CHAPTER II

NEW ECONOMIC POLICIES AND THEIR IMPACT ON INDUSTRIAL RELATIONS

CLIMATE

The economic measures adopted by the Government under the New Economic Policy have far reaching implications for, among others, the Industrial Relations. In India, the three main actors namely the Management, Trade Unions and the State have been playing a key role in determining the employment relationships, the rules governing their relationships and other aspects of Industrial Relations. The chapter examines the response of the three actors, highlights the challenges and opportunities which have come up in view of the policies and suggests measures to improve industrial relations and achieve growth in industry. The paper's analysis show that the response of the Management is positive but the challenges and tasks to succeed are enormous. The Trade Unions have reacted against the policies, but they have their backs to the wall and their future depends upon taking up a cooperative attitude towards the New Economic Policies. The State is, steadfastly, announcing policies but is showing a weak commitment to their implementation. Moreover, it will have to introduce a new Industrial Relations Bill which would give (among others) entrepreneurs the right to entry and exit, not only of the company but also of the workforce. Similarly, a new labour policy would have to be introduced.
The Indian economy has been in a bad shape for the last few years. It has been witnessing a high (double digit) rate of inflation, decelerated industrial production, fiscal indiscipline, a very high ratio of (internal and external) borrowing to the GNP and a dismally low level of foreign exchange reserves. In early 1991, the foreign exchange reserves had become so low that these were barely sufficient to meet about three weeks imports. The then government infact had taken the extraordinary step of pledging gold to meet the country's foreign exchange requirements.

The successive governments, since 1990, when the economic crisis really reached its peak, have been highly concerned with the problems, particularly the ones related to foreign exchange reserves and repayment of loans. Since these two problems defied short term solutions, the government approached the World Bank and the IMF for additional loans. The request was acceded but with a major stipulation that India will opt for a free market economy which meant dismantling its regulated regime. It was left to the present government to accept (there was not much option though) the 'conditionalities' of the World Bank and the IMF.¹

Having given their nod, the government announced a series of economic policies beginning with the devaluation of rupee. This was followed by the announcement of new industrial policy and the trade and fiscal policies. The new economic policies have wide ranging implications for the economy, industry and industrial relations in the country. The paper restricts its analysis to the implications of the policies on industrial relations and here too on the three actors, i.e., the Management, the Trade Unions and the State. It must be understood that such compartmentalisation of the implications is not totally possible because of the interdependence of issues impinging on the three actors of industrial relations. In view of this, the reader may find some overlap in the analyses which follows.¹

MANAGEMENT

The new economic policies of the government have opened vistas for the management to grow and excel. The policies have attempted to remove shackles which were put on the Indian Private Sector, first by the 1956 Industrial Policy Resolution and subsequently by FERA and MRTP Acts, Public sector was given a position of 'commanding heights' through the Nehru-Mahalnobis model adopted from Second Five Year Plan onwards. At that time, it was considered necessary to control

¹ Bagaram Tulpule, New Industrial Policy, Employment and Structural adjustment issues in India, Indian Workers, Aug.17 24 and 31.
the pace and direction of industrial development because of the spatial spread of the country and the vast tracts of under-development, particularly in the rural areas. Also, the industrial sector, which, at the time of independence, was largely in the hands of the private employers, did not enjoy a positive image. This capitalist class, by and large, was considered exploitative and was seen to be the parasite for the society.\(^1\)

Over the years, the public sector did contribute, to a large extent, in the regional growth of industries and elimination of the exploitative practices of the employers. It, however, did not do what it was not expected to i.e., the generation of sufficient profits. Instead, it incurred losses and increasingly became a liability on the meagre resources of the nation. Alongwith this, excessive regulations on the establishment and growth of the industries in the private sector halted any real development of the industrial sector.

Beginning from the mid-eighties, it was being realised that the country needed to open up its industrial sector not only internally but also to the outside world. A process of liberalisation was initiated from 1985 onwards, culminating into the formulation of two Industrial Policies,

\(^1\) Blanpain R., 'The role of the State in Industrial Relations, the European Community and Beyond: Problems and Perspectives', Paper presented at IX IIRA Congress, 1992.
once in 1990 and then in 1991. The 1991 Industrial Policy opened many more avenues for private sector by removing the regulations, scrapping MRTP limits and decreasing the role of the public sector by allowing part equity sale along with curtailing the industries in their exclusive domain.\footnote{1}

Alongwith this, many new fiscal and trade policies have been introduced which would enable easier and less costly (because of the reduction of the customs duties) import of technology and other components. Easing of trade restrictions would also serve the objective of attracting multi-national\footnote{2} to invest and set up industries in India.

The New Economic Policies have implications for industrial development and industrial relations in the country. Unions are reacting to them in an antagonistic manner, as according to them, it affects labour adversely. The public sectors have been mute witness to the policies as they are an arm of the government and, not able to criticise even though the policies cut their size and prune their role. The private sector managements have whole-heartedly welcomed the policies and described them as 'historic' and 'landmark'.


\footnote{2}{Evelyn Wong, Labour Policies and Industrial Relations, Chapter 9 of the book titled 'Industrial Relations in Singapore. 1992.}
These, according to them, will usher in an entirely new transparent industrial system which will result in sweeping de-bureaucratisation of the entire industry. The policies are directed towards the removal of obstacles and would result in rapid industrial growth, advancement and modernisation. The raising of equity limit and the freedom which the entrepreneurs will have now would be beneficial even for attracting direct foreign investments.¹

Other trade measures of abolishing export subsidy (CCS), replacing REP licences by Exim scrips (which have been further amended), ceasing of the issue of licences to non-exporters, reduction of customs duties at various stages will no longer result in import compression and, therefore, have been welcomed by the Indian Industrialists.

The overwhelming response of the private sector would give the feeling that the new economic policies have only positive implications for them. Is it really true? The answer is neither positive nor negative. It is true because the 'License Raj' did not permit them to establish industries of their own choice. They would be relieved of the drudgery of having to visit ministries and departments and would be

able to direct their energies to more productive work rather than increasing the fat of the liaison department. Now, with the easing of import restrictions, many among the private sector may think of upgrading technology at a reduced cost. The Indian private sector can further have foreign tie ups which have been made attractive and easier. They can set up industries in newer areas with the considerable reduction of the core sector industries under the exclusive domain of the public sector. The removal of MRTP will enable them to grow in size.

The implications of the new economic policies are, therefore, positive in the sense that they open up prospects for expansion and growth. However, growth will not come on its own. It is here that the implications which appear positive may become negative for most of the Indian industries. This apprehension stems from the fact that the most important impact would be the increased competition which these policies would usher. This competition would come from within as well as from outside. Right now they are in no position to compete because both labour and capital productivity of most of the Indian industries is very low because they are using outdated technology. Labour

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productivity has been low also because of the pro-labour stance of the government in which trade unions have been permitted and pampered at the workplace. These unions demand and get economic benefits without committing or accepting much responsibility for increasing productivity.

The hopes generated by new economic policies will bear fruits only if the managements are able to modernize and mechanise the plants, introduce new technology, revamp plant layout for easier and efficient material handling and eliminate waste. The quality of the products will have to be raised not only to meet the requirements of increased internal competition but also to be able to export. The standards set by Europe (ISO 9000) will pose a great challenge to the industrialists. The Human Resource Management practices will also have to undergo major transformations for developing a positive organisation culture and work climate.

These are serious implications of the new economic policies for the management. Let us now analyse the management task to meet the challenges posed by the new economic policies.

1. Modernisation and Introduction of Technology

This would, first of all, require huge financial investments which at present the managements are finding it very hard to come by. The managements have, therefore, not
resorted to this change in a big way so far because institutional credit has been very hard to come by and despite marginal improvements, it is likely to remain a very difficult proposition in view of the very high interest rates in our country. There is a question mark, therefore, on the management's ability to introduce technology on their own even during the next five years. Their efforts have been directed at securing tie ups with the multinationals, who as part of the agreement, will bring technology. This may not be always the latest, but still far superior from the one being used by a large number of companies. The response so far, on the tie ups with multinationals is also not very encouraging. ¹

Notwithstanding this major limitation, the managements attempting to bring technology would have to develop skills in the areas related to the management of technology. This would require them to set up a specialised cell which would be required to monitor technological developments on an ongoing basis, develop faster design and engineering systems, and keep a R & D department. Simultaneously, the skills of the managerial and labour force will have to be completely reoriented.

2. Quality Upgradation

Quality controls to match international standards will really be a tough task to accomplish because it is dependent on both machine and the men. The machines right now are, by and large, old enough and the men are not attuned to the task. In the name of quality improvements, the managements have so far introduced quality circles, put flags on their working tables and given some training to the employees on the latest methods and skills to improving quality. Even these tasks related to quality have been attempted by fewer managements and they feel proud of really doing quite a lot on improving quality of their product(s).¹

Quality Circles can certainly go a long way in improving quality but it has to become a workers' programme. Right now the Quality Circle experiments are fizzling away in the organisations where these were started, because it has remained a managements programme. This attitudinal change, therefore, would be very essential for quality circles to survive and bear fruits. Also whenever workers have shown enthusiasm, the supervisors' non-interest and involvement has been an impediment to the success of the quality circles. Other inputs like process improvements in the early stages

rather than at the finished product stage, technology ungradation, skill enhancement of the employees would help in improving the quality of the products.

3. Development of a New Work Culture

This will be another important input required by the management if they have to survive and excel in the changing economic environment. This would require introduction and operationalisation of a group philosophy which would, on the one hand, lay down the broad parameters of seeking efficiencies and higher productivity for earning satisfactory financial returns and on the other, seek openness, development of leadership and pursuit of knowledge.

The group philosophy will then to be made functional by the introduction of objective and professional policies related to career planning and development, the grievance handling systems, performance appraisal systems, delegation, autonomy, scientific decision making and last but not the least an effective communication and information system.¹

A large number of industrial companies have not done any systematic work to make their group philosophy functional though it does exist on paper. Even much less have introduced

the professional organisational and personnel policies. At the most, companies have introduced a few of the aforementioned policies on a piecemeal basis. Now since the management will have to introduce the policies in order to succeed in the new economic environment, they should take note of the following:

First, there is a high degree of interdependence between the policies. The success of one policy depends upon the success of the other. For example, a manpower planning exercise pre-supposes the existence of a long-term corporate plan. Similarly, the policy of scientific decision making is an all encompassing activity within a company and depends not only on the skills of the managers but also on other factors such as the existence of an effective system of information gathering, communication, the extent of autonomy and delegation, etc.

Second, the managements should not introduce policies in a hurry. Conscious systematic efforts should be made to reorient the attitudes and values of the employees before introducing the policies. So much so that the employees should themselves perceive the need for the proposed changes. Third, make the employees understand the concepts in totality before operationalising the policies. For example, in some of the Indian companies, which have introduced these policies,
performance appraisal has been taken up only to provide judgement to back up salary increases and promotions as well as sometimes, transfers and demotions. However, coaching and counselling the employee is an important aspect of the concept of performance appraisal. Similarly, wherever the managements have introduced delegation, it has more often remained at the level of passing on work. The concept implies entrusting an activity to another person, giving him the right to act, decide and direct with the necessary support. The objective of delegation is the growth of the employee and not merely passing on work. Fourth, continuous monitoring of the implementation of the policies, through objective feedback, would have to be taken up by the managements.¹

Finally, it should be remembered that the introduction of new technology, attempts to bring improvements in quality and introduction of professional policies will disturb the existing set up and the employees. The employees will develop fears and apprehensions and may, with the help of the unions, attempt to thwart the managements' attempts to bring the required changes to be able to excel in the new economic environment. The managements will have to be prepared of this eventuality and should introduce changes by involving the employees in the whole exercise.

II. IMPACT OF NEW ECONOMIC POLICY ON THE ROLE OF TRADE UNIONS

Structural adjustments related changes seem to make trade unions' position more vulnerable and pose several challenges and dilemmas. The already thin organised sector may become even thinner in the short run due to adjustment reforms. The labour market segmentation may become deeper resulting also in a reverse movement of employment from organised to unorganised sector. Job protection seems to have had adverse effect on job creation. Employers' strategies concerning flexibility led to an ascendancy in managerial rights. Concession bargaining in crises resulted in a trade-off between saving jobs versus protecting the accumulated benefits under successive collective agreements. When an enterprise is faced with the prospect of liquidation, union(s) seem to prefer to make sacrifices to save jobs. The changing scenario calls for redefinition of the role of trade unions and the other social partners as well. This section briefly discusses the possible roles that trade unions could play in (a) influencing adjustment programmes with a human face; (b) proactively responding to technological changes; (c) productivity improvement; (d) participation and (e) relooking at their role in the changing situation.
The trade union movement in India, which is over a century old, is now facing, as elsewhere in the world, major changes and challenges. "Unions have now come to symbolise (i) workers right to organise, and (ii) their right to press their demand collectively and to go on strike if their claims are not accepted (National Commission on Labour 1968, p.277)."

Once identified with the freedom struggle of the nation it is now in the midst of a major transition in the wake of the most unprecedented economic crisis and the significant and far-reaching structural adjustment reforms currently under way.¹

Organised labour in India accounts for (in early 1990s) less than nine per cent of the population. Membership of the unions submitting returns to the appropriate authority under the Trade Union Act, 1926 was less than two per cent of the total labour force in the country as on 1987. 47,014 unions account for a membership of 6,329,000. The number of employees covered by collective agreements on wages and working conditions works out barely to one per cent of the total labour force in the country. The trade union "movement" has developed in a hydra-headed fashion with over a dozen national federations of trade unions slit over ideological and other factional considerations, each putting up exaggerated

claims about their alleged membership strength. There is politised polarisation of many issues including the one concerning the method of selecting the representative union. As the World Labour Report (ILO 1992, p.64) tried its best to summarise the trade union situation in the country in the early 1990s:

"Indian unions are too very fragmented. In many workplaces several trade unions compete for the loyalty of the same body of workers and their rivalry is usually bitter and sometimes violent. It is difficult even to say how many trade unions operate at the national level since many are not affiliated to any all-India federation. The early splits in Indian trade unionism tended to be on ideological grounds - each linked to a particular political party. Much of the recent fragmentation, however, has centred on personalities and occasionally on caste or regional considerations." ²

Apart from the low membership coverage and fragmentation of the trade union, several studies point to a decline in membership (Sheth 1991; Sarath 1992); growing alienation between trade union and members (Sheth 1991; Ramaswamy 1988 and 1989) particularly due to the changing characteristics of the new work force (Sengupta 1992); and waning influence of

1 Ibid.,

national federations over the enterprise unions (Ramaswamy 1988 and 1989; Sarath 1992). New pattern of unionisation points to a shift from organising workers in a region or industry to the emergence of independent unions at the enterprise level whose obsession is with enterprise level concerns with no fora to link them with national level federations that could secure for them a voice at national policy making levels (Ramaswamy 1989). While certain individual leaders like Mahatma Gandhi had commanded wide popularity it cannot be said that their approach was to individuals the union movement. The process of individualisation of trade unionism which started with leaders like Datta Samant in Bombay and Rajan Nair in Pune could not spread. Social movements like the Naxalites, struggles for regional autonomy in several states and emotion charged protests over sensitive issues like Mandal and Mandir,

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1 Ramaswamy, E.A., Six Essays for Trade Unionists, Administrative Staff College of India, Hyderabad, 1989.


particularly the former, have considerably weakened traditional trade union structures. The effect of the decline of communism in Europe on Indian trade union movement though significant, can not be properly assessed at this stage. Trade unions are hard pressed to live up to the rising expectations and instrumental orientation of their members who consider membership in a union as a "meal ticket" (Sheth 1991).

THE CHANGES: AN OVERVIEW OF STRUCTURAL ADJUSTMENTS IN INDIA

Fiscal correction aimed at macro-economic stabilisation and other reforms that were introduced since the Rao Government assumed office in June 1991 could be summarised under the following seven heads:

Fiscal Policy

A key element in the stabilisation programme was the effort to restore fiscal discipline. Reduction of fiscal debt from 8.6 per cent to 6.6 per cent of the GDP, reduction in subsidies and non-plan expenditure, and new schemes to mop up black money, are among the various reforms.

Trade Policy

Moves to encourage free trade, announcement of a five year import and export policy, partial conversion of rupee and liberalisation of import of technology etc., are

are among the various far-reaching reforms in the area of trade policy.

**Industrial Policy**

The main features of industrial policy changes include large-scale delicensing; removal of MRTP restrictions, removal of restrictions on expansions, mergers, take-overs and appointments of directors, raising foreign equity investments upto 51 per cent in several industries, and automatic clearance of investment of both Indian and foreign companies under the new dispensation. The focus has shifted from import substitution to export promotion. Along with a series of measures directed at public sector reform, private sector is expected to have a greater role in industrial development.

**Financial Policy**

Liberalisation of financial markets; reform of credit, reserve and other regulatory measures; encouragement to mutual funds; greater control for Securities Exchanges Board of India (SEBI) over stock exchanges to remove the imperfections and drawbacks of stock markets are among the major reforms in the field of finance.

**Agricultural Policy**

Land reforms have once again come on top of the agenda. Improvements in technologies of production, storage and marketing also are expected to receive greater attention.
Poverty Alleviation Policy

Provision of basic needs, creation of safety net for the poor and strengthening/revamping public distribution systems are among the various measures being taken up towards poverty alleviation. A pragmatic interpretation of Nehruvian socialism is gaining currency wherein it is expressly underlined that socialism does not mean distribution of poverty.

Human Resource Policy

Improving access to health, education and training are considered sine qua non for social and human progress. Emancipation of women is also being reinforced as an essential prerequisite for moderating population growth.

There is, as yet, no formal announcement about the reformation of labour policy. However, a series of measures were ushered in quietly, during the last 18 months or so which may be briefly listed as following:

- Amendment to the Sick Industrial Companies Act, 1985 providing for reference to sick public sector undertakings also to the BIFR.
- Commitment to ease barriers to entry and exit.
- Establishing National Renewal Fund.
- Setting up special Tripartite Committee and revival of Industrial Committees.
- Identification of sick public sector undertakings for purpose of reference to tripartite committee/BIFR to consider financial restructuring or handing over to worker cooperative if found potentially viable or initiate proceedings for divestiture or liquidation.
- Three-fold increase in retrenchment compensation and announcement of guidelines on voluntary separation; exemption of such compensation from income-tax.
- Convening of the Indian Labour Conference (September 1992) and proposal to effect labour law changes.

TENTATIVE ASSESSMENT OF THE STRUCTURAL ADJUSTMENT REFORMS

Let us try to analyse the content and possible effects of the reforms.

As for the content of the reforms, critics aver that the reforms are unconstitutional. Concern is also voiced that the changes may accentuate poverty, unemployment and tensions, competition may finish the industry we had built over the years, and the privatisation may not be the panacea for public sector ills:

Unconstitutional Changes?

The preamble to our Constitution, as amended, envisages India to be "a sovereign socialist secular democratic republic." The reforms call for a transition that gives primacy to market economy principles. If India continues
to be a mixed economy and the transition is dictated by the need for recovery, survival and integration of the national economy with the world economy should it be seen as a contradiction in our trust with social justice? Can we, in the name of socialism, distribute poverty? Some of the relevant provisions in our Constitution carry a rider which we should not miss: Article 39(b) and (c) direct the State to secure "that the ownership and control of the material resources of the community are so distributed as best to subserve the common good" and "that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment" (emphasis added). The key questions to be asked are whether the changes subserve the common good and whether the resulting concentration of wealth and means of production, if any, would result in common detriment? In the same vein, we may consider Article 41 which provides that the state shall, within the limits of its own economic capacity and development (emphasis added), make effective provision for securing the right to work, to education, to public assistance in cases of unemployment and in other cases of undeserved want.

Effects on Poverty and Unemployment

Concern about the adjustment resulting in accentuating poverty, unemployment and social tensions are not totally unfounded. Particularly in the short-term, as it has
already happened in India, the poor will not only be more affected but also the hardest hit. The World Bank (1992) also warned about some erosion, though in the short term, in the gains that India had made in poverty reduction in the 1980s.¹

The adverse effects on jobs and resulting increase in unemployment, particularly during the short-run, can be foreseen from the numerous reports about cost-cutting and workforce reduction drives in several companies, both in public and private sectors. At least in the short-run it is likely to reduce the size of the labour force in the already thin organised sector (about 26 million or less than 9 per cent of the total workforce in the country). Estimates of job loss range from 3 to 5 million in the next few years (ILO/ARTEP 1992; Venkata Ratnam 1992a). The fear may not be totally unfounded. The estimates of redundancy to the tune of 4.5 lakhs in the 58 "targetted" sick public sector undertakings confirm the doubts. Experiences in the other countries reinforce the apprehensions. In the former East Germany, on the eve of unification and the transition that followed, one out of every three jobs was reportedly lost! In some of the major industries which got restructured and/or

privatised in the U.K. during Margaret Thatcher's period over one lakh each jobs were lost. Such industries included coal and steel, among others. When Japanese National Railways was privatised nearly 3 lakh workers were declared surplus. It is a different thing that due to proactive labour policies in dealing with such redundancies, actual retrenchment could be confined to a few thousand, the rest being retrained and redeployed in several other public and private sector firms, including various firms which had backward and forward integration with the railway system in Japan (Venkata Ratnam 1991b).1, 2, 3, 4, 5

It may be added, however, that the reduction in employment in organised private sector and decline in the rate of growth in employment in public sector had commenced as early as in the late 1970s due partly to stringent job security regulations and largely to capital and technology intensive efficiency improvement programmes.


An econometric analysis (Fallon and Lucas 1991) of employment trends in 35 Indian industries, using Annual Survey of Industries Data for the period 1976-82 revealed that the long-term decline in the demand for labour was around 17.5 per cent on average. Significant inter-industry variations notwithstanding employment is estimated to have been reduced more than 5 per cent in 25 of the 35 industries, and more than 15 per cent in 7 of them. Fallon and Lucas's approach in examining the direct effects of job security regulations on the demand for employees hinged on three main elements, viz:¹

(a) First, if the costs of a firm for adjusting its labour force vary with how rapidly the transition is made, then changes will tend to occur more slowly and today's employment decisions will be strongly influenced by the inherited employment level from yesterday. If the new job security regulations (the authors were referring to 1976 amendments to the Industrial Disputes Act) impose even higher costs for rapid changes, we might expect to see an increase in the inherited effect;

(b) Second, higher adjustment costs may reduce the firm's demand for employees. Consequently, the new regulations may actually result in diminished employment; and

(c) Thirdly, today's employment decisions are influenced by the recent past.

A Bombay based trade union research group estimated an average decline in full-time, permanent employment in 34 firms in Bombay at about 20.5 per cent between 1980 and 1990 (Workers Solidarity Centre Against Job Losses and Closure). Another recent study (Sarath 1992) of six industries-tea (West Bengal), textiles (West Bengal), power (Andhra Pradesh), port (all ports), engineering (West Bengal and Andhra Pradesh) and chemicals and pharmaceuticals (Maharashtra) - pointed to a decline in full-time employment and unionisation rates during the 1980s. The study also pointed to a rise in the incidence of casual and contract employment.

**Segmentation in Labour Market**

What worries trade unions, as Tulpule (1992, p.43) argues, is that apart from rise in unemployment, the current restructuring will have profound effect on the segmentation of the labour market in India. Labour displacement in organised sector due to restructuring will result in a shift in employment to peripheral and informal sectors of the economy where there is little protection of labour laws and trade unions and where wages and working conditions are generally inferior. Sarath's study referred to earlier also points to a similar trend already occurring.¹

A study of labour markets and structural adjustment in 12 developing countries (Horton et.al. 1991) drew three major conclusions:

(a) Firstly, real wages are more flexible than is generally supposed, which suggests that labour markets are not a source of rigidity impeding adjustment;

(b) Secondly, in response to structural adjustment, labour has moved in the direction opposite to that usually association with economic development. It has shifted back into agriculture, out of manufacturing and out of public sector; and

(c) Thirdly, recession plus adjustment have also resulted in an increase in informalisation, greater use of casual labour, decreased worker benefits and decline in wage differentials for skill and possibly for education.

Excessive Competition

Does competition finish the Indian industry? While the employers are not unequivocal, trade union leaders generally seem to think so. There is concern about the western and multinational suppliers getting away with a larger share of business generated by any expansionary macro economic programmes in not only core and heavy industry sectors but also in consumer durables and consumer goods including junk foods.

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To illustrate we may consider the case of the power equipment manufacturing sector, which is an oft cited example. To the extent power sector expansion is linked to international aid and liberalisation companies like Bharat Heavy Electricals Limited may lose out in the race because the government which owns it knows the dire need of the organisation to have more business yet is unable to place orders for its own requirements. Instead, the competitors get the business because of tied aid, tactical pressure in the name of competition and possible unexplainable other reasons. The corollary, however, is to examine whether Indian companies (Bharat Heavy Electricals Limited in this case, for instance) had been too complacent with their earlier sheltered situation.

There is another problem with unbridled competition. Free play of market places could be amoral. Left alone, market forces may undermine social concerns.

Privatisation

To begin with the free trade union movement in the west, particularly the AFL-CIO in the U.S.A. found it difficult to oppose privatisation on ideological grounds. As Clements (1988) argues. "A challenge to the principle of privatisation is portrayed as a challenge to the free enterprise system." In the U.K. the Trade Union Congress (TUC) leadership was distraught with the growing erosion of
the confidence in public services among the public and its own members. Therefore, it had to enlarge the scope of its campaign against privatisation so that it will be seen more as a positive reaffirmation in public ownership manifesting a genuine concern of "Industries for People" than as an agitation by trade unions to merely safeguard, the interests of their members. In contrast, however, trade unions of all functions and parties in India generally opposed privatisation. As elsewhere, dissatisfaction with public sector performance— for whatever reasons—and constraints of debt restructuring obligations pushed the case for free market economy and private enterprise on a negative vote. Significantly, till now, government did not choose direct and outright sale of public enterprises, except rare attempts by some state governments with regard to the assets they owned. The route of privatisation so far attempted in India is by and large confined to deregulation, joint ventures and disinvestment of a part of public enterprise shares. Pricing of public assets/shares has raised questions about integrity of the concerned authorities in most countries. In India too already a major stock scam broke out close on the heels of the first round of disinvestment of public sector shares. And the apprehension was that the sequence of the two events was more than a mere coincidence.
Unions' ability to impede privatisation in general and adjustment and restructuring in particular, seem to be inversely related to political will of the government to meaningfully carry out the process involved (Waterbury 1988). The aborted efforts to privatise Scooters India Limited at Lucknow and the reversal of the privatisation decision and return to the public sector of Dalla Cement, also in Uttar Pradesh, after violent protests by trade unions, police firing and loss of life and limbs illustrate this.

It must be said to the credit of the Government that it was aware of the fact that privatisation would not be the panacea for public sector ills. Performance orientation and improvement measures, including introduction of the concept of Memorandum of understanding (MoU) restructuring, are being attempted (Suresh Kumar 1991) Given the magnitude of the problem, the steps taken so far, however, fall short of the requirements.1

EMERGING CHALLENGES BEFORE TRADE UNIONS

The combined effect of the harsh macro-economic realities, external pressures, technological changes and imperatives of enterprises restructuring to restore competitive edge seems to further weaken the already weak

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trade union movement. The declining employment in organised sector further erodes its narrow base. Trade unions are sanguine about securing further gains to a shrinking core employees in the organised sector even as they helplessly watch the deterioration in the growing periphery of casual, contract and part-time employees. As one trade union leader observed, "Today we are afraid of telling our members the truth for fear of losing our job. Tomorrow we may lose our precisely for this, reason, i.e., not telling the truth in time."^1

Employer policies to meet the challenges emphasis flexibility. The adjustment pressures and strategies for flexibility led to an ascendancy in managerial rights and new trends in collective bargaining. Still trade unions are content with their traditional role in raising new demands even as they find it hard to cope with the emerging dilemmas:

Strategies for Flexibility

Flexibility is the catch word that best describes managerial policies in adjustment/adaptation process. As Kanawaty and others (1989) argue, flexibility in human resource management may be viewed differently, according to the context, each context giving rise to a different set of

^1 Centre for Monitoring Indian Economy (CMIE), Basic Statistics Relating to the Indian Economy, Vol.1, All India, Bombay, 1992, CMIE, Aug.
problems, viz: the ability to reduce or increase employment or wage levels with ease; the ability to increase mobility; the ability to make more elastic use of skills for greater occupational flexibility; and the ability to introduce non-conventional working arrangements such as part-time work, self-employment, etc.¹

Employers want to dispense with feather-bedding and restrictive work practices. They also usually seek freedom to retrench employees to maintain discipline and lobby for the forfeiture of a series of clauses concerning prior notice for lay-offs, closures, retrenchments, etc. in the Industrial Disputes Act. Some public sector managements are worried, additionally, about the implications of considering public sector as the State (12-A of the Constitution). Employers and enterprise managers view flexibility in deployment of human resources as an effective way to cope with competitive pressures of technological and other changes.²

Trade unions, in turn, want guarantees against macro/micro economic risks, say for workers/unions in all aspects of change. As an extreme case, they want individual

employee interests to be safe, secure and stable, even if the corporate boat is rocked, unstable and about to sink. Their arguments usually concern not only safeguards against retrenchment but also assurances about maintenance of existing strength.\(^1\)

The ultimate objective of labour restructuring should be to foster steady growth with concern for improving human competence and human welfare. Reconciling the sharp differences in the viewpoints of unions and management is not always easy, except perhaps, as we have seen in the past, when the crisis reaches the boiling point. There is need for positive thinking and search for creative alternatives by both the parties with a sense of mutuality and convergence of interests. Would trade unions consider according priority to the need for corporate survival as a prerequisite to safeguard the employee interests? Perhaps they would, if there is better information sharing and involvement of employees and their unions on various aspects of the functioning of the organisation.\(^2\)

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Ascendency of Employer/Managerial Rights

We notice new technologies and adjustment pressures affording unprecedented means for management to escape old work rules and regulations. Responses by governments and unions to enact stringent job security provisions, as we have discussed earlier, result in a reduced demand for labour, with capital and new technologies progressively substituting labour in many areas. The pressures of globalisation and competition, along with recessionary tendencies and contraction in national economy due to stabilisation programmes at macro-level have been creating conditions necessary to economise the use of labour even if the spreading problems of unemployment and inflation warrant a better deal to labour.¹

Since late 1960s there was some concern about trade union/labour militancy. In mid-1970s when the railway men went on strike, Mrs.Gandhi dealt with a heavy hand, much before U.S. President Reagan's confrontation with pilots and U.K. Prime Minister Mrs. Thatcher's confrontation with miners. But Mrs.Gandhi was deft in sending confusing signals. She nationalised coal mines a few years earlier and increased coal miners' wages by nearly 25 per cent on the election eve and during emergency effected some 'labour friendly' legislative

amendments particularly Section VB of the Industrial Disputes Act did not find favour with the employers. A change in the
government saw the return of many of the 'victimised' railwaymen. Together these events sent a lesson to the
employers that there was little point in relying on government
to act with a sense of determination on labour matters. Employers became aggressive giving the impression that trade
union militancy was being replaced by employer militancy. The Bombay textile strike of 1982 gave evidence of employers
capacity to withstand the potential disruption of prolonged industrial action.

In a series of prolonged strikes in late 1980s-in
Dunlop and Bata (Economic and Political Weekly 1989) in
eastern India and Hindustan Levers (Times of India 1989) and
Telco (Iyer 1989) in western India, for instance-the trade
unions and workers had to call off the strike virtually unconditionally. More recently, in southern India, the trade
union in one of the pharmaceutical companies, Raptokas Brett,
had to agree to forfeit the favourable verdict of the Supreme
Court, after over a decade's struggle that upheld its (the trade union's) claim over the reintroduction of double linkage
of dearness allowance. The trade union, few months after
getting a favourable verdict in the highest court of the land, virtually surrendered the benefits accruing out of the verdict
when the management which continued to express difficulty in honouring the Supreme Court verdict planned to sell the unit. A collective agreement signed in March 1982 provided that workers will be eligible only for single linkage for purposes of payment of dearness allowance (Venkata Ratnam 1992c). 1, 2, 3, 4

The collapse of former U.S.S.R. also resulted in virtual closure of some of the units exclusively dependent on exports to that country. Such external events and changes in export-import trade policies reduced the business of State Trading Corporation in 1991, for instance, to a third of its size (two years before). 5


Concession bargaining in the event of crisis has also become common in recent years though trade unions seem insistent on change of management if the latter were perceived to be responsible for the sickness or persisting crisis in the organisation. In companies like Kamani Tubes Limited workers acquired the controlling interest before restructuring the concession bargaining. In companies like one of the Heavy Industries Division of Walchandnagar Industries in Pune where the trade unions did not consider the management to be responsible for the sickness the trade unions agreed for concessions without pressing for a change in management.

New Trends in Collective Bargaining

The emerging fluid situation disturbs the existing equilibrium in the power relations between unions and management and the latter may, as Alan Fox observed, seek in some cases, to unilaterally act and search for managing new sources of pluralism and individualism at the workplace, bypassing collective bargaining. This was evident from the tendency of some employers to promote workmen into officer categories in the hope they could be taken out of the purview of the Industrial Disputes Act and collective bargaining. But alas! A special legislation was enacted to protect one such group, the sales persons who were the prime target in this respect at one time. Also, managerial unions began to proliferate subsequently even in private sector where the
motives for such promotions were not necessarily bona fide (Sharma 1992). The other way to respond is to promote labour-management cooperation to introduce technological and other changes for modernising and/or restructuring enterprises to overcome crises and/or withstand competitive pressures. While several organisations, particularly those in private sector, have been seeking to promote labour-management, cooperation through consultations rather than collective bargaining, there have been quite a few instances where collective bargaining became the chosen means to negotiate and implement change.¹

Emerging Dilemmas

Tulpule (1992) articulated the dilemmas and ambivalence of the Indian trade union movement in formulating its strategy to new economic/industrial policy that the Government of India announced in mid-1991:

- ...unrestrained influx of the most advanced technologies into industry displaced jobs. Its effects on economics of production are more complex. It is also believed to enable the workers affected to bargain for higher wages. What attitude trade unions should take to the whole question of technology...especially in the context of new industrial policy?

¹Sharma, B.R., Managerial Unionism: Issues in Perspective, Shri Ram Centre for Industrial Relations and Human Resources, Mimeo; New Delhi, 1992.
Trade unions are united in wanting to resist closure of sick units, especially sick public enterprises. But they can hardly defend their being worked indefinitely as losing enterprises nor have they been able to come up with a plausible alternative scheme to turn them round and make them viable.

Trade unions do not generally favour multinationals getting free access into the Indian industrial field. But the relatively higher emoluments and fringe benefits that multinationals offer to their employees seem attractive to trade unions.

Trade unions are generally in favour of the growth of small scale industries but do not like the work of large units being contracted out to ancillary small scale industries.

Trade unions strongly oppose privatisation of public enterprises, but do not recognise that the percent clamour against the public sector is the result of conditions prevailing in that sector for the creation of which they are themselves responsible in no small measure.

Inter-union rivalry forces trade unions into competitive pursuit of even larger benefits for their constituents often at the cost of total employment in the enterprise and sometimes at the cost of the health of the enterprise itself.
Persisting Demands of Unions

Notwithstanding the dilemma of the above nature, there was some unity and consensus among the trade unions in interpreting the "new" economic and industrial policies as being anti-working class in as much as some of the policies were perceived to have adverse effects on employment, earnings, etc. A nation-wide strike was organised on 16 June 1992 by the trade unions in which the INTUC did not participate. Left-led trade union federations and Hind Mazdoor Sabha organised a massive rally and threatened to hold a Bharat Bandh if the government did not reverse its "anti-labour" policies. Even the trade union wing of the party in power, Indian National Trade Union Congress had, in November 1992, given one-month's ultimatum on the subject. Most trade unions, including the INTUC, raised, on various fora, several demands which put the ambivalent government in a quixotic position. As discussed here, on most aspects the government does not politically seem inclined to say no and yet unwilling to readily agree for fear of being forced to follow-up. Given the vulnerability of the unions, the dithering attitude of the Government seem to satisfy them than be confronted with a harsh 'no'. The trade unions demands include: 1, 2, 3,


3 Indian Worker (Weekly Journal of Indian National Trade Union Congress, New Delhi, Various issues,
Finalising the issue of dearness allowance. As is common knowledge, the Government's acceptance of the Fourth Central pay Commission recommendations on Central dearness allowance opened the pandora's box. Ever since the Government's attitude towards industrial dearness allowance is weakened politically, morally and legally. Supreme Court, R.B. Mishra Committee, Tripartite DA Committee, Ramanujam Committee, Ministerial Committee and now the Ray Committee...have dealt or continue to deal with this issue. As G. Ramanujam, President of INTUC observed, the Tripartite DA Committee had seen three prime ministers and five chairmen. Too many cooks spoil the broth. Rather than untangle the vexatious issue, simultaneous reference to more than one committee and frequent assurances and public statements by whoever matters added to the complexity. Whispers about the question of freezing DA had to be emphatically denied by the concerned ministers for fear of political fall out.

In several countries round the world where the IMF and the World Bank initiated structural adjustment reforms wage freeze and DA freeze were applied (Nunberg 1989). But unions in India were successful, thus far, in getting an assurance from the Government that there would be no wage freeze or DA freeze (India Worker June 15, 92).
Continued budgetary support to public sector units referred to the Board of Industrial and Financial Reconstruction (BIFR) and providing employment and full wages to all workers, pending agreement in the Special Tripartite Committee or the BIFR's decision in case of no agreement in the Special Tripartite Committee.

- Lifting the ban on commencing negotiations in public enterprises where collective agreements have expired.

- Candid assurance that there would be no exit policy. Several Union Ministers vouch that there is no such thing like an exit policy and that sums a four-letter word was never used in any of the official communications with either the World Bank or the IMF. The word 'exit' meant different things to each of the social partners. Some wonder whether existing provisions under the Companies Act and the Industrial Disputes Act together with employer policies to keep the units in limbo when denied permission to "exit" were not adequate.

- Retraining, redeployment and voluntary retirement scheme to avoid retrenchment.

- Three-fold increase in retrenchment compensation for workers in case of closure of industrial units.
- Immediate implementation of the pension scheme wherever agreements in this regard have been reached. The Union Finance Minister observed that the Government would have no difficulty in agreeing to it if it entailed no additional burden on it. The Prime Minister talks about pension scheme relating to Provident Fund. The trade unions refer to pension clauses in the last round of public sector wage agreements.

- Abolish or raise the salary eligibility limit for purposes of bonus. Trade unions with bargaining power made managements relent on the legal ceiling and agree to pay bonus to those drawing above Rs.2500 per month and a maximum bonus much in excess of 20 per cent and stretching sometimes upto or more than 50 per cent. Prolonged strikes demanding, for instance, bonus upto twice the maximum stipulated in the Bonus Act, 1965 are not rare.

- Raise the salary exemption limit for income-tax.

- Privatisation of public sector undertaking is no remedy. The trade unions are right in one way. Mere change in ownership will be no panacea. In the 1960s and the 1990s we are clamouring for privatising the sick public sector undertakings. We are, surely, bad students of history.
- Set up a National Commission on Labour. This was one of the demands made by some trade union representatives at the recent Indian Labour Conference (September 92). We flogged the Gajendragadkar Commission Report for more than one quarter century and if another Commission is now set up it may complete its work by 2000 A.D.; and we can flog it for another quarter century! Given the politicised polarisation it is doubtful that a new Commission would achieve more than what the Ramanujam Committee and the Ministeral Committee achieved by way of consensus on certain issues and majority agreement on several others. If we can not act on these, where is the guarantee that we will muster the will and the courage to take the first step for a meaningful overhaul to overcome the maze of our archaic labour legislation?¹,²,³

The trade unions have also been forceful in arguing with some merit, that labour is not the principal cause of sickness in industry and should not be made the sacrificial goat; that managerial productivity should receive attention


long with labour productivity; that social policy matters must be reckoned in formulating economic policies; that unbridles influx of modern technologies and multinationals may not be in national interest... The trade union voice is somewhat muted. Often because the problems are so framed as to limit the choice and discretion of the government over national economic matters in the face of mounting international debt and the "globalisation" pressures (Venkata Ratnam 1992c). Trade unions have, in fact, not responded adequately to the possible fall out on employment and earnings in the wake of the interplay of the linkage among human rights, human freedoms, international trade. International trade and aid could be denied if competition is based on cheap, forced or child labour. Labour conditions in export processing zones are receiving the particular attention of some industrialised nations.

WHAT SHOULD UNIONS DO?

Definiting the role of the trade unions in an era of structural adjustment depends on how they perceive their role; whether they worry about the problem or think about the solution. If it is seen as problem, their tendency could be to protest, oppose, impede and resort to industrial actions, covert and overt, to subvert the process of change in whose formulation they were left out possible because they might abhor and resist. If they begin to think about the solution to the problem, they would see for themselves opportunities in the threats that the environment has presented to them.
Let us consider the possible role that trade unions could play in the following key areas: (a) influence adjustment programmes with a human face; (b) proactively responding to technological changes; (c) productivity improvement; (d) participation, and last but not the least, (e) introspect their role in the changing situation.

**Influencing Adjustment Programmes**

Adjustment with human face involves many policy components (Hoeven 1991) Trade unions have a positive role in influencing the decision-making and implementation with respect to each of the major policy components that Hoeven suggests:

- "More expansionary macroeconomic policies aimed at sustaining levels of output, investment, and human needs satisfaction over the adjustment period. Structural adjustment of an economy normally takes much longer than conventional stabilisation. South Korea and Japan, for example overcame their inflation only with massive support from abroad, which was then judged as a political investment rather than a purely economic investment."

Trade unions could join the other social partners and jointly lobby for political support to gain such support and investment.
- Trade unions need to develop data base and analytical skills to influence the government and employers in the formulation of effective "sectoral policies aimed at restructuring within the productive sector to strengthen employment and income-generating activities and raise productivity of low-income activities, focusing in particular on small farmers and informal sector producers in industry and services.

- Trade unions need to objectively analyse and determine "the impact of policies towards taxation, government expenditure, foreign exchange, and credit (among others) on the distribution of income and resources" with a view to secure the priority use of resource to fulfill the needs of vulnerable groups."

- Trade unions should come up with pragmatic action plans to "improving the equity and efficiency of social sector spending by restructuring public expenditure both between and within sectors (in particular, away from high-cost areas and towards low-cost basic services), by improving the targeting of interventions and their cost effectiveness."

- Trade unions should draw up implementable compensatory programmes, 'for limited periods, with due consideration for the resources that can be generated or made available
to minimise/avert the hardship to the affected persons and to vulnerable groups with respect to education, retraining, health, nutrition, etc.

- Trade unions should monitor the human situation, especially of living standards, etc. of not only their members but also of poor, with regard to health, nutrition, etc.

- "Adjustment policies should form an integral part of a longer term vision and development strategy and, as such, take into account economic, human, sociological and ecological contexts." Such national policies require the popular support of all social actors including the trade unions. Trade unions should influence and be willing to be influenced to put in place desired and feasible policies.

Trade unions must realise that it is not enough to denounce public policies. It is equally important to generate effective alternatives with regard to each of the above and such other aspects considered significant and relevant in this context and widely disseminate them for gaining popular support.

**Proactively Respond to Technological Changes**

While it is true that Indian trade unions have come a long way in accepting them, usually with some reservations, problems in implementing the resolution of the 15th Indian
Labour Conference on "automation without tears" still persists (Venkata Ratnam 1985). Some of the recent collectively agreements provide for consultation or managerial discretion on technological change if it does not entail loss of jobs or earnings (Venkata Ratnam 1990). Also agreements such as the one between the unions and management of Indian Iron and Steel Company (IISCO), Burnpur (June 1989), are unique examples of trade union involvement in the policy formulation and implementation of modernisation decisions at various stages of the programme. It is a different thing that due to political and other considerations the modernisation programme in IISCO continues to be put off. It is useful for Indian trade unions to at least take note of and then consider what possibilities exist for them to take lessons out of experiences in the west in welcoming new technologies and influencing proactively, technology policy decisions. Unions in industrialised market economy countries have counted managerial policies aimed at labour input reduction, gaining closer managerial control over production process, etc., through building up technical resources within unions and among workers to analyse the effects of future technologies and influence managerial decisions on new technologies with a view to humanise the workplace. There are several illustrations of such a positive role being played in industrialised countries such as Sweden and Germany, for instance (Ozaki 1992).

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Productivity Improvement

Productivity improvement is a major concern. The question is not one of labour productivity, but of productivity of all resources including capital productivity, managerial productivity, etc. When India became an independent nation in 1947, it was among the two most industrialised nations in Asia. Today, it is at the bottom of the top ten. In 1950's when we embarked on planned economic development and heavy industrialisation, technologically we were ahead of many countries in the region. There were no tigers, no dragons. The Japanese goods were synonymous with bad quality. But today Japan and South East Asia has overtaken us, economically, industrially and technologically. We are rated rather low in terms our competitiveness (IMD and WRF 1992), human development (UNDP 1992) and despite being the world's largest democracy, even in terms of human freedom (UNDP 1992). 40 per cent of our educated remain unemployed, though barely 5 per cent of our workforce it literate, and the skills of our people are in demand abroad, not the products they make or services they render, here in India. India, with 1.4 per cent share of GNP ranks 12th in the world, but in terms of per capita GNP, our rank in 1990 was 154th. Population growth has nullified economic growth. India is getting marginalised in a world that has become increasingly
interdependent. India's share in world exports declined from 1.4 per cent in 1955 to 0.5 per cent in 1990; its share in world imports also declined from 1.3 per cent to 0.7 per cent during the corresponding period. On most parameters, our performance in terms of productivity within Asia makes dismal reading.¹,²

Trade unions too should accept their share of responsibility for whatever has happened over the last four decades. As Ganguly (1989) observed: "We find ourselves face to face with a possibly unintended but nevertheless unholy alliance of management and labour in building an economy of poor performance and high cost for the benefit of a few at the cost of many ...." There is need to take a fresh look at our traditional roles.³

**Participation**

Participation is an aspect of worklife which never wanes in significant and yet remains so elusive. A global survey on the subject in mid-1970s observed that world over,

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it was confined largely to three aspects; tea, towels and toilets (Walker 1975). One would wonder whether the situation in India is any better.

Three major dilemmas confront unions and employers with regard to participation:

As societies transcend from agricultural to industrial and post-industrial era, there is a shift in emphasis in the use of human power. In primitive, agricultural societies, mostly human energy was used as animal energy. In early industrialisation phase, victorian muscle power was considered important. During post-industrialisation stage where modern technologies are employed and service sector becomes the main provider of employment, there is a shift in emphasis from muscle to mind. Traditional philosophy and principles of management developed during early stages industrialisation were based on direction and control. But now, there is a movement, world over, towards a management philosophy and principles based on consent and consensus. Sociological research points to the inevitable need for management to share power with the rank and file at the shop-floor level. In India, as in several other erstwhile British colonies including Hong Kong and Pakistan, there was no dearth of mechanisms for labour-management consultation. But
statutory arrangements, by and large, remained dormant or unproductive. The few instances of apparently functional labour management consultation processes often reflect the nature and style of management partly motivated by the characteristics of industry and employee profile and partly influenced by the management's concern to avoid unions or keep union influence under check. Unions, naturally, become concerned about management strategies aimed at participating mechanisms that seek to involve individual employees directly, undermining union role/influence.

Secondly, there is a dilemma about the true purpose and role of participation. Is it limited to giving workers and unions a say in management so that they, particularly the union, could pursue the sectarian interests of their members more vigorously? To what extent unions would accept responsibility that goes with participation? Employers are sceptical whether unions can and would like to accept responsibility. Unions are also generally wary of any scheme of participation that thrusts upon them more responsibility than effective power. Several schemes of worker ownership resulted in making workers being coopted into management than derive power and influence over organisational decisions.
Thirdly, consultative processes take time and managers are wary of the costs and consequences of delays in decision-making even if the need for consultation and cooperation is more in a rapidly changing environment. Therefore, it is apprehended that the main factor that could hinder labour management consultation, as a recent Japanese case study noted (APO 1991), could be the rapidly changing environment than adversarialism due to ideological and other differences.

**Time for Introspection**

Let the discussion may be concluded by suggesting that trade unions may take a hard look at themselves and examine whether they are a house divided against themselves. The most crucial threat to trade unions could come from within: Both the trade union leadership and trade union membership. They need to raise questions such as the following and plan strategies to cope with the challenges of the future:

Changes in the roles of one party has consequence for the roles of other parties in industrial relations processes. Now that the central role of government in economic development is likely to change, how would it affect the role of the other two partners, unions and employers?¹

Given the current trends towards the spread of democracy and decentralisation trade union federations should reassess their role. Should not trade unions focus on internal democracy, leadership development and member involvement? What kind of new thrust is required and possible in the on-going worker education and cadre development programmes?

The membership base (2 per cent of the total workforce?), the share of employees covered under collective agreements (1 per cent of the total workforce?) and the literacy of the workforce (5 per cent of the total workforce?) are very low. On top of it the trade union movement is fragmented for every possible reason. This affected their representative character and ability to influence events positively keeping not only the interests of their members but also, as one of the social partners the larger welfare of the public, their members supposedly serve through their sweat and labour. What can trade unions do to improve and strengthen their membership base and play a more useful role in the social and economic development of the country than they hitherto did?¹

The role of outside leadership may remain a controversial subject for some. But, outside leadership cannot

be wished away. This, once again, stresses the need to give a new thrust to worker education and cadre development programmes to deal with the leadership crisis in the trade union movement. Professional trade union leadership should not be based on the concept of permanency, the leadership responsibilities should rotate to prevent formation of vested interests among those who may view such leadership positions as positions of authority for personal aggrandisement.¹

The trade unions should also consider whether the shift in focus of decisions employee/industrial relations matters away from bi-partite fora to labour bureaucracy, judiciary and not infrequently even to law and order functionaries. Also, the increasing use of "new" personnel/human resource policies is making the trade unions somewhat irrelevant and their roles redundant. What are the long term implications of such trends upon trade unions and corporate governance?²,³

III. ROLE OF THE STATE

The State has, since independence, strived to propagate a system which is equitable through its policy of industrial relations. The role of the state had become important because of the uneven power of the employer and the employee on the one hand and the achievement on the other. In order to create a fair and equitable system the state has enacted laws and a judicial apparatus for the settlement of industrial disputes. Alongwith the laws, the State through tripartite discussions has prepared a code of discipline in industry with the objective of bringing about an understanding of the rights and obligations of the parties and secure through mutual negotiations, cooperation of the parties for the settlement of grievances in a voluntary manner.

The new economic policies will have many implications on its role and some crucial ones are given below:

1. General

Regulated economy will have to give way to the free-play of market forces. The State has to provide a framework of free market mechanism and a pluralistic economy (Blanpain). In the context of Eastern Europe, it has been said that the state will need to have 300 directives to deregulate (alongwith monitoring them continuously) and allow
a free interplay of market forces. The popular belief, therefore, that in a free market economy, the state ceases to play much role is not true. It is the nature of role which undergoes a change rather than the absolute role itself.

The State would have to ensure that having announced the policies, the same are implemented by the concerned departments. The experience of the last year and half since the announcement of the policies, shows that the State has not played this role effectively. A regulated economy confers powers in the hands of bureaucrats which are used as well as misused. In the Indian context, it was alleged that the bureaucrats, along with the politicians, had often misused their powers. This is one major reason for the non-implementation of the new economic policies by the concerned departments.¹

Second important reason has been that the government has announced many policies in a haste and, therefore, not much homework on the immediate implications was undertaken. For example, many of the government departments will become surplus, since these were created only to

¹ Johri, C.K., Unionism in a Developing Economy, Asia Publishing House, New Delhi, 1967.
facilitate and monitor the guidelines of a regulated system. Infact, an alternative plan should have also been drawn up to employ this surplus staff productively.

2. I.D. Act

Immediately after Independence, the State enacted the Industrial Disputes (I.D) Act, 1947. This act with some amendments determines the whole gamut of industrial relations law in India. The basic purpose of this act was to create a machinery for solving disputes in an objective manner. During the last forty years, the Government of India had set up a number of Commissions and Committees to suggest reforms to this I.D. Act. A National Commission on Labour was set up in 1969. The Commission found that the industrial relations machinery related to conciliation, arbitration and adjudication was not achieving the desired goals. There was lot of dissatisfaction with the conciliation machinery due to, among other, the none too conducive attitude of the parties, delays, lower level of conciliation officers. Arbitration was not resorted to because of the fact that in law, no appeal was competent against an arbitration and it was high cost option for the workers. The I.D.Act 1947, the Commission noted, empowered the appropriate government to constitute a labour court and industrial tribunal or national tribunal to adjudicate in a dispute. Although the adjudication process has been helpful in many ways since independence, according to the
Commission, it had become dilatory, expensive and even discriminatory as power of reference vested with the Government. Further, adjudication prevented voluntary settlement of industrial disputes and failed to bring industrial peace. The Commission gave a view that there should be a wholesome rejection of third party settlement to encourage collective bargaining. However, it recommended continuing the system by removing the maladies and simultaneously placing greater reliance on collective bargaining. The commission finally recommended the formation of Industrial Relations Commission (IRC), an independent body for setting interest disputes.

These changes were, however, not introduced by the Government. In 1978, the then Janata Government introduced an Industrial Relations Bill with the objective of delineating a legal framework which would promote cordiality and peace in industrial establishments and protect the legitimate interests of employees and industries. Another comprehensive industrial relations bill was framed and introduced in 1988 which incorporated many features and the recommendations of the NCL, 1969 and the 1978 bill with some additional features. This bill like the earlier ones, was opposed by both the employers and unions and was withdrawn from the Parliament.¹

in the courts, therefore, became a prelude for others. In order to promote bipartitism, it may be important to find out why it has not developed in the industry. Without going into too many details, two main factors are worth mentioning. First, the lack of trust between the two parties and the second, that the decisions arrived at through bipartite forums have not been legally binding on both the parties. It may be difficult to address the question of lack of trust and find out ways to improve the same, although the issue is very important. One can more meaningfully address to the other fundamental issue of creating a legal framework which would minimise, if not eliminate, the dependence of the management and the unions on the third party. It would essentially imply creating bipartite forums and giving them a legal status. It should be a forum which has representation from employers and unions, takes decisions within a time frame and the decisions become binding on both the parties. The provisions of law should be such that only in exceptional cases, the disagreements, are allowed and referred to a higher level. The Ramanujam Committee, has recommended the setting up of Negotiating Councils and the Industrial Relations Commissions for the purpose of promoting bipartite forums. IRC's were also recommended, it may be recalled, by the National Commission on Labour in 1969. The IRC's which may be set up the appropriate government would according to the Ramanujam
In 1990, the then Government, called a meeting of 'Indian Labour Conference' the Apex National Tripartite Body, to once again discuss various issues of the industrial relations machinery in India. The most important objective was to find out ways and means to bring about healthy industrial relations climate, through bipartite forums. The conference recommended the setting up of a committee consisting of the representatives of the Government, Employers and the Trade Unions under the Chairmanship of Mr.G.Ramanujam. The Committee submitted its report in October 1990.

In the new economic environment, a new Industrial Relations Bill which may incorporate various features of the I.D.Act 1947 and the Trade Union Act, 1926, would have to be introduced. The salient aspects on which the new law may give emphasis relate to bipartism, retrenchment, closure, strikes, lockout as well as the minimum strength for registration and recognition of trade unions.

Bipartism

Bipartism essentially means that employers and workers, through their unions, would sort out all the matters themselves. So far, most of the matters under dispute have been referred to the third party. This adjudication process has been costly as well as time consuming. Conflicts in the courts have been decided and not settled. The disposal of cases
Committee, undertake functions related to conciliation, mediation, adjudication in industrial relations, hearing appeals against awards of the labour courts and enforcement of awards.

Closure and Retrenchment

The I.D. Act permits lay-off, retrenchment and closure in all undertakings in which upto 100 workmen are employed every day in the preceding twelve months. During emergency (1975-77) a new chapter VB was inserted in the I.D. Act which facilitated such actions. This proved to be boon to labour but a death knell for the employers. The new chapter affected both the public and private sector industrial units as this resulted in large scale over-manning.¹

The new economic policies, which are oriented towards free market, would require the industrial units to shed the excessive fat immediately. Many other units may find the going tough and would be the ones which will, as the minimum, replace old machines with new, mostly automated ones. Such units would also have to retrench labour. The new policies are creating avenues for the entry of MNCs. Some of them have been openly stating that they would be reluctant to launch their industrial ventures in India, if the right to close is not given to them. The Indian entrepreneurs would similarly

be reluctant to open new units, unless they are allowed to close down the units.

The Ramanujam Committee has suggested that the matter of closure of the establishments should be referred to the Negotiating Council (the bipartite forum which it has recommended) and only if a disagreement exists, the matter may be referred to the IRC. Both the Negotiating Council and the IRC, may after studying and discussing the details would give their decisions within a given time frame and IRC's decision would be binding on the two parties.1

The issue of retrenchment it somewhat at complex. On the one hand, the new economic policies make it imperative on the entrepreneurs to reduce labour. On the other, in a labour surplus economy, it may not be possible to overlook the interest of the working class. Despite these compulsions, retrenchments would have to be made less cumbersome. Moreover it may be pertinent to mention that the legal stipulation which exists against retrenchment is somewhat unique in the world and apart from India, such clauses exist only in Zimbabwe. The Bipartite forum (let us say the Negotiating Councils) may have powers to recommend retrenchments after discussing the issue threadbare and within a time frame. The first option should be to train the employees in the new

skills and wherever it is not possible, the compensation may be such that the workers are not put to economic hardships once they are out of the job.¹

**Strikes and Lockouts**

The issue of strikes and lockouts, like exit and retrenchment, has been a subject matter of debate for sometime. The law in fact prohibits strikes although there is no doubt that strike is a legitimate democratic right of every citizen of the country. It is also important that the economic fallout of such an action has been adverse both for the nations and the workers. In the new environment, the economic compulsions will be all the more important. The law should, on the one hand, make strike and lockout more difficult and on the other ensure justified action against the erring party. There is also an impression that strikes do not represent the consent of workers. If that is so, a strike should only be allowed legally only after seeking their consent. The experience of democratic polity should serve us and each strike should be preceded by a ballot and only with the consent of half of the work force. The process may be supervised by an independent observer, nominated by the management as well as the unions. The law should ensure that

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lockouts do not take place without the employer giving a prior notice. Bipartite forums to avert strikes and lockouts should also be given an important role in the law and may become active at the first sign of discord.¹

IV. TRADE UNION ACT

Minimum Strength for Recognition

Trade unions' role in the new economic environment has become all the more important. They would, however, be effective only if they are not besieged with problems, which partly are their own creation. It is also true that many clauses of the Trade Union Act 1926, have facilitated some actions of the unions. For example, the law stating that any seven persons can join and register a union has resulted in multiplicity of unions. The employers have therefore, found it very difficult to deal and negotiate with the unions which are truly representative of the workers. The minimum strength for registration of a union may have to be increased. It should be 20 per cent or 200 workers, whichever is less with a minimum of 7 workers. This one change will partially overcome the problems of recognition of the trade union as a bargaining agent in the industrial unit and the multiplicity of trade unions.

Outsiders

The leadership of the trade unions has to pass on to the workers within the establishment. Outside leadership has been, for some time now, viewed, with suspicion both by the managements and the workers. The new economic policies would require the leadership of the unions to gain an indepth knowledge of their units and the outside leaders may not be able to find time to gather such a knowledge. The law may, therefore, put a limit which may allow few outsiders. 1

V. LABOUR POLICY

Due to the socialistic orientation, the Government of India has so far been pursuing policies which are pro-labour. The policies, beginning with the First Five Year Plan have been directed at maximising employment and the welfare of workers. The First Plan, in this context states that "the worker is the principal instrument in the fulfilment of the targets of the plan and in the achievement of economic progress generally" (Page 571). It further mentions that "the problem is one of devising ways and means of utilising labour power for productive purposes so as to increase the volume of goods and services available in the country and raise standards of living all around" (page 650). Various policies

have provided labour with secure (life time) employment, fair wages and employment conditions and legislative framework to protect labour from unfair dismissals and retrenchments.¹

The Seventh Five Year Plan made a subtle shift from the Government's overarching concern for labour when it stated that "while maximising employment generation, requisite attention has to be directed at improvement of labour productivity through the adoption of up-to-date technology in productive processes in major sectors and corrective measures of industrial sickness" (Section 5.5-Seven Year Plan). The plan document in fact reflected on the fact that industrial sickness was increasing and there was a need to bring up to date technology. Once productivity through technology becomes the primary concern, the interests of labour, in terms of employment, would be affected adversely, at least in the short run. The recent policies of the government are often termed as market friendly and market friendly is often labour unfriendly. Moreover, "once development is oriented towards competitive markets and profit maximisation becomes the dominant motive (which is what the economic policies would lead to*) labour would normally cease to be viewed as a


* Mark within bracket is not part of the quote.
resource of special significance" (Johri 1992). The Government, the trade unions and the labour force are aware of this and economic policies' adverse effect on labour has become the biggest impediment towards the formulation of an exit policy, which is being demanded by the employers and the multi-national corporations. The exit policy is also required to facilitate the closure of sick units in the public and the private sector. Those representing the interests of the workers argue that the formulation of an exit policy would result in immediate unemployment of about two and half lakh workers alongwith shrinking employment opportunities for the labour force in future because of the introduction of up to date technology which may be installed due to the compulsions of staying afloat in the free environment.¹

How valid is this argument? If past experience is any guide, then it may be said that the arguments is rather misplaced. The small scale industries (units employing upto 100 workers) have been permitted to retrench workers and close down their units. The employment trends during fifteen years (1972-73 to 1987-88) in small scale units show that there has been an annual compound growth rate of 5.46 per cent. Compared

¹ Sen, S., Working Class in India: History of Emergence and Management, K.P.Bagehi & company, Calcutta, 1977
to this, then growth rate of employment in others has been just 0.5 per cent during the entire eighties. This shows that employment had grown more in industrial units which had an 'exit policy' as compared to those which did not have it. In other words, where there has been no exit, there has been no entry. (Swaminathan S. Anklesaria Aiyar). The past experience, therefore, highlights that introduction of an exit policy in no way, would lead, by itself, to an increase in unemployment.¹

India's development now depends upon the successful implementation of the economic policies and right now the most important impediment is the opposition of unions, labour and many others to this exit policy. Is it however, wise to put the development of the country at stake for the fear of unemployment about few lakh workers? The answer obviously is no. This does not imply that the workers, who will become unemployed because of the introduction of the exit policy, should be left on the streets to fend for themselves. The role of the State would be to introduce labour policies which would protect not only the interests of the workers immediately unemployed but also introduce schemes to make them

and others suitable in accordance with the future requirements of the industry.¹

The Government of India has so far announced the setting up of the National Renewal Fund, which is intended to provide golden handshakes as well as training and retraining of the workers. Providing golden handshakes to the unemployed workers may not be a difficult job as it only requires the creation of a fund. In India's case, the World Bank and the IMF are coming forward to supplement the efforts of the Government. The employers, requiring to retrench workers and close down their units, are also on record that they would be willing to help in the golden handshakes. The Labour Minister has announced that the government is willing to pay one and half months salary for every year of completed service to the workers of the sick units which would be closed down after the introduction of the exit policy.²

Training and education of labour to impart skills and knowledge, in accordance with the future requirements of industry, is a complex job and it is because of this that


enough progress has not been made in this regard. First, it would require an understanding and comprehension not only of the present but also the future manpower requirements of the industry. Second, a huge infra-structure of training centres, across the country, would be required. Third, trainers would have to be identified who may also require continuous training. Finally, all this would require finance and who is going to fund the whole activity. If it is the government, it does not, at present, seem to be having much money.¹

In the new economic environment, the employed labour would have to be more committed, motivated and involved in the working of the unit. In Indian industry, the worker is not really found to have the above qualities. There are many structural and attitudinal reasons for this. In the context of the role of the State, there may be a need to bound the managements into seeking greater participation of workers in the affairs of the management. In countries like Germany, Sweden, Norway and others, the government has enacted statutes to seek workers' participation and these have brought a sense of involvement. In India too, beginning with the Industrial

policy resolution of 1956, which declared workers as partners in the common task of development, till 1990, a number of statutes were enacted seeking workers participation in management. All these legal attempts at seeking workers participation have really failed in the Indian context. The overwhelming conclusion is that the problems with participation are both attitudinal and legal. In the context of the role of the state, the legal side of participation can be reviewed afresh. One way is to look at the legal system as it exists in Germany. Workers participation in Germany has been able to provide the kind of culture which is required in the new economic environment in India. It may, therefore, be worthwhile debating whether some features of co-determination, as these exist in West Germany, can replace the present statutes regarding workers participation in Industry in India. "The basic purpose of co-determination is generally to give employees greater influence at all levels of decision making at work. The term co-determination refers to all regulatory instruments available to employees and their representatives which enable them to participate in the decision making process.... The co-determination now encompasses a system of rights of consultation and access to information as well as the right to participate in decision making on an equal footing," (Welham Adamy and Johannes Steffen).
The State should also relook at the size and type of industries in which participation takes place. In West Germany, for example, establishments employing even five workers are covered by the co-determination acts. This, in the Indian context can be 100, but the employers' demand that establishments employing 1,000 and above workers should be covered under the scheme of workers participation, makes little sense. Similarly, the law should be applicable to all establishments carrying an organised activity. Finally, the State may have to play a greater role in ensuring that industrial establishments comply with various legal requirements of workers participation in industry.  

The role of the State does not cease to exist in a free-market. It still has to provide a legal framework which may allow market forces to act freely. The concern for labour may cease to be the primary concern of the state and its absorption would have to be determined by the market forces. The State would be required to take bold measures for some time more to see that the free-market systems are not scotched by vested interests half way. Finally, the State machinery must ensure that laws are implemented, and the erring parties punished severely.

1 Sodhi, J.S., Post Liberalisation-Challenges for Manager, Financial Express, New Delhi, 1992.

India has remained insular for too long. Its growth strategy through the socialistic model and the Import Substitution Industrialisation (ISI) has failed. Till 1991, it was really shy of admitting this and following the path of economic growth through Export Oriented Industrialization (EOI). This strategy has worked wonders even in Asian Countries like Malaysia, Singapore, South Korea, Taiwan and now China. In India's case, the 'conditionalities' of the World Bank and the IMF have proved to be a blessing in so far as these have forced the Government to change its industrialisation strategy. The EOI requires globalizing the economy and the removal of unnecessary controls.

The new economic policies of the government are now about an year old. In the context of the paper, few facts emerge from this short experience. The private sector managements have taken to the policies in a positive spirit. They are trying to excel by making concerted efforts to increase production and productivity, improve quality and make a major thrust in exports. There is a positive direction for the public sector too but the policies, such as an exit policy, the NRF etc. are yet to take a final shape and, therefore, there is some ambivalence. The trade unions are reacting to the policies differently as they feel that these affect labour adversely.
None the less, they have their backs to the wall and will have no option but to cooperate. In this process they may also minimise the policies' adverse impact on labour. If the trade unions do not cooperate, there is every likelihood of their being marginalised in the nineties. The State, after having announced, bold measures, is showing a weak commitment to their implementation, not in words but certainly in deeds. It will not only have to announce changes in industrial relations law, the labour policy and other measures, but also implement them without getting bogged down, too much, by political considerations.