Chapter Six

Institutional Aspects of Employment Relations

This chapter would concentrate on the firms which are selected for our analysis. A narrow down from country level to industry level to the level of the firm would attempt to bring out the inherent dynamics which would otherwise be unobservable at the macro level. New institutional economics lends the chapter its backbone and it is with this lens that an analysis is drawn. The period of reference for the study is pre and post liberalisation period of the 1990s in India. A neat assessment of institutional factors having led to the current situation of the firms being a market leader in its segment becomes apparent. Liberalisation period as an exogenous event is thus the focal point of the analysis amidst discussion on institutional mechanisms. These institutional mechanisms operates not only from outside but also from within the firm. This chapter would look into institutions that operate within the boundaries of the firm.

In this context, the remuneration to labour in the form of wages and other non-monetary benefits is probed. It traces how the form has been changed and what led to these changes. For this the worker contracts become a source for understanding the bargaining relationship.

6.1 Liberalisation as an exogenous change

The direction of institutional development hinges on the tenets of the institutional capital prevalent in an economy. Capital attuned to economy would have self enforcing effects until any transformative changes happen in its environment outside. Quite precisely, this depicts the state of an equilibrium where external influences are absent. In an example, institutions developed under capitalism would be habituated within its precincts. On the other hand institutions developed under the aegis of a communist regime would resist all attempts towards a transformation to a capitalist system. Any such transformations can
partake only on the event of an exogenous unanticipated change that would chart the course of future direction$^{89}$.

On the same lines, a firm may be thought of as an economic system$^{90}$ in equilibrium where the sellers of labour i.e. the workers find their buyers in the management. Till the time there is no interference in the external environment, the firm continues to maintain this equilibrium. Changes begin to take place when this equilibrium is disturbed. The 1990s mark a significant period in the history of the economy of India that brought about considerable changes in the way firms functioned. The tenets of socialism enshrined in the Constitution of the country lay challenged when India undertook massive neo-liberal reforms during the period. Although few attempts at liberalisation had been attempted earlier by the previous governments, none did receive as much impetus. It was the balance of payment crises that particularly made the economy vulnerable, which gave IMF (International Monetary fund) the chance to initiate economic reforms in India.

Liberalisation replaced the import substitution policy with more liberalised trade arrangements. The reforms led to a major shift in the economic organisation of the country on a wider scale. The usherance of competition through lifting controls on price determination and capacity expansion, improving the investment climate of the country, easing export-import restrictions, reduction in taxes, waning of the public sector and free hand to the private sector gave an impetus to the ‘animal spirits’ of the market. There was no room for underperforming industries as competition from foreign firms ensured their stranglehold. Protection for domestic firms replaced a more export oriented focus which resulted in the closure of several firms which could not compete with foreign players. Economic growth and poverty eradication were expected through the forces of the invisible hand of the free market. However, this also warranted appropriate institutions in place that would be able to reap the benefits of liberalisation.

The overall institutional environment had taken a handbrake turn and firms had to innovate in order to survive. In the absence of any coping mechanisms, vast majority of

$^{89}$ See Moriguchi (2000).
$^{90}$ Although as Gottlieb (1953) mentions that the idea of an economic system is quite protean in its form, in its narrowest sense it refers to a price system. Reference to an economic system here is made with regard to this.
workers were rendered unemployed in industries that had been overwhelmed by the process of liberalisation. Even in industries that somehow managed to sustain their business, layoffs and retrenchment became a common practice. In the absence of any social security net, trade unions struggled to manage employment. The dearth in institutions to manage the repercussions of the reform era was being felt. On the other end of the supply chain, the consumers were exposed to a plethora of goods that insured sharpening of firm competitiveness. Best practices in the form of quality circles, Total Quality management (TQM), Kaizen gained precedence in manufacturing units.

It is pertinent to document differences in institutional handling of competition among countries as compared to India. Russia faced huge problems in the face of reforms during the same period. The Yeltsin government in the wake of the collapse of the Soviet Union initiated reforms by decree. The institutional environment of the country molded in the former Soviet era had difficulty in internalising the market based economic restructuring that was demanded of the time. Social security to the industrial workers which was largely a state matter had now been relegated to the responsibility of individual firms. Firms which had no first-hand experience of dealing in a competitive market economy were thrown in at the deep end. Large scale corruption by the Russian oligarchs was also blamed for the failure of institutional mechanisms to counter such threats. This created huge problems and matters were further transcended to an increase in poverty and income inequality during this period.\(^91\)

On the other hand, South Korea presents a contrasting image from the Russian experience where market reforms post the Asian financial crisis (AFC) of 1997 brought out a somewhat positive effect in the economy except some minor glitches. The good show of the country can be attributed to the earlier reform periods in the 1960s where development of quality institutions and property rights was necessitated. Land reforms, more or less equitable society, good quality of education and health measures, support to workers have all helped make the transformation less haphazard. This kind of systematic leasing of reforms in different periods aided by strong government interventions and

\(^{91}\) See Black and Tarassova (2003).
philosophical orientation of the society has produced results that are non replicable to any other economy\textsuperscript{92}.

The purpose of showcasing these two cases is to point out that India lies somewhere in between these two experiences where weak property rights, poor primary education and health status of the majority, fragile financial regulations expose the lacunae of the economy. It has not been able to sustain itself as South Korea but it has not done as bad as Russia either. In the decades that have followed the liberalisation process, a lot of institution building has been witnessed. Strengthening of democratic institutions, tightening of financial regulations, poverty alleviation programmes, financial inclusion have all been at the centre of the efforts. Further persistent efforts in this direction remain the desideratum.

6.2 The firm: Analysis

The firms that are being taken up for analysis both belong to the category of steel manufacturers. They are situated within the same geographical state, however both of them have their international presence abroad. The first firm A is a large steel firm having a total workforce size of 17,589 persons, which includes both blue collar and white collar employees. Firm B which is a small steel firm has around 3,683 employees\textsuperscript{93}. This figure excludes the casual or contractual staff. Both these firms have had a long period of successful existence- firm A having more than 100 years of existence while firm B has more than fifty years of existence. This also represents the long standing employment relationship which has been the basis of its existence.

The introduction to the field of study would follow the approach of the new institutional economics where the focus is on the understanding of institutions in the first place. It would borrow the framework from the NIE perspective of Oliver Williamson (2000). The framework is used only for preliminary understanding of the institutions. The introduction to the firms would thus be initiated by the institutional environment prevalent in the firm which would lay the base for the understanding of the institutions in

\textsuperscript{92} See Ha and Lee (2007); 'South Korea: A Replicable Model?' (1994).
\textsuperscript{93} Accurate figures have been taken from Annual Survey of Industries (ASI) frame (2014-15).
the firm. Then it would look into the governance structures of the firm particularly at the labour transactions that take place within the firm. The governance structure owing to the long periods of existence has been highly specific having recurrent labour transactions. Labour transaction within the firm is captured through two distinct ways—firstly through the secondary data that have been collected during field work and secondly from the interviews that were taken from the participants of the study. The interviews have been presented as narratives in the subsequent sections that shed light on the state of affairs of the firm. The role of the trade union in the governance of the internal system of the firm becomes important.

6.3.1 Institutional environment

6.3.1.1 Firm A

Institutional environment prevalent in a country dictates what kind of strategies would be followed by firms. The institutions can be enablers or inhibitors in the growth of firms. The long history of the firm for over a century provides a useful area of enquiry to gaze into the manner in which the firm has responded to the several contingencies that have arisen in its long period of existence and in the process how the firm has responded to it and by doing thus sharpening its own strategy and appropriating unique norms and customs of work culture.

The firm is a private company which has been in existence for a period more than 100 years and is distinguishably a brand name in the country. It has been certified by ISO 9001: 2008 quality management systems. Apart from this, it has also been certified by ISO 14001 (environment management system) and 31000 (risk management). The flat product division of the firm has also bagged the ISO/TS 16949 certificate which makes it to compete in the Indian auto industry.

Today when the firm has established itself in various other sectors, its basic organisational structure remains intact. Since early days, it attracted workers from different parts of the country, cutting across hierarchical structure of class and caste divisions of the quintessential Indian society. Apart from this, the firm followed an

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94 Discussion on this aspect has been provided in the chapter four.
American model of management and thereby employed foreign workers at its helm of operations. The rest followed the hierarchy with the natives at the rock bottom of these different segregated categories.

In the early decades of the establishment of the plant, a large number of foreign hands were employed in the firm. These workers came to be called as the covenanted employees and the rest of the workers who were of Indian origin belonged to the category of uncovenanted workers. In the earlier days there was no system of employment rules and service conditions for the uncovenanted workers. Discrimination on grounds of wages, increments, working hours, overtime, leave, dismissal provision, bonus were arbitrary and very much prevalent. The terms of employment were arbitrary, similar kind of work also did not yield similar pay. The system of grades was also absent from the wage structure. Part of the reason is that the colonial government sided with the firm’s management and did not have any industrial policy in place to compel the employer for granting such provisions. A huge surplus of labour made matters deteriorate further. During this time, there consisted three basic divisions of workers in terms of wages and salary provisions, the covenanted workers belonged to the cream of it, having a monthly rating and a monthly pay. They received an additional production bonus which was absent in other categories. Some workers relating to supervisory and clerical duties were also included in this group. The second highest category included ‘skilled’ and ‘semi-skilled’ workers who were also daily rated but monthly paid. The last category included the coolies, the ‘unskilled’ workers daily rated and weekly paid. Due to the non-explicit nature of the employment contract, the Indian workers lay at peril.

This was also bolstered by the fact that no worker union was established till during this time. The social heterogeneity of the work force was a major disability for workers to launch a collective appeal. This was taken as leverage by the management and it employed it to good use for itself.

Over a period of time, the management was successful in lobbying the colonial government for tariff protection in the steel industry. It was also substantiated by the efforts of the Indian nationalists who wanted their local industry to flourish. The period of World War I (1914-1918) and the dwindling of the resources from Europe provoked
this move from the British who wanted a steady supply of steel for the war. Protection was thus realised in the year 1925\textsuperscript{95} for the steel industry and it was also channelised as a way for the appeasement of Indian sentiments for a home grown domestic large scale industry apart from the Britain’s own interest of having an unlimited supply of cheap products. This laid the foundation for expansion programmes for the plant and the subsequent reorganisation of the plant for reducing costs in such circumstances lead to a serious labour problem during the period.

Waves of revolts marred the decade of the 1920s where workers having been impoverished by the increase in prices post war took to strike on different occasions and lay demands from the management. These demands were varied and based on aspects of low differential wages, leave, compulsory overtime work, service conditions, dismal living conditions of workers, racial abuses by foreigners etc. Grievances of the sort were taken up by a delegate of literate workers to the management. In total there were three major strikes in this decade, which culminated in the introduction of standard rates of wages in the year 1928. It was only after 1928 that some system of standard wages and grades structures was put in place. However, this was only introduced in some select departments and it was mostly for the administrative convenience of the management. The concept of grades during this time was only introduced for workers that belonged to monthly-rated and some highly paid daily-rated workers\textsuperscript{96}. The differences of pay between the three categories of workers were also quite stark.

After the year 1929 and particularly in the 1930s, splits in the AITUC\textsuperscript{97} (All India Trade Union Congress) leading to a division between liberals and left-oriented leaders, created a downhill for the labour movement. Further the great depression of the 1930s also significantly weakened the bargaining power of the workers on account of increasing unemployment. However, soon after, within a span of two years, the AITUC and the Red flag trade union congress of the communists joined hands together for unity. The movements for independence in the country gained prominence and the socio-political environs began to change rapidly. Also, it was slowly becoming apparent that the

\textsuperscript{95} Although the protection stayed till only the year 1927.
\textsuperscript{96} The other categories of workers had to wait for a good forty years till 1947 for the same.
\textsuperscript{97} AITUC was the first national federation of trade unions in India.
erstwhile policy of ‘Divide and rule’ borrowed from the British would not work in the future. In the midst of all this, the Congress party was gaining an upper hand in the affairs of the country as opposed to the colonial government. Also, there was a growing disenchantment for conflict which aggravated labour problems. In the midst of this, management-labour cooperation was slowly gaining currency. This was also substantiated by management experts who saw a greater potential for development and growth through cooperation. The takeover of the XYZ union by the Congress party also had implications for the management, and therefore in the face of an imminent strike in the 1940s, the management took the path of introducing collective bargaining in the company for the first time. In September 1946, a bipartite agreement was signed between the management and the trade union. The major source of inspiration for such an arrangement, can be attributed to the repeated strike incidences. The wage structure was further revised allowing room for grade scales of pay. The new wage structure had three elements in it – basic wages, performance bonus and good attendance bonus. While the basic wage was decided upon by the job related factors, the performance bonus, also called as the per capita bonus, was aimed at increasing the output with less number of workers involvements. The workers were however less content with the structure, especially the one related to the performance bonus and as a result the firm had to undergo revision subsequently in the coming years. During this time, post independence, the management also recognised XYZ as the sole bargaining agent of the workers in the firm.

In 1956, a historic agreement was signed between the management and the union, however, the *freezed* rates of pay, especially the basic wages which formed the basis of other benefits such as provident fund, gratuity etc also remained low. There was practically no revision in basic wages since 1949 and the dearness allowance which formed the succor for lower categories of workers also remained stagnant since 1951. Ultimately this called for a general strike of the workers in 1958, however it was called by the ABC union, the Communist rival union. Officially this strike was never recognised or recorded by the management and it rubbished it as a mere mischief, as it was instigated by the communist union. Consequently, rationalisation of entire wage structure was carried forward which increased the pay packet of the workers to some extent.
Since 1962 onwards, state regulation of wage agreements took over in the iron and steel industry⁹⁸. Central wage boards⁹⁹ had been established which brought about the tripartite system in industrial organisations. This gave the State more role to play than mere adjudication and conciliation as guaranteed under The Industrial disputes (ID) Act, 1947 and other concurrent state legislations. Finally, a memorandum of settlement was signed in 1965 in congruence to the award of the board. The board had readily recommended for an upward revision of the basic wages for all categories of workers based on their assessment of the concept of fair wages. However, post revision itself the amount of minimum wages provided was less and it invited discontentment among the workers. Suggestions as to having plant-wise agreements were also opposed by workers, except by those having affiliations with XYZ which was backed by the ruling Congress party. Further deliberations invited for the formation of a joint wage negotiating committee for the industry. This Committee was a novel instrument during the period which formed the basis of bipartite deliberations for wages. On one side constituted the representatives of employers from each of the steel plants and on the other side were members from central trade union federations (INTUC¹⁰⁰, AITUC and HMS¹⁰¹) along with representatives of the recognised unions of those steel plants. Through extensive deliberations and pressure from the workers in the committee, an improved wage revision could be achieved in the year 1970.

The year 1991 was one the most eventful period in India and also of the firm. This was a period decades after worker militancy had been silenced and which was followed by the era of cooperation in the running of the firm. The focus on running a firm lay more on issues of productivity and innovative practices than workers’ union and other related issues. The Indian economy had been open for competition. Competition from outside State borders came to be thrust on Indian companies. In such circumstances the only measure that could be able to shield was innovation and cost cutting. The firm also went

⁹⁸ See Tulpule (1968).
⁹⁹ Wage boards were officiates for the establishment of ‘fair wages’, based on the Report of the Committee on Fair Wages. The lower limit of the fair wages was the minimum wages while the upper limit of the fair wages was dependent on the capacity of the industry to pay.
¹⁰⁰ Indian National Trade Union Congress.
¹⁰¹ Hind Mazdoor Sabha.
through this grueling process of reorganisation. The quoted principles of the founder with which the firm began its journey were brought to the test.

6.3.1.2 Firm B

Firm B is a private proprietary firm belonging to a larger parent conglomerate which specialises in making a variety of steel products like wire rods, bright bars, steel wires, conveyor cord, cable machinery etc. Firm B itself produces steel wire rods and special steel bars which forms part of the backward integration of the conglomerate. The products of the firm have usage in the automobile sector, railway, tractors, machinery and general engineering. All the facilities of the firm are ISO 9000 (quality management standard) and ISO 14001 (environmental management standard) certified and it has also received the TPM excellence award. Firm B has been highly successful in its steel and wire ropes segment and a large part of their products are exported outside the country.

While the conglomerate was established in 1961 in collaboration with a similar firm in the UK, firm B came into existence a decade later and ever since has been thriving in the long product segment of steel manufacturing. It has a couple of international tie ups and joint ventures with companies in Finland, Japan and Germany. In its present form, the firm has an integrated steel manufacturing facility which includes iron ore beneficiation facility, sinter plant, coke oven, steel melting shops, blast furnace, wire rod mills, looming mills etc. The company also has captive iron ore and coal mines which provides for the raw materials for the firm.

During its early days the conglomerate had witnessed some tensions, the HMS affiliated recognised trade union was derecognised and a rival INTUC affiliated trade union was situated in its place. When various ways of ascertaining the strength of the union memberships were thwarted, the HMS affiliated union along with its president (also the local MLA of the region) went on a hunger strike. Apart from union recognition issues, other issues related to pay and service conditions were also put forward in the strike. The management charged police to break the strike. There were violent lathi charges on the striking workers with several of them getting injured. The union president was assaulted

102 The leader of the INTUC affiliated union had close ties with the ruling chief minister.
which left him bruised and which ultimately became a cause of his death. Apart from this tragic incident there were no other major disputes that have occurred and the situation has remained more or less peaceful in most times.

Years later during the early 1990s liberalisation period, firm B went through a modernisation and expansion process which included enhancing production capacities through installation of a mini blast furnace and integrating it with the existing electric arc furnace (EAF)\(^{103}\). The firm is continuously in the task of upgradation for increasing specialised steel production and also aiming to become a world leader in this business.

In the present times, the firm has close to 4,000 employees which excludes the casual or contract workers. In an approximate there are around 3,000 casual workers in the firm and another 2,500 who work with job order contract which makes the total strength of the workers around 8,000 to 9,000. The casual workers are mostly engaged in works associated with material movement, major shutdowns, coal handling etc. The job order contract workers are those who are engaged in peripheral activities of the firm like building boundaries during expansion, maintenance, shut down and also for shifting slag.

6.3.2 Relational contracting as Institutions of governance

Commons (1932:4) maintained that ‘the ultimate unit of activity . . . is a transaction’. Selection of appropriate modes of governance belies large reference to the transactions that take place inside the firm and economising on these transaction costs remains the primary focus of a firm. Wage bargaining as transactions taking place between the management and the union, point directions towards our enquiry.

Williamson (1971, 1975, 1976, 1985, 2009) and also others\(^{104}\) have been persistent in spelling out asset specificity which brings out concerns regarding redeployability. Of the various assets within a firm, human assets form the most specific asset in the transaction within the firm, therefore transferability remains an issue, even in conditions of

\(^{103}\) Part of the reason for introducing a new way of EAF steel making is the poor quality of scrap available in India. Due to this steel making also involves the use of sponge iron in the process. However the latest method of steel making in EAF is the use of cold pig iron which was utilised by firm B during this period. The process was also known to lower the operating cost.

\(^{104}\) Klein, Crawford and Alchian (1978).
uncertainty. However human asset specificity evolves in intertemporal conditions and the institutional environment as seen in the previous section carries implications for the mode of governance.

6.3.2.1 Firm A

6.3.2.1.1 Phase I

Firm A has had to deal with industry wide wage agreements. Due to its nature of operations, the firm has had to negotiate in different wage agreements concerning multiple industries in which it found congruence. Steel, mining and coal agreements all conjoined to dictate the wage share of workers at their respective levels. Also there were different wage negotiations for different plants. The bipartite NJCS (National Joint Committee for Steel Industry)\textsuperscript{105} forms one such umbrella body that specifically deals with wages of workers in the steel firms. It comprises of, apart from management and union cadre from six steel plants in the country, various central trade unions like INTUC, AITUC, HMS, CITU etc. The deliberations over wages, more specifically the basic pay, relates to the non-executive cadre in both public and private steel firms of the country. This had been taking place since the late 1960s when state regulation had taken over the steel firms. They meet on a periodic basis of five years along with the representatives of the management and the union from the plant to discuss issues relating to wages. The decisions arrived through this committee have been generally binding on the parties. The duration for the agreement is usually for the period of five years. However, more than often contentious matters at the central level have resulted in protracted implementation at the plant level. This delay has been of the order of two to three years since the initial signing of the central agreement. Similarly for coal firms, there is an umbrella body known as the JBCCI (Joint Bipartite Committee for the Coal Industry) which passes the National coal wage award (NCWA)\textsuperscript{106}. It also functions more or less similar to that of NJCS. During this period of these national committees, agreement reached through the deliberations was the basis for setting up the basic pay of the workers in the firm.

\textsuperscript{105} Earlier known as Joint Wage Negotiation Committee. It came into existence in December, 1969.

\textsuperscript{106} The NCWA (National Coal Wage Award) guided the pay of the colliery workers of the firm. The number of colliery workers forms a small fraction in comparison to the numerical strength of the plant workers.
Also, this period presented excessive regulation in terms of the State diktat to the steel firms. The prices of steel products were controlled and fixed by the government. Competition was also restricted in the industry. The beneficiaries of such an arrangement were the consumers that got products at rates that were not in tandem with the costs associated with it. On the other side, these restrictions also hindered investments in new technology for boosting productivity. Also during this period, the firm had been in a minority position in the negotiations and it sought to achieve more or less parity in the basic pay of the workers across the steel firms. The government through the BICP (Bureau of Industrial Costs and Prices) was involved in giving recommendations towards fixing prices in the iron and steel industry. However, post liberalisation period the BICP had closed down.

6.3.2.1.1 Human asset specificity pre liberalisation

Asset specificity forms one of the important dimensions through which transactions are determined. The firm makes a very special case owing to its long history of existence of more than a hundred years. For the most part of the years up to the end of the twentieth century, wages were a prerogative of the State. Matters of incentives, bonus, and other perks were discussed at the level of the firm. Through the distinct organisational practices which had been moulded in the firm’s philosophy, there existed a strong organisational culture which was an advantage for the firm. A few key points of deepening asset specificity is listed below:

- The long history of the firm for over a century highlights the case of repetitive interactions in the firm. The employee engagement comes out most prominently in the employee ward scheme. The scheme entitles the wards of those workers who have completed twenty five years of their service in the firm, to get a preferential job offer in the company depending on the vacancy and skill of the wards. In this process, vacancies are first advertised to the employee wards through the recruitment cell of the company. After assessment, in case of not finding a suitable candidate for the post, the vacancy is then open and advertised

107 Williamson (2000) observes that Although the institutional environment stays rigid nevertheless it is the result of evolutionary processes, having some scope for deliberate design.
in the newspapers. Specific policies of the firm especially related to a guaranteed job for the employees cements the supply of a regular work force that is loyal to the firm. This long association of bilateral dependency has particularly helped in aligning employees towards organisational goals.

- The firm provides a number of welfare measures for the employees. Some of them are free education for the children of the employees up to matriculation in the schools run by the company. The company also helps in providing assistance towards 10+2 education. In case of disablement or death of the employees while in service or retirement, their children’s education is not stopped. Apart from this, various scholarships are also provided to the Scheduled Caste/ Scheduled tribe students. Appropriate concerns for reimbursing school fees for handicapped children of employees also exist.

- Free medical treatment of employees, their spouse and children in the company hospital is provided. In the case of death of an employee or even retirement of the employees, the existing facilities continue to exist.

- Schemes like Employee family benefit scheme and family benefit scheme in case of death during service or fatality in the works would protect the employees’ heir/nominee through giving a monthly pension equivalent to the last drawn salary of the employee until the time the employee would have been sixty.

- Females that comprise of approximate five per cent of the population have various entitlement benefits in terms of provision for granting additional leave during child births, granting of sabbaticals during the period etc.

- A technical training institute imparts the necessary training for its workers right from their injection. Each year the various departments of the firm send nominations of specific individuals, workers and supervisors, to the institute which then assesses their needs and organises training programs regularly. These skill programs range from being basic training to on the job trainings. Promotions are inherently linked to these training programs. These training programs are also linked towards redeploying the workers to other departments or plant locations. The basic thrust of training programs has however been to boost productivity of the firm.
Apart from this the firm also introduced a variety of measures including production bonus, retiring gratuity, provident fund, profit sharing bonus, dearness allowance which however had been differential in their treatment at the start, was aimed at winning over the workers.

6.3.2.1.2 Phase II

Post 1990s the State had lifted various controls over the industry\(^{108}\) however the NJCS machinery of dealing with wages was still applicable. The allowances and bonus were decided at the plant level but the basic pay was decided by the NJCS. Around the year 2003, the firm stated its desire to move out of the national agreements- NJCS and NCWA. The reasons attributed by the management relates to some as

“The NJCS was not paying as per business imperative. Wages were decided on the basis of political considerations. Companies like SAIL which is a PSU (Public sector unit) can afford to run like this, since they are funded by the taxpayer’s money. However such is not the case with us.”

In another reason, the management averred that

“The salary after the seventh pay commission would be too high. We would not be in a position to pay that kind of salary. It would be back breaking for us. We knew that the time has come for us to come out of this (NJCS) agreement.”

Among other reasons stated by the management for this was also the back log time for fixation of the agreements which were quite long. However, when the decision to come out from the NJCS agreement was taken it only meant more time spent on negotiations rather than any substantial increase in the bargaining costs. Also, instances of informational imperfections prevalent during national wage bargaining could be largely curtailed. Moreover, the excessive time which the national agreements took was also a matter of grave concern for the management and the union alike.

Few postulates can be highlighted in terms of the grades and the pay of the workers,

\(^{108}\) Refer to chapter three.
Pre-liberalisation there was a flat rate of increment, however after the year 2007 the pay scale of employees have the rate of increment in terms of percentage system on a cumulative basis. This rate is fixed at three per cent of their revised basic salary. As a result the increment would be a minimum of ₹ 243 per month for the workers.

The DA is merged with the basic pay. This merger has been kept in par with the rate decided by the NJCS i.e. at 78.2 per cent DA in the basic salary. The DA is going to be revised every quarter in April, July, October and January every year based on the increase/decrease in the quarterly average of the AIACPI (All India Average Consumer price index).

After this period the management and the union started with the negotiations and in the year 2010 came out with a memorandum of settlement through conciliation proceedings by the Conciliation officer (Deputy Labour Commissioner). One of the major introductions through these has been the market based KJ grade for the workers. This grade is lower than the existing wage series but higher than the market median. It provided a longer tenure, however the rate of increase would be less as compared to other grades in the firm. It consists of nine pay grades (KJ-1 to KJ-9) and in some critical departments three extra pay grades are also present (KJ-10 to KJ-12). For these pay grades there are four groups each consisting of three pay grades. The importance of this grade is that this grade encapsulates all future recruitments in the workmen category in the firm at the entry level. Segregating some of the differences in terms of the old and new grade structure that shape the employee contracts:

- Although the management has retained the employee ward facility that was practiced earlier, stipulations requiring the minimum criteria have been raised and a minimum matriculate with English is now required. Due to this it has hindered opportunities for many.
- The recruitments done in this grade are initially taken as a trainee, trade apprentice and junior engineer trainee based on the three groups of the grade structure. They would be imparted training for a period ranging from one year to three years. During this period they are provided a stipend ranging from ₹ 2,700
pm to ₹ 5,000 pm. However, there is no guarantee of employment after successful completion of the training schedule for this grade. The employment would be linked to the requirement and vacancy for the posts. Whereas in the old grade structure the training period of the employees were considered as service period and on completion of the training period, were directly absorbed to permanent positions.

- For promotions within the grade there is also a probation period of six months. The probation period has been increased compared to earlier.

- A flat rate of increment ranging from ₹ 200 to ₹ 390 is provided, reverting to the pre liberalisation period grades. As this increment is flat, there is no revision in the basic salary of the worker unless promoted to a higher grade pay.

- The new grade structure differs in the dearness allowance payable to the worker. The DA provided is divided into fixed and variable. A fixed dearness allowance (FDA) of ₹ 500/- pm is given to the employees recruited. The other component of variable dearness allowance (VDA) is more attuned to the metrics of the AIACPI movements. A reduction in the AIACPI would also result in the reduction of the VDA correspondingly.

- Also for this grade, being at the lowest scale of pay in the firm, there is no 100% DA neutralisation for the employees which means that an increase in the costs of living would affect these workers more than anyone.

- The provisions of guaranteed benefit are also not provided to the employees as compared to the older grade.

Apart from this, there are several things that are ill-defined and kept open ended in the contract. While this settlement had taken place in September 2010, issues pertaining to medical facilities, assessment criteria for growth of employees, future recruitments were postponed to be discussed at a later date as per the convenience of the management. These changes brought out by liberalisation lay as a challenge to the basic tenets of employee job security which had implications for the human asset specificity of the firm. However, most of the internal communications between the management and the union
are maintained in secrecy and even the other office bearers of the union are not aware of it. They are required only during the signing of the final agreement.

6.3.2.1.2.1 Trade union and worker’s response

The XYZ union in the firm is the only recognised trade union of the firm. It is affiliated to INTUC, the trade union wing of the Indian National Congress (INC) party. The union also has affiliation to the International Metalworkers’ Federation (IMF).

The revision for the wages takes place every five years in the company. Six to seven months prior to the end of the five years, the negotiations begin. In these negotiations issues other than basic wages are discussed. These negotiations usually happens within closed doors with only around five persons from the management’s side while three members from the union’s side, usually they are the President, Deputy President and the General Secretary. Discussions have been centered around issues such as dearness allowance and on the question whether it should be merged with the basic or not. Currently it is hundred per cent merged with the basic. Further, the union is of the opinion that the increment should be in terms of percentage points and not be fixed. In terms of employment opportunities for employee wards and contract workers the Deputy President of the union opined that

“We have continuously persuaded the management to remove contractual workers and employ more permanent workers. With the completion of the LD-3 construction, the contractual workers have come down. Also we push for strictly following the preference for employee wards for hiring purposes for permanent workers.”

On the introduction of the new grade KJ, the union opined that it was a necessary move and one that is in congruence with the demands of the time. The union did not maintain any different stance than the management on this issue. Also it has to be pointed out that the KJ grade workers are low in number and thereby have lesser influence on the workings of the union.

The response of the workers regarding the firm also varies, as it is they do not form a homogenous populace. There is already a rift among the workers between those coming under the conventional grade structure and those coming under the KJ grade. This rift
also reflects in their attitude towards their work and the firm. Some of the workers from the conventional grade structure averred that,

“The company takes care of the workers, that is the reason why generation after generation my family has worked in the firm.”

“There are great opportunities to learn here. I was also a part of the team that was selected to go to Japan to see their working and emulate the best practices from there. The company wants to make sure that all workers are given chances so that they are motivated to do their work [sic].”

In another instance a worker from the KJ grade stated that,

“I did a mistake joining this place, I was getting better pay in other company. I was of the opinion that the firm pays good but now I regret joining here. My colleagues also feel the same [sic].”

“The facilities provided here are good, but my work is very monotonous. The company has strict rules in terms of not having any engagement while at work, but I have plenty of time and can make it suitable for a much higher pay.”

Such difference in the attitude towards work also reflects the aspirations of the workers of these two different grades. While the conventional grade structure workers tend to remain more loyal towards their employer, the new blood that has migrated in search of a new job expresses their displeasure in an explicit manner.

However, in terms of the union, nearly all the workers expressed their discontentment. Workers from both the grades stated that,

“The union is a puppet of the management. We do not even know what is going on in the union. After all why would they get so many perks from the management?109?”

“For any problem, we straight away go to the HR/IR managers in the department. He is quite receptive and tries to solve things then and there itself. The union has become a non-entity.”

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109 The top positions of the XYZ union i.e. the President, Deputy President and the General Secretary are given additional perks – four wheeler vehicle, permanent relief from the workplace etc.
“Mostly issues related to retirement and recruitment are taken up by the union. Also the issue of safety within work place. Wage as an issue is hardly talked about. We are just made known as to what the agreement has been reached and the rest we do not know.”

The lower rung office bearers of the union, particularly remain unhappy about the management of the union activities and express it saying,

“We are just there as a rubber stamp for the union, we do not have any decision making powers”.

6.3.2.2 Firm B

Firm B is a relatively smaller enterprise with a shorter period of existence as compared to firm A. Both the firms lie in the same geographical region and deal with products made of steel and iron. The strength of firm B and its associated companies lies in its diversification to various products which finds international buyers even when the domestic business slumps. Around sixty per cent of its total production is for the exports. The business of manufacturing steel wire and ropes has strong forward and backward linkages with firm B being the largest supplier to its different units located in various parts of India. The conglomerate also has a 100% export oriented unit which is supplied by firm B. As a result, during the policy changes of the late 1980s and early 1990s, firm B was not much affected by the competition except that in 1987 it decided to go for an expansion and modernisation plan in its existing units. This included increasing the capacities of the plant as well as improving the quality of the product.

The firm has on various occasions kept changing the affiliations of its trade union. There has been a tendency to have unions which has political affiliations with the ruling party in the region. In the early periods of its existence the union was affiliated to INTUC and in the current times it has affiliation with the Bharatiya Mazdoor Sangh (BMS) with Bharatiya Janta Party (BJP) at the helm of affairs. The union affiliated with BMS is the currently recognised union of the firm. Apart from this it also has two other unions- one affiliated with a regional party and the other with CITU. The regional party is also in coalition with the ruling BJP. Although the management does not recognise the union affiliated with the CITU, it was brought to notice by few workers of the firm. The
structure of the union also gives leeway for a closer contact with the ruling party and the firm with the union president being the sitting member of the parliament (MP) of the constituency, while the rest of the positions including general secretary, vice president, joint secretaries and treasurer are all chosen from within the firm. Elections for these positions happen at regular intervals. Further, the management claims that all the workers belong to the recognised union and the union fees is regularly deducted from their pay slip.

Although the year of 1991-92 were a difficult time for the firm, it nonetheless managed to maneuver itself successfully by going through a modernisation and expansion plan. Due to less number of workers being involved as opposed to firm A there were not much retrenchments being done in the firm and it continued with the same grade arrangements as was there in the years previous to it.

The wage agreements for the firm had been taking place at the level of the enterprise. The wage revisions in the firm take place every four years through the process of collective bargaining. Both the parties prepare a charter of demands which is then discussed through in the meetings. Usually the process of collective bargaining takes a period of around 15-20 days with the corporate HR head and the Chief Operations Officer (COO) also taking part in the negotiations albeit in the final stages. Due to the nature of its trade union structure, delays in bargaining are not uncommon. There are eleven regular worker grades in the firm from W1-W11. W1- W3 being the lowest grade comprising of unskilled workers. As the skill increases so does the appreciation in the grades. Apart from them there are also contract workers in the firm. The prime most importance in fixing worker wages is the company’s capacity to pay which is synonymous with its business. The regular workers also get an annual bonus of the range of ₹ 3,500 to ₹ 7,000. On the other hand, the contract workers’ wages are fixed as per the state government minimum wage provisions. From April 2016, the minimum wage per day has been in the range of ₹ 268- 425 for unskilled to highly skilled workers which comes around for a minimum of around ₹ 8,000 to ₹ 13,000 per month.

Apart from this there is no specific employee ward policy in the firm but the union in one of the negotiations had demanded for such a policy thereby at present the firm gives
preferential treatment to the employee wards for various positions. However on the pretext of rapid expansion of the firm, two modes of hiring are formally done. The first set of jobs is given to the land loosers i.e. those persons who have lost their land due to the expansion of the firm in the adjoining areas. They are initially given training after which they are put into regular grades. The selection of such candidates is based on the eligibility criteria. Secondly, the employee wards are also considered for recruitment. However by and large, it has primarily been the land loosers being given statutory jobs. The employee wards are also taken in for casual jobs in the firm. However, for some critical manpower requirements such as furnace, crane and boiler operators, the firm usually advertises in the newspapers. But as one of the manager avers that, “For the last ten years we have not hired any worker for these positions. The recruitments have more or less been freezed. If at all we require workers for these positions, we hire them on contract and then impart them on-the-job training”. There is a greater move towards hiring contract workers in lieu of regular workers even for crucial positions in the organisation.

Other HR policies of the firm include an attendance reward system where workers can avail cash benefit for their attendance. Workers are rewarded a bicycle or other cash benefits. The manager boasts of nil absenteeism in the firm. They also have a canteen facility where subsidised food is served. The regular workers also have an incentive scheme which is linked to production. There is a negligible number of female workers in the firm. There is also the concept of quality circles (QCs) in the shop floor. For some period in the past it was stopped but now again it has started. However, it is not much emphasised and the workers have conceded that although groups of 7-8 persons are involved in one quality circle it is usually only one person involved in the task. The management also seem to be uninterested in the task and puts it that,

“the workers keeps themselves busy, otherwise I myself do not see much usefulness of having such a system. Nevertheless, it is a good system and we must retain it”.

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110 It forms part of the government policy that appropriate jobs must be provided for persons whose land is taken for industrial use.
Training has, however, been important in the firm. Also, due to the nature of the industry there is a need for continuous upgradation of technical know-how. The firm has its own training institute located in close proximity to the firm which fulfills all the training requirements of the firm. In every department there is a training need identification done each year after which the list of training requirements along with the respective names of the workers are sent to the training institute. The training institute then prepares a monthly calendar based on the requirements. The trainings provided by the institute are technical in nature like welding, bearing etc. The need for training becomes more acute in cases when there is a new machine installed in the firm. Most often the training providers are the internal faculties who have the requisite experience and are nominated by their departmental head. The trainings provided are based on the jobs and not based on the grades. The firm also admits apprentices who undergo training of one year, however there is no condition of employment guarantee to the apprentice.

There is also no specific time bound promotion policy in the firm and any promotion which is done is based on merit and employee performance. The feedback of which is taken from the department. One of the manager puts it,

“Skill enhancement is necessary for getting promotion”.

There were several instances where promotions were not given even after serving for a long duration of time. Instances of lack of objectivity in selection process cannot be ruled out and cases of nepotism have been common with many workers voicing their grievances regarding the same.

Regarding the contract workers which over the years have increased, there are four different grades of contract workers ranging from unskilled, semi skilled, skilled and highly skilled. They do not have any fixed training schedule, however some basic training on safety is given to them. They work in some of the most critical positions in the firm. In the establishment of a new unit the entire workforce is taken from the contract workers. Some of these contract workers have been in service for as long as ten years. The firm has also stopped hiring any more workers and as pointed out by the manager that they did not have any vacancy announced for the past 4-5 years.
Over the years the firm has faced safety lapses in the shop floor with frequent mishaps taking place. In 2006, a twenty five year old mechanical engineer died at the wee hours of duty in the mini blast furnace. The next year two employees were found dead in their chairs in the control room due to the leakage of carbon monoxide\textsuperscript{111}. In 2009 again, one contract worker was killed and several others were injured while installing a water tank in the firm. They all belonged to a private contracting agency. The incident took place during lunch time when most other workers were in the canteen otherwise the number of deaths and casualty might have increased. In 2011, there was an incident of fire in the plant. In 2014, there was again a minor leak at the blast furnace but no one was reportedly harmed. Again in 2015, there was a gas leak in the blast furnace which caused around fifteen workers to fall ill. They were rushed to the hospital which saved their life. In the same year, an explosion occurred inside the steel melting shop in which a worker died while four others sustained severe burns. A case of negligence has been filed in the court by some workers. These repeated incidents of occupational accidents resulting in death or casualties have been ubiquitous and no major corrective steps have been taken in this direction. The management also seems content with the safety measures in the firm and blames it on the negligence of the workers for these repeated incidents\textsuperscript{112}.

6.3.2.2.1 Trade union and worker’s response

The firm has one recognised union. Apart from this there also exists two other unions which are not recognised by the management. The union which is affiliated to the CITU is not even acknowledged by the management. By virtue of any worker joining the firm, he/she automatically becomes a member of the recognised union.

The recognised union remains largely dormant and much is to be blamed on the structure of the union with the union President being the MP of the constituency. Negotiations

\textsuperscript{111} Carbon monoxide is generated when coke is smelted with iron ore in the blast furnace. Nitrogen and carbon dioxide are other gases which are produced in this process. These gases also if inhaled for a longer duration can cause death.

\textsuperscript{112} Further, in the year 2012 there were cases of unchecked dumping of industrial waste in the city’s river. The State pollution board had issued a 15-day deadline to the firm for stopping its activities and explaining its stance. Other air pollutants like unburnt coal particles have also caused problems for the ecology. Such notices have been served to the firm at regular intervals in previous years as well. However, in most instances the firm has not responded and compliance with environmental standards has been difficult to attain for the firm.
between the management and the union seem to be irregular due to the unavailability of
the President. The union is largely an ignored agency even among the workers. And as
one worker expresses,

“The union is a part of the management. What good is it for workers like us? It may be good
for some others. Those who are in good books and in the political lines are better placed than
us.”

Another one was bit optimistic,

“There are issues with the union which requires redressal.”

In 2004, some workers were suspended from the factory with no prior notice and reason. The
union affiliated with CITU made a case for the workers before the deputy labour
commissioner. When the management came to know that the union had taken this up to
the authorities, seven other workers were suspended. The suspended workers supposedly
had allegiance with the CITU union which was seen as the main reason for the action
being taken. Such incidents have not been uncommon and a CITU unionist who is not a
part of the workforce of the firm mentioned that,

“This firm has been taking everything under its control. They think that the workers are like
machines they use inside works wherein you can use techniques imported from Japan to
manage them. The treatment given to some workers who speak out has been most
unfortunate and we would always be pressing for such issues at hand.”

In a more or less similar case in the year 1996, matter of an immediate transfer of a
worker to Bombay office was taken to the court by the union. The person concerned had
been an active member of the union and was instrumental in organising workers for their
cause. He was transferred to various departments within the firm itself and was also
charge sheeted on one occasion. He was also denied of his various incentives. The union
had filed a case of victimisation and unfair labour practices. The union had finally won
the case in favour of the worker.
Apart from this the recognised union also takes up some issues with the management that mostly deals with minor day-to-day activities like food served in the canteen, transportation facilities for the workers, attendance, safety measures etc.

6.4 Summary

The discussion provides a glimpse of labour *transactions* within firms. It discusses the institutional environment of the firms and goes on to explain the governance structures that dictate order in it. In this context, the period of liberalisation was taken to be important as it changes the governance structures of the firms. Also firms undergo technological advancements which in turn shapes and enhances the skill content of the workers. Not only do firms now have to compete in the changed business environment, workers employed in these firms also compete on the basis of the skill sets they possess. This leads to a rise in the human asset specificity for the firm. Taking this into consideration, new individual contracts are being shaped which are, in some cases, decisively different from the previous ones. The process of collective bargaining in firms becomes paramount in securing a decent contract and generous rates of return. This forms part of the labour transactions of the firm which is taken as the focal point of the analysis of the firms in this chapter.

Although the firms taken up for study belong to the same industry, their response has been clearly different. A summary of few key variables are presented in the table 20 below.
Table 20: Summary of the variables for both firms

<table>
<thead>
<tr>
<th></th>
<th>Firm A</th>
<th>Firm B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of existence</td>
<td>100+</td>
<td>50+</td>
</tr>
<tr>
<td>Ownership criteria</td>
<td>Private company</td>
<td>Private proprietary</td>
</tr>
<tr>
<td>ISO certifications</td>
<td>Quality management systems, environment</td>
<td>Quality management standard and</td>
</tr>
<tr>
<td></td>
<td>management system and risk management</td>
<td>environmental management standard</td>
</tr>
<tr>
<td>Number of workers</td>
<td>14,245</td>
<td>3,683</td>
</tr>
<tr>
<td>Structure of management</td>
<td>Decentralised</td>
<td>Centralised</td>
</tr>
<tr>
<td>Level of collective bargaining</td>
<td>Firm level (earlier National level)</td>
<td>Firm level</td>
</tr>
<tr>
<td>Affiliation of the union</td>
<td>Indian National Trade Union Congress (INTUC)</td>
<td>Bharatiya Mazdoor Sangh (BMS)</td>
</tr>
<tr>
<td>Changes in the worker grades</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Changes in the employment</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>contract</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field survey

On one hand firm A presents a case which has a long period of existence which nurtures a strong institutional environment inside the firm. The firm has been taking a nurturing role and huge investments have been made to sustain it. Post liberalisation when the firm underwent some drastic measures to sustain which among others also segregated the workers in terms of a new grade structure. The new grade structure has lesser pay and lesser stability of job. Also, the workers of older grade are detached with the employees of the new grade structure. They treat the workers in the other grade structure as different from them. Also the functioning of the union portrays a picture of union bargaining only for the old grade structures. This directly would impact the long term scenario of the workers in these new grade structures. Human asset specificity as maintained through the different factors lie at the heart of issues that lay challenged through the introduction of these new structures.

Firm B on the other hand, presents a case of a relatively small firm whose operations have relied on exports. As a result, the turbulence which was experienced by firm A was not visible in firm B. The worker grades have remained more or less stable with no major additions to it. The usage of contract labour has been increasing to the extent that new plant sites have solely been run with contract and casual staff. To a large extent, the union
seems to be lacking credibility among its members with frequent work arrangements being done through informal mechanisms. Collective bargaining for most workers seems to be an eyewash and recently joined employees seek to transfer jobs for better opportunities elsewhere.