experience highlights the fact that development strategies need not be different varieties of top-down arrangements, with labor necessarily a marginal force.

## NOTES

1. E. A. Ramaswamy and Uma Ramaswamy, *Industry and Labour: An Introduction* (Oxford: Oxford University Press, 1981), and E. A. Ramaswamy, *Power and Justice: The State in Industrial Relations* (Oxford: Oxford University Press, 1984).
2. For an illuminating analysis of this very pair, see Gay Seidman, *Manufacturing Militance: Workers' Movements in Brazil and South Africa, 1970–1985* (Berkeley: University of California Press, 1994).
3. The victories were in the United Provinces, Bihar, Orissa, Bombay, Madras, the Central Provinces, the Northwest Frontier Provinces, and Assam.
4. The fullest account of the relations between the INC and Indian capitalists in these years is Claude Markovits, *Indian Business and Nationalist Politics, 1931–1939* (Cambridge: Cambridge University Press, 1985).
5. The best overview of the INC in these years is still Sumit Sarkar's *Modern India: 1880–1947* (London: Macmillan, 1983).
6. Markovits, *Indian Business and Nationalist Politics*, 170.
7. Markovits, *Indian Business and Nationalist Politics*, 170.
8. W. H. Lewis (Governor of Orissa) to Viceroy Linlithgow, November 14, 1942 (Document #8) in *Quit India Movement: British Secret Documents, Vol. II*, ed. P. N. Chopra (Delhi: Interprint Publishers, 1990).
9. C. Revri, *The Indian Trade Union Movement: An Historical Outline 1880–1947* (Delhi: Orient Longman, 1972), 220–30.
10. Raghavendra Chattopadhyay, *The Idea of Planning in India, 1930–1950* (Ph.D. diss., Australian National University, 1985), 96. What is even more significant, perhaps, than the small presence of labor leaders is the virtual absence of any real representatives of rural interests—lordly or peasant.
11. Chattopadhyay, *The Idea of Planning*, chapters 3–4.
12. For this, see V. Chibber, *Locked in Place: State-Building and Late Industrialization in India, 1940–1970* (Princeton, N.J.: Princeton University Press, 2003), chapter 4.

13. *National Planning Committee: Report of the Subcommittee on Labour*, paragraphs 1–19.
14. *National Planning Committee: Report of the Subcommittee on Labour*, paragraph 84.
15. The concept of "political exchange" is taken from Marino Regini, *Uncertain Boundaries: The Social and Political Construction of European Economies* (New York: Cambridge University Press, 1995).
16. Historians have just about entirely ignored the war years as a subject of study, so the contemporary researcher is forced to fall back on the works published contemporaneously with the events. Among these, see, inter alia, Gadgil and Sovani, 1945 for an analysis of wartime inflation.
17. It was not only merchants who thrived thus in the black market. Industrialists too worked to limit supplies to the market so as to divert them to the black market. See the various articles in the *Harijan* during this period for accounts of this.
18. For the most thorough analysis, see Shreekanth Palekar, *Real Wages in India, 1939–1950* (London: Asia Publishing House, 1962).
19. Palekar, *Real Wages in India*.
20. The attempt by the Congress Left to secure functional representation of labor in the INC is examined by D. A. Low, in "Congress and 'Mass Contacts' 1936–1937," chapter 5 in his *Rearguard Action: Selected Essays on Late Colonial Indian History* (New Delhi: Sterling Publishers, 1996).
21. See the articles in *Capital*, one of the main organs of the business community, in 1946–1947. In particular, see *Capital*, January 10, 1946, p. 44; "Ditcher's Diary," July 25, 1946, p. 145; "The Present Wave of Industrial Unrest," August 1, 1946; and "The Steel Industry in Britain and India," September 12, 1946, p. 337. The attitude to concessions is also reflected in the business criticisms of calls to shorten the working day to forty-eight hours. See the speech by Homi Mody to the Employers Federation of India in *Capital*, January 3, 1946, p. 2.
22. Another line sometimes taken by business was to concede that there may be some legitimacy to the idea that labor was in a bad way, but that these were being distorted and illegitimately amplified by "outside elements," i.e., Communists. See the speech by M. A. Master, President of the Federation of Indian Chambers of Commerce and Industry, July 9, 1947, in File 336, PT Papers, NMMML.
23. Master recalls this in his speech, referred to in the previous footnote.
24. See the "Draft Agenda" as sent out to the participants, in File 336, PT Papers, NMMML.
25. This was a concession by labor because the abrogation of the strike weapon in a period of stagnant or declining wages would leave their living standards to the whim of employers.
26. Appendix to *Conference on Industrial Development in India* (Delhi: 1947).
27. *Conference on Industrial Development in India*.
28. These are covered in Resolutions 1, 3, 4, j, 6, in *Conference on Industrial Development in India*.
29. *Conference on Industrial Development in India*, Resolution 1, paragraph IV.
30. This list is in Resolution 2, *Conference on Industrial Development in India*.
31. This section summarizes chapter 5 of Chibber, *Locked in Place*.
32. See the discussion in Ramaswamy, *Industry and Labour*, 44–48.

33. Pant, the Premier of the United Provinces, considered it an "urgent matter" that the Congress have a "close-knit labour organization" of its own. See G. B. Pant to Patel, September 23, 1947, Patel Papers, Reel 48, NAI.

34. Quoted in Harold Crouch, *The Indian Trade Union Movement* (Bombay: Asia Publishing House, 1966), 83. In a pamphlet issued later that same month, Nanda took the high road, omitting all mention to arbitration and relying instead on the generic anti-Communism that was to become the stock of much of the Congress Left: "It is obvious that the Communists are the perpetual enemy of any established authority in this country and that they will seek to keep the country in a disturbed state in order to suit the international aims of a foreign power. . . . Whenever and wherever we associate ourselves with the Communists we incur loss or liability for ourselves. Therefore, the need for creating a separate Central Organization of Labour is immediate and imperative." Gulzarilal Nanda, *Future of Indian Labour*, May 1947, 7–8. This pamphlet can be found in File 123, Jayprakash Narayan Papers, Inst. II, NMML.

35. See the Indian *Labour Yearbook*, 1948.

36. See the comments by Rajani Mukherji of the IFL in Donovan to Secy. of State, December 23, 1947, 845.5043/12-2347, RG 59, DSR; also, see the discussion of the Truce in "Summary of the Proceedings of the Ninth Session of the Indian Labour Conference held in New Delhi from 19th to 21st April, 1948," File 291, AITUC Papers, NMML. See the comments by the industrialist H. Mody in Donovan to Secy. of State, December 23, 1947, 845.5043/12-2347, RG 59, DSR.

37. Resolution #9, in the Appendix. *Conference on Industrial Development in India: Proceedings* (New Delhi: 1947). Emphasis added.

38. Lala Shri Ram was one such example. When initially contacted by the Indian Employers Federation to join the attack on profit-sharing, he demurred, complaining that the organization had "declared war" on the scheme, despite the fact that employers had committed to it in the Truce Conference. But Shri Ram did not remain on the fence for long, becoming an active votary for industry's cause through much of 1948–49. The letter is contained in File LSR/IFC-5, Lala Shri Ram Archives, New Delhi. Unfortunately, I have lost the exact reference to the dates of the correspondence.

39. Dalal's comments in "Proceedings of the Ninth Session of the Indian Labour Conference, held in New Delhi from the 19th to 21st April, 1948," File 291, AITUC Papers, NMML. Dalal was present at the conference as a delegate of the Employers Federation of India.

40. For complaints against declining labor productivity, see the proceedings of the Industrial Truce Conference; for linking the extra remuneration to labor productivity, see the testimony of K. D. Jalan and M. Birla in "Minutes to the evidence tendered by representatives of the Federation of Indian Chambers of Commerce and Industry to the expert committee on the Determination of a fair return to capital and profit-sharing, Monday, June 28th, 1948," File 1236, IMC Papers, NMML.

41. The Federation of Indian Chambers of Commerce and Industry, memorandum submitted to Mookerji, May 27, 1948, File 1236, IMC Papers, NMML.

42. Employers did at times interpret the proposal in this less generous fashion. For one such instance, and the clarification by government representatives, see the "Minutes to the evidence tendered by representatives of the Federation of Indian Chambers of Commerce and Industry to the expert committee on the Determination of a fair return to capital and profit-sharing, Monday, June 28th, 1948," File 1236, IMC Papers, NMML.

43. This was first demanded by G. D. Birla in the Industrial Truce Conference: "You will be perfectly entitled to put a check on profits provided you also put a check on losses," *Proceedings*, 41. See also the memorandum submitted by the Federation of Indian Chambers of Commerce and Industry to the expert committee on fair return to capital and profit-sharing on June 28th, contained in File 1236, IMC Papers, NMML: "If one were to concede the principle of returns being limited, naturally the state will have to undertake the obligation to make good losses in lean years."(5).

44. See "Proceedings of the Ninth Session of the Indian Labour Conference, held in New Delhi from the 19th to 21st April, 1948," File 291, AITUC Papers, NMML; the "Memorandum submitted by the Federation of Indian Chambers of Commerce and Industry to the expert committee on fair return to capital and profit-sharing on June 28th," contained in File 1236, IMC Papers, NMML; "Proceedings of the subcommittee to formulate a scheme of profit-sharing linking labour's share with increased production" (All-India Organization of Industrial Employers), May 27, 1949, File 180, WH Papers, NMML; report on the proceedings of the Central Advisory Council of Labor, held at Lucknow, November 19th–21st, 1948, File 180, WH Papers, NMML.

45. For government's attempts to understand the distinction, see the discussion between them and the industry representatives in "Minutes to the evidence tendered by representatives of the Federation of Indian Chambers of Commerce and Industry to the expert committee on the Determination of a fair return to capital and profit-sharing, Monday, June 28th, 1948," File 1236, IMC Papers, NMML.

46. "Minutes to the evidence tendered!" IMC Papers, NMML.

47. Memorandum by president of the Indian Colliery Owners Association to Secretary, Indian Merchants Chamber, December 4, 1948, File 1236, IMC Papers, NMML; See also the comments by K. D. Jalan in the minutes to the "Proceedings of the subcommittee to formulate a scheme of profit-sharing linking labour's share with increased production" (All-India Organization of Industrial Employers), May 27, 1949, File 180, WH Papers, NMML.

48. "Profit Sharing and Living Wage," memorandum by Peter Alvares, May 8, 1948, JP Papers, File 220.

49. This is enunciated in the "Memorandum of the IFL on the Fixation of fair return to capital and labour's share of surplus profits," File 294, AITUC Papers, NMML.

50. The priority of wage legislation figures in all the Left unions' position papers. In addition to the ones in the above two footnotes, see also the AITUC memorandum to B. B. Saksena, Industry Ministry, June 13, 1948, AITUC Papers, NMML; HMS memorandum to committee of experts, June 25, 1948, File 220, JP Papers, NMML.

51. See memoranda by AITUC, HMS, and especially the IFL referred to above. The latter in particular spells out the logic with admirable clarity.

52. See the correspondence between the Federation of Indian Chambers of Commerce and Industry and the Indian Merchants chamber in File 1236, IMC Papers, and File 180, WH Papers, both in NMML. For an instance of the coaching referred to in the text, see the circular sent out by the Federation to its member bodies on June 3, 1948, on the eve of the deliberations of the expert committee on profit sharing. The circular was sent with attachments providing the conclusions reached by a committee appointed by the Federation to consider the matter, and the Secretary G. L. Bansal expressed his hope that "the Member-Bodies will not only support these views, as

expressed by the Federation Sub-committee, at every stage, but will also impress upon their representatives, who may be asked to tender oral evidence before the Expert Committee, to adhere to these views"; FICCI circular, File 180, WH Papers, NMML.

53. See the report by Donovan to Secretary of State, September 2, 1949, 845.504/9-249, DSR, RG 59.

54. *Report of the Committee on Profit-Sharing* (Delhi: 1951).

55. This was a tactic that seemed to have been crucially dependent on the time factor. In mid-1948, when it was first suggested in secret business confabulations, it was shot down by the majority. But by late 1949, it became the public position of the class. For the former, see the report of the preliminary meeting of employers leading up to the first meeting of the Central Advisory Council of Labour, contained in the All-India Organization of Industrial Employers circular, File 180, WH Papers, NMML; for the latter, see the minutes to the meeting of the AIOIE subcommittee in the circular of May 26, 1949, and the report on the Central Advisory Council's second meeting in File 180, WH Papers, NMML.

56. See the story carried by *The Times of India*, 11/30/50. See also Deimel to Department of State, #1255, 891.19/12-450, RG 59, DSR. Deimel reported that officials from the Industry and Supply Ministry had admitted to him that "it was the intention of [the government] to resist any attempt that may be made to revive the idea of profit-sharing."

57. Resolution IX, paragraph (b), Appendix, *Proceedings* . . . (emphasis added).

58. K. N. Subramanian, *Labour-Management Relations in India* (Bombay: Asia Publishing House, 1967), 343.

59. Subramanian, *Labour-Management Relations*, 346.

60. A good source for business views on this issue is the weekly *Capital*, which not only editorialized freely, but also published speeches and addresses by prominent businessmen. On wages, see for example the speech by S. S. H. Sitwell to the Indian Engineering Association, April 4, 1946; speech by J. Latimer, president of the Indian Mining Association, in the April 3, 1947 issue; speech by G.D. Bida at the annual meeting of the United Commercial Bank, in April 24, 1947, issue; editorial, 993, June 11, 1947; editorial, 1095-96, June 26, 1947.

61. "Report in brief on the proceedings of the first meeting of the Central Advisory Council of Labour, held at Lucknow, 19th-21st November 1948," File 180, WH Papers, NMML; All-India Organization of Industrial Employers circular, "Second meeting of the Central Advisory Council of Labour," July 26, 1949, File 180, WH Papers, NMML.

62. "Summary of the Proceedings of the Indian Industrial Committee on Cotton Textiles held in New Delhi, January 12-14, 1948," File 285, AITUC Papers, NMML.

63. The five-year agenda for labor relations can be found in "Program of Work During the Next Five Years," File 278, AITUC Papers, NMML.

64. "Memorandum of conversation with Sadashiya Prasad, deputy secretary to the Ministry of Labour," November 27, 1950, 891.06/11-2750, RG 59, DSR.

65. Steere to Secretary of State, May 24, 1951, 891.06/5-2451, RG 59, DSR.

66. Steere to Secretary of State, May 10, 1951, 891.06/5-1051, RG 59, DSR.

67. Ironically, while the Commission overshadowed the Labor Ministry on these issues, planners themselves had little power in the policy apparatus relative to other economic ministries. See chapters 6 and 7, Chibber, *Locked in Place*.

68. See the report on the Eleventh Session of the Indian Labor Conference, Held on August 11-12, 1951, in Drumright to Secretary of State, September 12, 1951, 891.06/9-1251, RG 59, DSR.

69. Wilkins to Secretary of State, August 30, 1951, 891.06/5-2451, RG 59, DSR; Drumright to Secretary of State, September 12, 1951, 891.06/9-2151, RG 59, DSR.

70. Even so, in 1950, only three wage boards were in existence—in cotton textiles, sugar, and cement. See the ILO, "Report to the Government of India on Labour-Management Relations and Some Aspects of Wage Policy" (Geneva, 1960), 33.

71. Subramanian, *Labour-Management Relations*, 413-14.

72. For a discussion of this and related theoretical issues, see Claus Offe and Helmut Wisenthal, "The Two Logics of Collective Action," in *Disorganized Capitalism*, ed. Claus Offe (Cambridge: MIT Press: 1985).

73. This commitment was mediated for many Congress leaders, however, by an attenuated conception of citizenship. In particular, the abuse of the rights of Muslims was, for these more communal leaders, within the bounds of reason, since it was not clear that Muslims were "Indians." Interestingly, while the political marginalization was openly mooted by Congress leaders, the extension of this principle to labor was not.

74. Erik Wright has recently made a distinction, which I basically follow, between positive and negative class compromise. I have used "class accommodation" instead of the term "negative class compromise," because it seems a more felicitous way of expressing the treatment of class interests in such a settlement. See Erik Olin Wright, "Worker's Organization and Capitalist Class Interests," *American Journal of Sociology* (March 2000).

75. Just how far the new state went to accommodate itself to this imperative is examined in chapter 6 of Chibber, *Locked in Place*.

76. The work of Amartya Kumar Sen and Jean Drèze has been particularly important in heralding the region's achievements. See, inter alia, their book, *India: Economic Development and Social Opportunity* (Delhi: Oxford University Press, 1995).

77. Patrick Heller, *The Labor of Development: Workers and the Transformation of Capitalism in Kerala, India* (Ithaca, N.Y.: Cornell University Press, 1999).

78. Heller, *Labor of Development*, chapter 7.