Chapter 1

Introduction

1.1 Background

The development initiatives towards industrialization during the post independence period have altered the role of manufacturing sector in Indian economy. The dismal character of Indian industrial sector, on the eve of independence, with low organic structure of capital, acute shortage of skilled labour and dependence on foreign capital hampered the growth of manufacturing industries in the country. For various reasons, the inertia on the part of private capital to venture into industrial investment forced the state to initiate large scale industrialization [Noronho 1996]. Realizing the need for rapid industrialization of the economy, the state has played a leading role in the channelling of resources towards industrial development. The subsequent industrial policies earmarked distinctive role to private and public sectors in the industrial growth of the country.

Indian industrial sector, from early 1950s till 1966, proceeded at a faster pace of growth mainly due to the investment initiatives taken by the public sector. Simultaneous to this growth, a massive organized sector employing a large workforce has come to occupy an important and visible part of the country’s economic life. It has brought in its wake a host of concerns and
issues. The period since 1970s through early 1980s marked an appreciable drop in growth rate, referred to as a period of industrial stagnation. The historical Bombay textile strike of 1983 and mounting industrial unrest in different parts of the country marked 1980s as a period of watershed in industrial relations. The state has assumed a major role in industrial relations in the country and a number of labour legislations have been enacted to protect the interests of labour so as to ensure uninterrupted production.

Industrial relations which are concerned with the terms and conditions governing people at work are of crucial importance to the people who are actually involved in the process of production. It is not only employers and employees who are interested in industrial relations, but also the government, partly because government is one of the largest employers and partly because it is the custodian of the public interest in labour policies and practices. Healthy industrial relations are the key to industrial progress and are an indispensable ingredient in ensuring continuity in production. Continuity in production can ensure continuous employment of men and materials, maximum utilization of resources resulting in maximum production, maximization of Gross Domestic Product and welfare of the people in general. Poor industrial relations, on the other, produce highly disquieting effects on the economic life of the country. Even though the direct effect of industrial conflict in any one firm may be negligible, its multiplier effects on the economy as a whole would be a matter of great concern, for modern economies and modern industries are highly interdependent.

David Macdonald (1997) has rightly pointed out that “a sound industrial relations system is one in which relationships between management and employees (and their representatives) on the one hand, and between them and the state on the other, are more harmonious and cooperative than conflict-
ual and creates an environment conducive to economic efficiency. A sound industrial relations climate in an enterprise is essential to a number of issues which are critical to employers, employees and the community. The efficient production of goods and services depends to an extent on the existence of harmonious industrial relations climate. Efficiency and quality depends on a motivated workforce, for which a sound industrial relations climate is necessary” [Macdonald 1997]. As an important actor in the industrial relations system, Government has enacted a series of interventionist labour laws with the objective of protecting the rights of workers, so as to maintain harmonious relations at the workplace.

1.2 Importance of the Study

Signs of changes in the approach to industrial relations management were visible from 1980s with a paradigm shift in the policies of Government of India from a controlled, regulated and protected economy to a liberal, privatized, global economy [Rath & Misra 1996]. Due to the persistent mistakes in economic policies that accumulated through 1980s, the Government of India embarked on a wide ranging reform of policies with the announcement of New Economic Policies (NEP) beginning from July 1991, especially structural policy changes with respect to industrial sector. The NEP of 1991, which is a culmination of the process of industrial restructuring which began in the 1980s, has far reaching implications for labour and industrial relations. The policy changes gave an impetus to the growing demand from the employers and industry circles for reducing government intervention in labour market and for the dilution of labour laws. Managements consider that the restrictive labour laws have stagnated employment in the private sector and restrictive practices adopted by labour in the organized sector have interfered in management’s
right to manage. They think that it is imminent to make necessary changes in labour laws [Noronho 1996]. In general the policies of liberalization and structural adjustment have called for an overhauling of industrial relations in the country.

“The process of industrial restructuring which began in the 1980s has had deleterious effects on two areas concerning labour, viz, employment and union power” [Sarath 1994]. The new strategies followed by management have been to reduce the permanent workers and organize bulk of production through ancillary units, or by employing casual, contract or other unprotected labour. This has the advantage of not only reducing cost, but greater flexibility in operation by shifting production to areas where labour is cheap and non-unionized. Managements can even sign agreements with individual workers, thereby bypassing unions and undermining union power. The net result is that liberalization lead to flexibility of labour, and growing casualisation of work, pushing an increased number of organized workers into unorganized sector, with serious implications on union membership and union power [Sarath 1994].

The flexibilisation of labour as a new management strategy resulted in an atmosphere of job insecurity among workers, severely affecting their trade union activities. “In such an atmosphere strike ceased to be a weapon in the hands of the unions because the employers who were keen on closing down their operations in major industrial centers would quickly respond with a lock-out” [Sarath 1994]. The data on mandays lost due to lockouts compared to strikes points to the militancy and growing power of employers especially from the second half of 1980s onwards. The trade unions which were already on a defensive have to bear the blunt of New Policies with the initiatives towards further liberalization. This has put trade unions in a situation of unwillingly co-operating with the management in the larger interest of the workers.
The declining power of unions has put them in a vulnerable situation of unwillingly cooperating with the management on issues related to freezing of allowances and benefits, cutting salary etc., in the larger interest of workers. While they have to act against the social and economic consequences of liberalization on the one hand, they have to comply with the compulsions of the market, on the other. It points to the fact that unions find it difficult to survive in their traditional role and unions are surviving only in those countries where they have shifted their role from confrontation to co-operation. As observed by Patil, Trade Unions in India too need to shift from hostility and conflict to co-operation and collaboration, in order to protect the jobs of its members, a general belief, which is gaining momentum in the post liberalization period [Patil 1998].

Together with declining power of unions, a gradual withdrawal of government from an active role it played in the management of industrial relations is visible in many countries in the neo-liberal regime. As one of the important actors in industrial relations, government of India has been playing an important role in industrial relations in protecting the interests of labour. A plethora of labour laws were passed by central and state governments in the pre-liberalized period aiming at protecting the interests of workers. The state assumes the role of protector of rights of workers, the weaker party, and considered it necessary to intervene so as to avoid frequent and prolonged disputes in the larger interest of the industry and the economy. The post liberalization period has witnessed growing demand for reducing government intervention and for the dilution of labour laws. Governments have been more liberal in respect of labour regulation and they do not seem to be very keen on carrying a ‘pro-labour’ image that governments in the past were seemed to be proud of.
1. Introduction

Capital has become more mobile compared to labour in the new world order. Liberalization and globalization has opened new vistas before the governments to attract Foreign Direct Investment (FDI) and developing countries are competing to attract FDI to participate in their national economic development. Even within a country like India states are competing for attracting investments by offering many incentives and by the opening up of Special Economic Zones (SEZs), where not only that labour laws and regulations are not observed, but even the primary right to organize are denied. As foreign capital is likely to flow to regions with less labour regulations, governments may be reluctant to improve labour protection measures, thinking that it would place them in a comparative disadvantage in attracting foreign investment.

Together with the issues of informalization and flexibilization of labour, a prominent challenge in labour relations is the growing feminization of labour activity, which is closely related to an erosion of labour regulations. The 1980s labelled as the decade of labour deregulation has marked a spur in feminization of labour activity, resulting not only in an increase in female labour force participation, but a transformation or feminization of many jobs. The export-oriented industrialization strategy has led to an upsurge in the employment of low-wage female labour. Not only that those female workers get lower wages, but their “aspiration wages” are very low and they are ready to work for longer time without agitating or joining unions [Standing 1989].

All these post liberalization developments, directly or indirectly, affect union membership, union density and union strength, undermining the collective bargaining process with serious implications on industrial relations. In the backdrop of these issues it is pertinent to study the impact of liberalization policies on industrial relations.
1.3 Research Questions

In the background of these transformations in the industrial sector of our country during the period of liberalization, a number of questions arise, for which answers are to be found.

Since organized labour during the post-liberalization period has reached a critical juncture in playing their vanguard role in industrial relations, the most important question that arises is that will unions continue to play their vanguard role in industrial relations? Commensurate with it many questions can be posed regarding organized labour and industrial relations like, Is there any tendency of declining union membership and declining union density in India as exhibited in many countries? How far are unions impacted by new economic policies? Is the collective bargaining power of unions badly affected during the period of liberalization? Are there any signs of declining interest of workers in union activities? Are there any signs of declining labour militancy? Are employers more militant than labour in the post liberalization period? Is there any change in the attitude of unions towards strikes? Are unions reluctant to give strike call in the post liberalization period? Do workers think that co-operating with management is better than strikes? In what ways flexibilisation of employment affect union membership? What are the important problems faced by flexible labour? Is there any tendency of feminization of flexible labour? Is the state withdrawing from a more active role in the management of industrial relations? What are the new roles of the state in industrial relations?, etc.

The present study looks at some of those pertinent questions in the backdrop of industrial development of a unique location of our country, namely Kerala.
1.4 Scope of the Study

In the matter of industrial relations the position of Kerala is not different from the national scene and in many respects Kerala’s industrial economy mirrors the national picture. But there were critical differences between the national and state level scenario in class relations, working class mobilization and in the role of the state. “The working class in Kerala has a long history of mobilization and is organized than in any other Indian state. Although reliable figures are unavailable, it is widely acknowledged that Kerala has the highest rate of unionization in the country” [Heller 1999].

The industrial relations in Kerala were fairly harmonious compared to other states till the middle of 1960s. The first democratically elected Communist Government in the state under the leadership of late Sri. E.M.S. Namboodiripad emphasized that the government would take active role in promoting industrial peace. Trade unions, therefore, were to shoulder the task of a systematic campaign among workers for a policy of industrial peace. However, even though the government expressed its commitment to industrial peace, its pro-labour credentials infused an invitation to militancy. Through 1960s and 1970s the labour militancy escalated to new heights and the politics of confrontation became the norm.

The 1970s witnessed escalating number of industrial disputes in Kerala and the industrial relations remained adversarial with a period of heightened labour militancy, even leading to the slowing down of industrial growth especially during 1975-85. The growing labour militancy kept investors away from the state precipitating a crisis of accumulation marked by stagnant levels of private investment and increasing levels of unemployment. This situation of a poor industrial base of the state was mainly attributed to the labour militancy and
the poor industrial relations. However there are differences of opinion among economists and researchers on this issue, with alternative hypotheses on the industrial backwardness of the state.

Despite all these, the past two decades has witnessed a retreat in the outlook of political leaders and trade union functionaries and has witnessed the emergence of class compromise. There has been a going back in the outlook of political leaders and they have agreed to the fact that the state has remained industrially backward mainly due to their faulty approach towards development. The statement given by one State Planning Board document that, the era of militancy has come to an end, is worth mentioning here. The New Economic Policies and the resultant changes in the attitudes, policies and programmes of unions in the state have an important bearing on the current state of industrial relations. In the context of all the issues affecting labour, trade unions and industrial relations during the post liberalization period, it is significant to examine the implications of liberalization on industrial relations in Kerala. This study is a humble attempt in that direction.

1.5 Objectives of the Study

The general objective of the present study is to analyze the industrial relations scenario of Kerala in the context of liberalization. The specific objectives of the study are:

1. To study the impact of New Economic Policies on trade unions and thereby on industrial relations.

2. To evaluate the post liberalization phenomenon of declining power of unions in the collective bargaining process.
1. Introduction

3. To study the impact of liberalization on strikes and lockouts and thereby on industrial relations in the state.

4. To study the changing attitude of workers and unions towards strike.

5. To make a comparative study of labour militancy and employer militancy in Kerala in the context of liberalization.

6. To analyze the post liberalization trend towards flexible employment practices in the state and its impact on unions and industrial relations.

1.6 Hypotheses

Taking into consideration the objectives stated above, a set of hypotheses have been formulated. Following are the hypotheses set to study the dynamics of trade unions in the post liberalization period.

1. Trade union density in Kerala do not exhibit any growth trends in the post-liberalisation period.

2. Trade union power and strength has not declined during the post- liberalisation period.

3. Strikes and lockouts in Kerala remain unaffected by the policies of liberalization.

4. Unions are not reluctant to give a strike call in the post liberalization Period.

5. The labour militancy and employer militancy in Kerala remain unchanged during the post-liberalization period.

6. Trade union membership in Kerala is not impacted by flexible employment.
1.7 Methodology and Data Source

The study is based on multiple sources of data. A triangular approach to the study of core issues of the problem has been attempted: an analysis of data on collective bargaining (trade unions and related variables) using national level and state level statistics on different aspects of trade unions and trade union membership; an analysis of data on industrial actions (both strikes and lockouts) which is indicative of the state of industrial relations; and the third approach being an analysis of the core issues of the problem based on three large industrial undertakings belonging to public sector (one central PSU and one State level PSU) and private sectors. The use of primary and secondary sources of data on various aspects of the problem forms the basis of the study.

1.7.1 Primary Data

Primary data constitute the most important data source in substantiating the objectives formulated for this study. The population consists of all those who are directly involved in the process of production in the organized industrial sector of Kerala, namely, workers, trade union leaders and management personnel. Taking into consideration the heterogeneous character of the population, the respondents has been stratified into three homogeneous groups of workers, trade union leaders and management personnel. While primary data has been collected from workers using Direct Personal Interview method administering a pre-constructed interview schedule, the focus group interview method was used to collect information from trade union leaders and management representatives using two separate interview schedules. The interview schedule for workers and focus group interview schedule for union leaders and management representatives is provided in Appendix A, B and C respectively.

In the preparation of interview schedule special care has been taken to
1. Introduction

include questions relating to ‘Decent Work’ Indicators (DWI) identified by International Labour Organization (ILO). The Director General of ILO articulated the concept of ‘decent work’ in 1999 in the 87th session of ILO Conference, consisting of four key Decent Work Indicators (DWI): Rights at Work Indicators, Employment Indicators, Social Protection Indicators, and Social Dialogue Indicators. This has been used to sum up the aspirations of people in their working lives which ensure that communities and society at large live in peace. Decent work reflects the concerns of the three pillars of ILO (also the three actors in industrial relations) - governments, workers and employers - that give it its special tripartite identify.

Each one of these key indicators has many subsections consisting of many indicators. The Rights at Work Indicators has three subsections (DWI 1 to DWI 3) and examination of these would give, among others, some idea of the state of labour relations in a country. The Employment indicators has 11 subsections (DWI 4 to DWI 14), which among other uses, is useful in getting an idea of the extent of labor flexibility in a country, wage indexation and its use in collective bargaining. The Social Protection Indicators with 3 subsections (DWI 15 to DWI 17), which among others is useful in giving an idea on Social security and the hours of work. The Social Dialogue Indicators, a more important indicator in the context of industrial relations, is a measure of the state of industrial relations in a country. It consists of 4 subsections (DWI 18 to DWI 21): Trade union membership rate; Number of enterprises belonging to employer organizations; Collective bargaining coverage rate; and Strikes and Lockouts. These indicators are useful in providing different aspects of trade unions, collective bargaining coverage, data on strikes and lockouts, and a measure of the failure of social dialogue, which is indicative of the state of industrial relations. Out of these, some of the most relevant indicators
pertaining to the study have been considered in the preparation interview schedule.

Considering the spread and vastness of the universe of study, the technique of sampling has been used for collecting primary data.

1.7.2 Sampling

Taking into consideration the number of organized industrial undertakings in the state, the number of workers employed in them, and the availability of resources like time and money, it was decided to undertake a sample method of study. The sample for the study (workers, trade union leaders and management representative) has been selected at random from the sample industrial undertakings identified for the study.

1.7.3 Selection of Sample Units

In order to give equal representation, three sample units (Central PSU, State PSU and one Private Sector) were selected from among the large scale industrial undertaking in the state. The rationale behind restricting the number of units to three is that industrial relations practices and trade union activities are quite different in the case of industries belonging to the above mentioned three sectors. Accordingly it was decided to select one unit each from these three sectors. The selection of three units were made from the list of industries in Kerala obtained from the directory of medium and large scale industries maintained by the Kerala state Industrial Development Corporation (KSIDC), Trivandrum. From the list of industries, the large scale industrial undertakings employing more than 500 workers were identified and three units (one central public sector, one state public sector and one private sector) from the list were selected at random as sample units. The units selected were Hindustan Life
Care Limited (HLL), (formerly Hindustan Latex Limited), Peroorkada, Thiruvananthapuram, in the Central PSU category; Travancore Titanium Products Limited (TTPL), Veli, Thiruvananthapuram, in the State PSU category; and Apollo Tyres Limited (ATL), Perambra, Thrissur, belonging to private sector. The required numbers of sample respondents were selected from these three units.

1.7.4 Selection of Sample Respondents

The method of stratified random sampling was used in the selection of sample respondents as the population consists of three heterogeneous groups: workers, trade union leaders and management. The sample workers were selected on a proportionate random sampling basis. Accordingly 10 per cent of total workers employed in the Central PSU and State level PSU were selected. In the case of the private sector unit, since the total numbers of workers are far higher compared to the number of workers employed in the two public sector units, the sample from private sector unit was restricted to 5 per cent of total workers employed, in order to avoid the possibility of a bias arising out of the discrepancy in the number of sample workers.

Since the population is stratified into three groups, the sample consists of workers, trade union leaders and management representatives. About 10 per cent of workers from HLL and TTPL and 5 percent of total workers employed in ATL were selected as sample, as presented in table 1.1.

In the case of trade union leaders and management representatives the focus group interview method was used for collecting information and therefore the sample was restricted to two union leaders of each recognized trade union and two management representative from each unit. The two union leaders to be selected as sample were stipulated as the unit president and secretary.
Table 1.1: Unit Wise Break up of Sample Workers Selected for the Study

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Worker’s Strength</th>
<th>Workers Selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>HLL</td>
<td>864</td>
<td>82</td>
</tr>
<tr>
<td>TTPL</td>
<td>720</td>
<td>87</td>
</tr>
<tr>
<td>ATL</td>
<td>2180</td>
<td>111</td>
</tr>
<tr>
<td>Total</td>
<td>3724</td>
<td>280</td>
</tr>
</tbody>
</table>

of respective unions in the sample unit and management representative was restricted to executive level personnel.

1.7.5 Secondary data

In addition to primary data different sets of data from secondary sources has been utilized for the study. The empirical analysis in the study is based on the time series data on different aspects of industrial relations with respect to organized manufacturing sector of Kerala which is available from various publications of the Labour Bureau, Shimla under the Ministry of Labour, New Delhi. Secondary data on trade unions, industrial disputes, strikes, lockouts etc., has also been available from the Official Annual Survey of Industries (ASI) published by Central Statistical Organization (CSO). State level data on various aspects of industrial relations were also obtained from the Office of the Labour Commissioner, Thiruvananthapuram, and from the publications of the statistical wing, Labour Department, Thiruvananthapuram.

Data on the number of regular and flexible workers employed in the sample units and details of votes secured by unions in referendum were collected from the company documents maintained by respective units. Data on membership in various trade unions were collected from the records of respective trade unions.
1.7.6 Statistical Techniques Used

The collected data from primary and secondary sources have been analyzed by applying suitable statistical techniques used in the analysis of statistical data. Both parametric and non-parametric tests were used in the study. In the case of nominal level category, Chi-square test was used. In the case of interval level variables, the statistical technique of Analysis of Variance (ANOVA) was used. The technique of co-integration was used to find out long term association between variables. Descriptive statistical values like mean and standard deviation were used to determine the most popular variable and in determining the reference category in the cases where dummy variable regressions were used.

The Logit model of the qualitative response regression (also known as probability models) is used in testing the significance where dependent variable is qualitative. Trend growth rates, percentage growth rates, ratios, percentage values and correlation coefficient have been used wherever necessary.

1.8 Period of Study

The present study examines the state of industrial relations in Kerala in the context of New Economic Policies. Even though a paradigm shift in the economic policies in the country were initiated with the introduction of New Economic Policies in 1991, economic reforms in a mild form was initiated from 1980 itself. Since the study examines the impact of liberalisation on industrial relations in Kerala, it specifically concentrates on the period 1991-2010.

For the purpose of comparing changes in industrial relations in the post liberalization period, introspection to periods prior to liberalization is necessary. Considering these the analysis has been carried out by dividing the study pe-
riod into two; the pre-liberalization period (1980-1990) and the post liberalization period (1991-2010). The division of the period is not arbitrary but is based on important policy changes that took place in the country. As far as Kerala is concerned the pre-liberalization period corresponds to a period of industrial stagnation; jobless growth and labour militancy. The post-liberalization period corresponds to a period of economic reforms, labour reforms, and labour market flexibility, with serious implications on industrial relations. Based on these considerations the study has taken a period from 1980 to 2010.

1.9 Organisation of Report

This report which consists of six chapters provides a detailed analysis of the major developments in the field of industrial relations in the post liberalization period with special focus on a South Indian state viz., Kerala.

As usual the first chapter provides a general introduction of the industrial relations scenario at the national and state level and the challenges on industrial relations in the post liberalization period, followed by the statement of the importance and scope of the study and the important research problems. It also covers the objectives of the study and the hypothesis that has been formulated. Methodology covers the data sources, method of collecting primary data, sampling techniques used and statistical techniques applied for data analysis.

A detailed review of literature has been presented in Chapter 2, which is divided into six sub-sections viz., Industrial Relations System, Trade Unionism, Industrial Disputes, Flexibilisation and Externalization of Labour Relations, Role of State in Industrial Relations and the Research Gap. While the section on Industrial Relations System reviews the studies on general aspects of industrial relations, other sections review the studies on the changing role of
actors in industrial relations. Based on the review the research gap has been discussed in the last sub-section.

Next three chapters specifically concentrate on the analysis of data. In Chapter 3, the determinants of union membership and growth are examined. After analyzing and summarizing the national level and state level data on union membership, a time series modelling of union growth was done for determination of significant variables determining membership. Since union density is a more reliable measure of trade union strength, calculation of union density and growth trends in it was done. Other aspects related to trade unions like workers interest and involvement in union activities, declining union power and causes for it and union mergers and union revitalization strategies are also discussed.

In Chapter 4, an analysis of industrial action, one of the intriguing issues of industrial relations is attempted. After discussing the theoretical perspectives on work stoppages, the trends in work stoppages in India and Kerala were analyzed. Quantitative analysis of strikes and lockouts in Kerala were done to study the relative dominance of strikes and lockouts and the dynamics of power balance between workers and employers. Modelling of strike activity was attempted to study the significant variables in determining strike activity in the state. The strikes record in sample units, the success and failure of strikes, the causes for failure of strikes, reluctance on the part of unions to declare strikes and the reasons for it and the extend of worker’s participation in strikes and workers attitude towards cooperating with management were discussed in the chapter.

The fifth chapter discusses the trend towards segmentation of labour market and increasing employment of flexible labour. Before discussing the theoretical perspectives, the rationale behind flexible employment and the expla-
nation of terminologies used were highlighted. Based on the official data a sectoral analysis of flexible employment in India and Kerala was attempted followed by the analysis of flexible employment and its impact on union membership in sample units. Since reducing labour cost is the basic motive behind flexible employment, the proportionate salary differential between regular and flexible workers and differences in the coverage of other benefits were also analyzed. Subsequently, the important problems faced by them, freedom of association and justifications for employing flexible labour were also discussed.

The concluding remarks presented in Chapter 6 have attempted to highlight and summarize the important findings of the study, its implications for the future and issues of further research in the field.

1.10 Limitations of the Study

Compared to many developed countries, the industrial relations data are grossly underdeveloped in India. While many countries collect official statistics on different dimensions of industrial relations in regular intervals, we can get data on very limited dimensions of industrial relations. All the limitations of data originating from government sources are equally applicable to this study.

A state level study on industrial relations like this, need to consider incorporating more industrial undertakings as sample units of study. However due to the constraint of time and money the number of sample units has been restricted to three.

While conducting the study it was found that industrial undertakings are not maintaining proper records on certain aspects or they are not willing to provide accurate figures on certain variables like the number of contract labour, for various reasons. In such cases the data has been generated from alternate sources, or through estimation.
During the time of data collection it was realized that the number of flexible labour was far higher in most of the units and therefore their problems and issues are different from regular workers. Since this category of workers fall outside the collective bargaining process, they do not figure in the industrial relations scenario of an undertaking. Due to this a large chunk of workers fall outside the purview of the study.

The accuracy of inference generated from any study depends, to a great extent, on the data that has been used in the study. In the case of primary data collected using interview schedule, while many workers gave a realistic feedback taking it positively, there were instances in which workers were reluctant to give correct information. Some of the workers even took it as a study for the management, and were not ready to give correct information for fear of management action. However, great care has been taken to convince the workers about the legitimacy of the study and to collect information with high degree of accuracy.