

CHAPTER XX

WORKING TIME AGREEMENT OF MILLS

The Working Time Agreement followed at present by the Jute mills has been claimed to be a steadying factor in the off-take of Indian raw jute. Though evolved through a period when there was excess capacity in the mills and the raw jute supply had also grown up on an unplanned basis, the Agreement has assumed a new significance in the altered situation after Partition. While the surplus capacity of the mills continues, indigenous supply of the raw material has gone short. Since the Partition, various steps have been taken from time to time both to regulate the demand of mills for raw jute when it was scarce and for stepping up on a long-term basis the production of jute in India. The I.J.M.A. have in this context contended that "by sustaining the price of jute goods, the system has secured raw jute against a slide in price and has thereby substantially assisted the promotion of the Government of India's Grow more Jute Campaign". Opposing views however have been expressed on this point. The case for the working time agreement (Appendix IV containing the working hours regulations of the industry from time to time) has been given in the reply of the I.J.M.A.

"The essential background to any consideration of the working time agreement at present followed by the mills is that the productive capacity of the Indian jute manufacturing industry greatly exceeds the present world demand. Similar situations have arisen from time to time since the earliest days of the industry in India, and as long ago as 1885 the mills found it necessary to enter into an agreement to restrict their working hours. Since that first agreement there have been many other working time agreements and the basic object of all of them has been the same namely, to keep the supply of jute goods in line with world demand and thus prevent a collapse of the market with the severe repercussions that such a situation would have on all concerned in the industry."

I.J.M.A's.
defence of it.

"The present agreement, which was entered into in 1949, is a continuation with minor modifications of the agreement drawn up ten years earlier, and the fact that the 1939 agreement has twice been renewed with practically no alterations is evidence of the measure of support which it has received and still received from the industry as a whole. The principal purpose of the agreement is to prevent any increase in the number of hessian and sacking looms beyond the registered complement of each mill at the time when the 1939 agreement was entered into and to restrict the working hours of these looms to such number as may be agreed upon by a majority of the signatories in the light of the market conditions prevailing at any given time. At present the working hours are restricted to 42½ per week with 12½ per cent. of the looms sealed, the only exception to these working hours being in the case of the smaller mills with a registered complement of not more than 220 looms, who are permitted to work 72 hours a week with none of their looms sealed. By this voluntary restriction on working hours—the number of hours may with the consent of a majority of the signatories, be increased or decreased as may be required—the production of jute goods is maintained at a level which world markets can absorb. The agreement functions satisfactorily and achieves the object in view, but its smooth operation would be greatly facilitated by a more realistic approach to the question of employment which would enable the mills to adjust their labour force to variations in the level of production. If production is temporarily increased, additional workers are required, but hitherto the mills have experienced great difficulty in getting rid of this additional labour when production has again had to be curtailed. This difficulty is a matter of great concern to the industry and the Association. therefore wishes to bring it prominently to the notice of the Enquiry Commission, but the problem is of course a direct result of present labour policies and not a defect inherent in the agreement itself."

"The alternative to a working time agreement is cut-throat competition and gross over-production which would quickly result in a collapse of the market both for raw jute and for jute goods and the elimination of a considerable number of mills. The chaos in the industry and the large scale unemployment which this would entail does not bear contemplation. The working time agreement on the other hand spread the limitation on production equitably over

the industry as a whole, and also maintains the potential productive capacity necessary to meet sudden increases in demand such as occurred during the last world war. The advantages of the agreement are appreciated by those concerned in the jute mill industry and are the basis of the solid support which has been and continues to be given to its operation. Indeed, it is true to say that the working time agreement is the fundamental basis of this vital and well organised industry".

In discussion with us the I.J.M.A. have clarified their view-point further. They realise that without rationalisation and modernisation there is no future for the industry, that only by reducing costs of production can the overseas market be firmly retained and that the higher capital costs of modernisation can only be recouped if there is more intensive utilisation of plant and machinery than is possible in a 42½ hours basis. Their experts have pressed the view that rationalisation will involve displacement of labour. With a more balanced plant working double shift in preparation of yarn and unsealing loomage at present shut down and working hours extended to the normal 48 a reduction of 25 per cent. in labour strength will arise. As it is, the mills are reported to have a surplus of 10 per cent. in the labour force. The labour regulations, particularly the provisions regarding retrenchment and lay off, are according to the I.J.M.A. onerous and prevent the orderly rationalisation of production within the industry and stand in the way of modernisation. The I.J.M.A. have also contended that till rationalisation of old mills is achieved to the extent of covering at least 50 per cent. of the units, the scrapping of the working time agreement will spell cut-throat competition and disaster to the mill production.

The contrary view has been expressed by others. Thus, the Bharat Chamber of Commerce has pointed out that the working time agreement followed by the mills at present is detrimental to the long term interest of the Indian jute trade and industry. Though ostensibly directed to restriction in production, it is not a correct measure to meet a declining trend in the demand for jute goods. The correct approach in their view would be for the industry to take all such measures to produce cheaply and at competitive prices so that the demand for Indian jute goods may be increased. The Chamber feels that the industry should work to its full capacity without sealing of loomage or reductions in the working hours and consider that the Indian

Criticism by others.

jute industry and trade can survive only by working to full capacity and thereby reducing overhead costs. The total consumption of jute goods in the world is not likely to increase substantially and therefore extension of the industry in foreign countries (which having been established at considerable cost will not be allowed to suffer a setback) would only be at the cost of the Indian jute industry. The Chamber grant that even now the Indian industry enjoys a comparative advantage over the jute industries in foreign countries because of cheap labour and ready availability of raw materials. They feel convinced that the battle for survival can be won only by following the method suggested by them. The Champadani Jute Company (Managing Agents James Finlay & Co.) have also pointed out that the working time agreement is not altogether in the interest of the industry. They consider that such an agreement would be advantageous if there was a clear-cut control of the industry or it had been enjoying a complete monopoly in the commodity. Neither of these factors obtains now. They, therefore, have argued that the apprehensions that the alternative to this agreement would be cut throat competition and gross over-production resulting in the collapse of the market both for raw jute and jute goods and the elimination of a number of mills, are not justified. The installed jute manufacturing capacity is greater than the world demand for jute goods with the result that the market potential for Indian jute goods is to that extent restricted. The effect of the agreement is that the fall in output has been spread out uniformly over all sections of the industry irrespective of their relative efficiency, resources and costs. While return to full production might place less efficient high-cost units out of business, creating some disruption in the industry and unemployment, it would eventually settle down to normal conditions. When the efficient mills work at full production at lower costs it would increase their competitive power in retaining the market for Indian goods abroad.

Conclusion.

There is a great deal to be said for both points of view. During the critical periods that have passed when the surplus capacity of the industry would have been a dead weight on its efficient marketing, the working time agreement has served as a protection for less efficient units in the industry. But the system of protection for inefficient units cannot continue indefinitely in the face of severe competition from overseas countries. While rehabilitation

and modernisation of production would increase productive efficiency, it could only be done with considerable addition to capital expenditure so that the extent of price reduction which could be effected by a rationalisation in terms of optimum production will not be achieved. We, therefore, feel there is considerable force in the contention that in the long term interest of the industry the agreement should be modified if not abandoned. This is a challenge to the jute industry and it is hoped that the industry is alive to it. The Jute Board we have proposed would be able to guide and advise the industry in settling matters connected with readjustment of working hours and any compensatory action that might be necessary if uneconomic units have to be wound up on the ground that development and rehabilitation expenditure should be concentrated only in the more efficient units which can be worked intensively. The process of change in working hours could be effected in stages or by sections. As a first step working hours of mills may be permitted to be raised to 48 hours. Mills embarking on considerable capital expenditure for modernisation could thereafter be exempted from the rigorous working hour restrictions. Alternatively, a plan might be evolved by which mills which despite working longer hours cannot face competition either because they are old or uneconomic in working, should be allowed to close down on a regulated basis. These alternatives have to be considered in the context of the extent to which displacement of labour in units which will be compelled to close down can be counter-balanced by increased employment elsewhere in mills which work longer hours. This is an aspect of the case to which we feel greater attention should be given than the mere going out of business of uneconomic units.

One aspect of this agreement has been brought to our notice by the Calcutta Jute Manufacturing Company. Under the present agreement mills with less than 220 looms are allowed to work 72 hours per week, whereas mills with higher loomage are required to work $42\frac{1}{2}$ hours a week with $12\frac{1}{2}$ per cent. looms sealed. They have pointed out that mills having between 400 and 550 looms are in a very bad position, as with the loomage of 502 they are permitted to run 18,624 looms working hours per week against 15,840 loom working hours with a loomage of 220. The complaint is that this puts such mills which are the minimum optimum size for efficient working in an uneconomical position com-

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for Assam.

pared to both the larger and the smaller mills. We suggest that this aspect of the case should be further examined by the I.J.M.A.

We have been asked to examine the question of establishment of a jute mill in Assam, a matter on which the State Government had made a request to the Centre some months back, when we visited Assam. The Chief Minister of Assam expressed his views strongly in favour of setting up a jute mill. He regarded this as a concrete step for improving the prices of raw jute in that area. It is understood that attempts to enlist private enterprise in the field had not been so far successful. But recently one party had expressed willingness to do so if Government permitted the establishment of a jute mill of 300 looms and allowed import of the requirements of machinery from abroad. The total quantity of jute produced in Assam is about 9 to 10 lakh bales. The consumption of gunnies in the State has been mentioned as about 16 lakh bags sacking and 11 lakh yards hessian of which more than half is on account of the tea industry. On account of the prevailing transport difficulties to take jute down to Calcutta and bring finished jute products to Assam and the high freights involved, it was suggested by the authorities in Assam that the establishment of a jute mill in the State would to a large extent obviate these difficulties. The establishment of such a mill would to a certain extent assist the jute growers as some portion of the local production would be readily consumed. The load on transport would be reduced and a ready market could be obtained for the products of the mills.

We have carefully considered this question. At the present stage, the jute mill industry in India have a capacity not only in excess of its present markets, but also in excess of any possible expansion of such markets. The erection of a new mill might not in this context prove advantageous from the overall economic interests of the country. The size of the unit (300 looms), is also likely to prove uneconomic under the present working conditions in the industry. Even if the entire output of the new unit is consumed locally, the high cost of the new unit will not make its output competitive. We gathered from experts that the rehabilitation costs of an old mill would be about Rs. 9,000 per loom. To establish a new mill the cost would exceed Rs. 25,000 per loom. The annual consumption of raw jute of the proposed mill in Assam would

not be more than 2 lakh bales. It may also be stated that such a mill would not require the entire quantity of high class jute produced in Assam. The economic benefit would be negligible from the point of disposal of the better quality of Assam jute. On the other hand, we appreciate there are some advantages in a regional dispersal of mill capacity. We have suggested that there is scope for readjustment in the working time agreement and as a result of rationalisation of the jute industry certain units may possibly become surplus. The transfer of such mills from the existing location in the Calcutta region will then become feasible and we consider such a course of action preferable to the establishment of new mill.