CHAPTER 5
LIBERALISATION AND EMERGING INDUSTRIAL RELATIONS
Contents

Section-I

CHANGES IN INDUSTRIAL RELATIONS IN CHINA
Stages of Debate on Labour Reform
Issues of Debate
Is Labour force a commodity
Labour force Market in socialist society
Introduction of Labour Contract System
Unemployment
Modernisation of Technology and its Impact on Labour
Impact of Enterprise Reform Management and Workers
Liberalisation and Conditions of Work for Labour

Section-II

CHANGES IN INDUSTRIAL RELATIONS IN INDIA
Modernisation, Technology and it impact on Labour
Impact of Liberalisation on Industrial Relations
Liberalisation, State, Trade Unions and Workers

Section-III

COMPARATIVE ANALYSIS OF GROWTH AND INDUSTRIAL RELATIONS
Labour Force Structure
Labour Productivity
Prices and Wage Protection
Social Safety-net
Impact of MNCs and Capital Mobility on Employment and Industrial Relations
Notes
Industrial policy changes within the respective frameworks discussed elsewhere in this work pursued by India and China ever since liberalisation have profound effect on industrial relations. It would be pertinent to analyse the effects of these changes in theory and practice vis-à-vis industry in both nations on the industrial classes. Any change brought about in industry would for sure to effect the whole gamut of industrial relations. It is these changes in industrial relations as part of changes brought about under liberalisation which we would discuss in the present chapter, to examine/verify our hypothesis that liberalisation is bringing far reaching changes in the industrial relations front.

In Chapter-3 we presented the policy changes brought about in both India and China. Industrial growth and performance under liberalisation is analysed in Chapter-4. In such backdrop, in the present chapter, we would analyse the changing industrial relations in both nations as a result of newly announced industrial policies and withdrawal of state from regulating economy.

Of late, we know that rights of industrial labour are changing at the global level. Similarly, in both India as well as China status of workers has undergone varying degrees of changes over the years. The introduction of New Industrial Policy (NIP) in 1991 in India and changed perception of the leadership especially Jiang Zemin, Zhu Rongji, et al., on the working class and state enterprises restructuring in post-Deng China, has brought pressure for reduction in the recruitment of labour force, privatisation and/or closing down of Public Sector Units (PSUs), largescale unemployment, etc. Though liberalisation is not
a new phenomenon\(^1\). But, drastic changes in policies brought realignment of labour force at large in both nations after reinforcement in China and official pronouncement of the new policies in India.

In Section-I, we would analyse the emerging industrial relations in China. In Section-II, we analyse the emerging industrial relations in India. In Section-III, we present comparative analysis of certain changes in both India and China that would effect industrial relations.

Section-I

CHANGES IN INDUSTRIAL RELATIONS IN CHINA:

Inspite of the fact that China had initiated reforms from 1978, there is no significant process of reforms in the employment front. Basic reason for this status quo on labour might be due to the fact that in China there are numerous groups within the Communist Party which make it difficult to make reforms on the employment front. Labour reforms in China began only in mid-1980s after many debates. There were temporary regulations on the use of labour contracts in state-run enterprises. Since then, newly employed workers in China were offered jobs on a fixed term contract. Three temporary regulations, which were announced at that time, formally gave powers to dismiss workers (including permanent workers) and had established social security and old age pensions. According to Smith (1992), Hore (1989) and Chassudowsky (1986), since 1983 contract employment has been expanding at a rapid pace.

According to Lee (1997) "the proportion of contract workers to total workers in state enterprises increased from 0.6 per cent in 1983 to 21.9 per cent in 1993" (Lee,
However, according to Cheng (1998), "these labour contracts are disguised forms of permanent employment and that there is not much change in labour system in China".

**Stages of Debate on Labour Reforms:**

Disputes over the nature of reforms from 1978-1995 can be separated into three stages. In the first stage (1978-84) the reforms were largely in agriculture, where little debate occurred. The leadership carefully avoided debates on whether reforms are socialist or capitalist. During this period, the government loosened restrictions on economic activities in urban areas. Private ownership was allowed. However, reforms were not taken up in state-owned economy.

In the second stage (1984-1992) the ideological and organisational coherence of central party was limited. The disputes over the nature of reforms, of weather reforms are socialist or capitalist, were an important factor blocking urban reforms. Labour reforms since 1984 have been subjected to ideological debate, which made opening of labour market an ideological problem. During this period opening up of economy was accepted, but regarding opening up of labour market there was wide range of disagreement. There were wide ranging views starting from people who doesn’t want any change in labour system to those who wanted radical labour reforms. The later group touted the alleged virtues of an unfettered labour market and the economic benefits of unemployment. Within the Chinese communist party, reformist group brought about the political impetus for the labour contract policy. At about same time, Chinese government pursued more 'radical' line by supporting "universalisation of the contract system".
Even in the third stage (since 1992-till date), the theoretical and policy debate was ostly hidden. The transitional event, which suppressed the dispute over the nature of reform, is that of Deng's statement regarding the nature of reform. According to Weil (1996) Deng said, "don't question whether reform is capitalist or socialist. Just do it as long as it contributes to the development of production forces"² (Weil, 1996:115).

Issues of Debate:

The major issue of debate over employment reform reflects on whether or not to introduce labour contract system under socialism? If one argues on theoretical grounds, the introduction of labour contract system would directly gives rise to another issue as to whether it is necessary or not to develop a labour force market. It also brings in to light other issues such as whether labour is a commodity? As also the question of rising unemployment as a result of introduction of labour reforms.

We must understand that in China, the views of conservatives, moderates as well as reformers on such labour issues mainly stem from their quest for addressing the relationship between the political ideology of socialism and economic development. The conservatives hold ideology high over the reality of economic development. Moderates try to balance both. Hence, inspite of the fact that they are for rapid economic development, they do not question the ideological tenets of socialist system and state ownership as representing ownership by the whole people. In doing so the moderates lean towards conservatives rather than reformers as they are not advocating drastic changes to the existing employment system. The reformers give priority to economic development over socialist ideology, although they
have never claimed to change the socialist system. However, they have been advocating the reform of the system for the benefit of economic development, including redefining of the ownership system.

Is Labour Force a Commodity?

In the conventional sense of the term commodity is a tradable product that has use value with which people get some benefit from consuming or owning it. It must be the result of human beings' purposeful work so that it has some measurable value.

Moderates also share this conservative viewpoint. They view workers as basic to means of production even under socialist system (public ownership). Workers are still the masters of the means of production. They also point out that the market is a place for exchanging commodities and is connected with exchange relations: there exist buyers or sellers as well as evidence pointing to the exchange of commodities. In such a case labour can be viewed as a commodity. However, moderates try to say that a labour market is necessary but that labour in the market under the socialist system is not a commodity. This is a sort of conceptual compromise.

The reformers argue that the labour market necessarily involves changing labour into an actual commodity. Reformers assert that a labour market is the best way to allocate resources and that it is easy to verify this in a historically comparative view. If this is so, it is necessary to rebuild the preconditions for a labour market in a socialist China. Reformers such as Dong (1986), Han (1986), etc., argue that under the labour contract system, this is a very typical relationship of commodity exchange and that labour is a real commodity. As Dong writes:
"Under the condition of the contract labour system, labour is a commodity. This is because under this system the labour of staff and workers tends toward social consumption through exchange. The state-run enterprises should choose the staff and workers who can provide the needed labour, and the staff and labourers should choose the state-run enterprises to which they are willing to provide their labour, and both sides should also reach an agreement on the remuneration for the transfer and use of labour as well as other conditions. As this kind of economic relationship, which is reflected in a relationship of will, is secured by 'a pattern of agreement', the exchange cannot be conducted in the absence of the consent of one party" (cited in Lee, 1997:121).

'Labour Force Market in Socialist Society'?

Conservatives view labour market outside of the state sector whose proportion has been constantly increasing. This they think suggests an ideological break with socialism. Moderates consider that rational transfer of labour under socialism by refusing to admit the existence of the labour market. However, some moderates such as Wu (1986) think that there exists a labour force market in private enterprises and foreign-owned enterprises. As Wu argues:

"Under the conditions of a commodity economy, the development of private business will inevitably involvole the emergence of private enterprises with more or less hired labour. In those cases of hired labour in private enterprises (as well as enterprises with foreign capital), labour force is in fact a commodity, and a labour force market has come into being here. However, between economies
of different ownership, labour force will flow, and a small number of workers will leave public ownership; be hired by private enterprises, small business owners, or enterprises with foreign capital; and flow into the labour force market. These conditions result in the coexistence of non-market and market forms in the flow of labour force in China; (Ibid.:122).

On the other hand, reformers, such as Gao (1993) et al., argue that 'the labour force market' had already existed in China, but no concept had been developed to describe its supply and demand properly. As Gao opines: "The labour force market is an important component of the means of production market as well as of the market system as a whole. The labour force plays an important role in the means of production. If the labour force is stopped from entering the market, the market system will not become a unified and open market system. Only by allowing the labour force to enter the market and by appraising the quality and value of workers in an accurate way can enterprises and workers select each other on the basis of their own free will, thereby promoting the correct disposition of labour force resources as well as all social resources by which there can be a speeding up of the establishment of the socialist market economy system" (Ibid.:123).

Introduction of Labour Contract System:

Debates over other issues of labour reforms derive mainly from the introduction of the labour contract system in China. Reformers and conservatives share the idea that the labour contract system recognises the labour force as a type of commodity. However, the conservatives hold that the 'iron rice bowl' and the practice of everybody eating from the 'same big pot' is superior to the capitalist employment
relationships, while the reformers insist that 'iron rice bowl' has a negative influence on economic development cannot be regarded as embodying the superiority of the socialist system. Whatever be their arguments, both conservatives as well as reformers argue that their point of view is advantageous to the workers' interests. Conservatives argue that labour contract system is advantageous only to enterprises, not workers; reformers argue that it protects both state enterprises and workers alike.

Both conservatives and reformers avoid the issue of public ownership of the means of production when they debate the nature of the labour contract system. Conservatives argue that although the public ownership system does not change, the labour contract system is a capitalist wage labour system. However, reformers argue that because the labour contract system would not change the public ownership of the means of production, the labour contract system cannot be a capitalist employment relation.

Unemployment:

The development of a labour market means the existence of open unemployment. Since the 1980s, unemployment has become an issue of debate. The social and economic backgrounds for the emergence of unemployment as an issue are as follows: "The number of those unemployed in cities and towns increased, causing the unemployment rate to rise. This rate stayed at 2 per cent for five years, beginning in 1984. This rate rose to 2.6 per cent in 1989, and to 2.3 per cent in 1992. It was officially predicted that starting with 1992, the unemployment rate would continue to rise" (Ibid.:126). The baby boom of the early 1970s, plus the efforts of the government to restructure enterprises, was
considered partially responsible factors for that rise in the unemployment rate. The introduction of labour contract system may also give rise to the issue of unemployment; it may make open unemployment inevitable.

The conservative idea is that unemployment should be an economic and social phenomenon specific to capitalism and that unemployment should not exist in a socialist society. They consider full employment as demonstrating superiority of socialism vis-a-vis capitalism. The conservatives point out that in case of unavoidability the concept of 'waiting for jobs' is used in place of unemployment.

Reformers argue that as an economic and social phenomenon, unemployment is inevitable in the socialist commodity economy. Let us present the views of Liu (1986) in short. To carry out economic activities, no matter in which social system, labourers must be combined with the means of labour and an appropriate and harmonious proportional relationship in this regard must be maintained. Because of population growth, some labourers will inevitably be 'left unused'. This is an economic law workable under any mode of production. In other words, this law also works in a society under socialism. China has a profound lesson in this regard... In the 1970s, large numbers of labourers found it difficult to find a job. Second, to vigorously develop a socialist commodity economy, it is necessary to smash the egalitarian system under which everybody eats 'from the same big pot' and to promote competition. Inevitably, some enterprises will be victorious and some will be defeated in competition. This will certainly cause some unemployment. Third, although socialism has thoroughly negated the system of exploitation, labour remains means for people to make a living; the ideas of various exploiting classes still have an influence on people; some labourers

161
still possess the mentality of loving ease and hating work. Therefore, it is necessary to apply various sanctions against the lazy boys and loafers who refuse to mend their ways despite repeated admonition, including firing them. Fourth, "the development of new technology will inevitably cause a tremendous change in society's industrial patterns. Some labourers handicapped by the obsolete knowledge they possess will find it very difficult to adapt themselves to this change. This will also inevitably lead to the emergence of structural unemployment" (Ibid.:127-28).

To avoid the conservatives' criticism of unemployment as a capitalist revival, reformers emphasise that the relations of production reflected by unemployment in the socialist commodity economy are different from those reflected by unemployment under capitalism. In this connection Liu (1986) admits that "the possibility and objectives of unemployment exist under socialism and more importantly, fully understand the causes for unemployment under two different social systems. Under capitalism unemployment is mainly caused by the system of exploitation and it serves the system, and its existence and development causes the intensification of exploitation of workers by capitalists. A little reasonable unemployment is an effective mechanism for spurring the enterprises on to raise their economic results and cut their costs and encourages staff members and workers to improve the quality and efficiency of their work" (Ibid:).

Zhou (1988) points out that traditional views regard unemployment as merely a product of capitalism. He says that "such views are one-sided. Actually, there are many reasons for unemployment, including those relating to the economic system, productive forces, production composition,
economic policy, and the unemployed person. Therefore, we cannot identify unemployment with any system, even in a capitalist society. In a socialist society, the level of productive forces, production composition, macroscopic economic policy, and even the labourer himself may lead to unemployment" (Ibid.:130).

Modernisation of Technology and its Impact on Labour:

In China, even during the Mao period the impact of science and technology were stressed where in the 'mass science' movement, the development of local technology systems at the commune level were stressed. In the post-Mao period, especially during the first phase of economic reforms, China introduced an open-door policy under which imports of foreign investments and technology were encouraged. The import of technology had its impact on the Maoist policy of self-reliance. But, this had benefited only certain regions like Guangdong, Fujian, Jiangsu, etc., which were already advanced.

Bhalla (1992) says that the import of technology and joint ventures mainly favoured large-scale state-owned industries with their control of resources in providing technological access and required inputs. However, in 1980s such select diffusion of technological access changed as a result of the introduction of 'market socialism'. This he says had led to gradual privatisation implying competition which in turn led to growth in secrecy on the part of enterprises about technology and know-how (Bhalla, 1992:163). This apart, Bhalla also says that, "the market-mechanism does not really function in China. The state-sector producers cannot offer goods at higher prices and pass on the costs to consumers. The small rural industrial enterprises produced goods (often of lower quality) which
can even be sold at higher prices. This is a common paradox of socialist economies" (Ibid.:166).

In this context, the impact modernisation and the introduction of new technology on labour in China is heavy. Though, because of implementation of new technology, there is a considerable increase in labour productivity, it is offset by the high costs of importing the machines. With a result, profit remains unchanged. There is no immediate threat of job retrenchment. Inspite of workers apprehensive about the consequences of new technology, they do not offer any serious opposition. This might be because these computer numerically controlled (CNC) machines have not yet caused retrenchment. The workers in China must know that new technology for sure affects them. They seem to be content as long as employment and wages are not disturbed. However, new technology also reduces the worker's control over the labour process and the new industrial conflicts centre not so much on wages as around the control over the labour process. Labour would be displaced from their work and gets alienated as part of increased use of new technology. Technology increases efficiency, better quality of products, etc. However, nature of industrial organisation and the emerging role of workers under modernisation are to be theoretically evaluated. However, because of non-availability of data we could not present the same.

**Impact of Enterprise Reform on Management and Workers:**

As part of liberalisation, many changes have come in the nature and working of industries in China. Hereunder, we shall analyse the same vis-à-vis its implication for workers.
The effects of reform programmes on the Chinese labour are visibly seen in the case of Special Economic Zones (SEZs). In the pre-reform period, the local labour office allocated employees, jobs were guaranteed for life and were hereditary. Wages were fixed by the administration. These wages were generally uniform throughout the country with marginal difference between the highest and the lowest wage. Bonus, equivalent of four months’ wages, was paid by the state for better performance to almost all workers identically. This system is called ‘iron bowl’ because it guaranteed in principle minimum essential requirements of workers.

The new system, which was adopted in 1986, laid down three new rules for Special Economic Zones (SEZs): (i) life employment be replaced by a five-year renewable contract; (ii) jobs be no longer passed down from father to children and (iii) bad workers be retrenched from employment. This is supplemented by social security regime to counter balance the new freedoms as has been discussed in section-III. Thus, reform in enterprises, had initiated the contract employment as against permanent employment for all new recruitments including those in state owned enterprises. The enterprises had started providing incentive wages to foster competition.

"The proportion of contract workers to total workers in state enterprises increased from 0.6 per cent in 1983 to 21.9 per cent in 1993" (Lee, 1997:109). However, according to Cheng (1998), "these labour contracts are disguised forms of permanent employment and there is not much change in labour system in China". Thus, the Chinese government allowed the reintroduction of piece work and contract work system, which was abandoned for decades. This process had culminated in the "break the iron bowl" campaign in 1992.
The positive aspects of the reforms employment system are: It gave urban workers greater opportunities to find work outside the state sector that gave only limited opportunities. The more dramatic reform has been the encouragement of individual and collective labour, in to the non-state sector especially in the underdeveloped service sector, as a way of absorbing new entrants into the labour force to put in the words of Harding:

"The number of total labour force privately employed remained low (that is 3.6 per cent in 1986). But, the non-state sector employed more than its share of young workers entering the labour force in the early 1980s: more than 13 per cent of the new urban workers employed for the first time in 1983, for example, found work in privately owned and operated establishments, and another 27 per cent were employed by collective enterprises—enterprises owned collectively by their workers, that belong to neither the state nor the private sector. Only 60 per cent of the new entrants into the labour force were hired by state enterprises" (Harding, 1987:118).

According to the studies by scholars like Han (1986), "The labour contract system and the recruitment system practiced in various localities... are in reality a valuable step toward admitting that labour under socialist conditions is a type of commodity. The fact suggests that labour under socialist conditions as a type of commodity is an objective reality independent of man's will" (Han, 1986:12-14).

As a result of reforms there also exists a dual labour policy in China. It gives flexibility to general workers to take up contract jobs, while degree holding executives and people from the military services continue to benefit from
life employment. The contract job system prevails largely in the SEZs. People who are employed in state sector or in workers' collectives, are trying to change their job to a private enterprise, or are becoming entrepreneurs. Enterprises are permitted to establish their own norms of recruitment to select employees from amongst applicants.

Liberalisation and Conditions of Work for Labour:

As we discussed earlier, China had changed its policy whereby young workers can now become employees of state enterprises. In course of time, the state also provides employment on contract basis as against the earlier policy of employment for life\textsuperscript{10}. This employment is with specific terms including period of work and a detailed set of responsibilities. Supervisors can dismiss workers who do not perform their duties satisfactorily, or who violate the disciplinary regulations of the enterprises\textsuperscript{11}. Workers so removed, whether for lack of performance, for disciplinary action, or because of the sickness of the enterprise, will be eligible for un-employment benefits upto two years. The salary system also stands changed. The enterprises total wage bill would be related to its economic performance. Thus, wages and payment of bonus to workers is now linked to productivity and overall performance of the enterprise\textsuperscript{12}.

Enterprises in the SEZs in order to have cheaper employment engaged peasant workers and child labour, which led to industrial accidents and factory fires. According to Swamy (1995) pathetic working conditions has led to mass protests. "Deteriorating conditions of work resulted in over 170 strikes and demonstrations by workers in 15 cities in 1992 and 1993"\textsuperscript{13} (Swamy, 1995:9). The process of economic reform integrated the industrial labour market to the peasantry. Rural–urban migration is also necessitated.
"More than 100 million" peasants migrated from rural areas to the SEZs in south China, where factories were set up mostly by capital from Hong Kong and Taiwan. These peasant workers were generally docile, manageable and willing to work hard. Profit-seeking enterprises employed them as casual labourers and contract workers, paid meagre wages and offered no job security, no health care, no pension and no social security.

Contract workers increased from 0.6 per cent in 1983 to 15 per cent in 1991 and the proportion of piece wages in the total wages of the state-owned enterprises also went up from 0.9 per cent in 1978 to 11 per cent in 1992" (Ibid.). This increasingly significant but transient cheap labour force affected the labour market in two distinct ways. One, peasant workers became vulnerable to unemployment and abuse. Secondly, they undermined the strength and bargaining power of workers as a class.

In the changed situation, the workers in China are facing the ills of reform programmes. Earlier the state or the collective not only used to pay wages but, also pay for housing, subsidies for food, clothing, education, medi-care, transportation, etc. It also used to provide insurance, welfare provision, social security, etc. According to Smith (1993) "all these subsidies add up to more than half of the workers' cost of reproduction- the equivalent of wages under capitalism" (Smith, 1992:75).

However, in the post-reform era, notwithstanding higher payment of wages, the contract system provides little to the workers' vis-à-vis social security. Moreover, housing, health care, etc., are also being privatised. Now, if a person goes to hospital for treatment of an ailment, it costs roughly two thirds of his annual wages. In contrast
to this during Mao period, workers were looked after by the state itself. The policy of cradle to grave, where each individual is taken due care by the government. The present changes doesn’t give the workers enough to meet their livelihood, let alone providing social security and health care for themselves.

Similarly, most of the enterprises in SEZs, as also others in countryside, in the present-day China, are purely profit seeking. These industries are not employing higher number of workers, resulting in high incidence of unemployment. In some cases, ‘rural unskilled workers are employed as against the skilled urban workers to have comparative wage advantage.

Apart from the problems highlighted above, workers in China are also encountering another major problem. Owing to the competition from high quality and private advantaged industries from the SEZs, which also attract high inflow of foreign investments and also benefits from the government’s dual taxation policy, more and more medium and small units in the internal China are forced to close down their units and stop production.’ This stopping of production is also resulting in worker retrenchment and unemployment.

Section-II

CHANGES IN INDUSTRIAL RELATIONS IN INDIA:

In India, the New Economic Policy (NEP) ushers in liberalisation of industry, trade and finance in various degrees. As has been discussed earlier in Chapter-3 and Chapter-4, the twin components of liberalisation in India were to welcome the MNCs with open arms and to promote privatisation of the public sector17. Our analysis in
Chapter-4 suggests that these moves be synchronised to bring in new technology and investments so as to increase productivity (See section-III for details). These measures are supposed to lead towards profitability of industrial sector.

Although there were not many changes brought about in agriculture and labour policies\textsuperscript{18}, changes in other spheres are sure to have impact on them. Apart from the organised industrial and service sectors, which cover only around 9 per cent of the workforce now liberalisation programme is being extended into parts of the vast but hitherto uncovered territory that constitutes the informal sector of the economy. Even in the former organised industrial and service sectors, there are unorganised workers such as casual labourers, contractual labourers, etc. Thus, under liberalisation, certain basic issues concerning labour such as social security, employment, Voluntary Retirement Scheme (VRS), etc., as pointed out before acquire importance.

It is a fact that trends in labour relations since 1980s are more confusing than ever. These trends not only differ from sector to sector (public/private), but also within sectors, within industry, within the same organisation between original employees and contractual labour. We know that there are major changes in the role of all the three parties (employer, employeee and the government) vis-à-vis the industrial relations. To put them in brief:
- There is a consistent disengagement\textsuperscript{19} on the part of government over labour issues.

- There are rapid changes in the perception of management. Visible reassertion of management initiatives in industrial relations.
Most varied and uncertain changes can be witnessed amongst labour.

Since independence, the state in India was implicitly trusted to look after the welfare of the community at large. Soon it became the biggest employer of labour thus becoming a second party instead of an impartial third party to industrial relations. The legal framework of the regulatory system was defined by many acts. They are mainly the following:

1. The Trade Union Act (1926)
2. The Industrial Employment (Standing Orders) Act (1946)
3. The Industrial Disputes Act (1947).

The regulatory framework included collective bargaining, which involved substantive and procedural aspects of labour-management relationship, whose objective is to develop a genuine collective bargaining enabling workers to resolve industrial conflicts. However, employers in India feel that the labour in India adopted restrictive practices in the organised sector which interfere in management’s right to manage. They feel that the labour laws stagnated employment prospects in private sector mainly because of preventing relocation of production units.

There is evidence that the move from tripartism (employer, employee and the government as parties of industrial relations) to more industry friendly attitude of the government is to reduce the rigidities in labour market and to make it more amenable to the New International Division of Labour. The Industrial Dispute (Amendment) Bill, 1988 has suggested for removal or making necessary
changes for many sections in the ID Act, including Chapter V-B, which deals with permission for lay-off, retrenchment and closure of all undertakings, making mandatory notice of 14-21 days for strikes/lockouts in public utilities, etc.

Similar is the case of Trade Union Act 1966, where reforms were suggested (Noronha, 1996:L15).

Inspite of changes initiated by the government under NIP there is not much influx of FDI and MNCs into the country. If in the future, there is any increase in competition the employers will be forced to reduce their production costs especially the labour costs. This is because they get non-labour inputs at a cheaper cost than before. Over a time, there shall be closures and amalgamation of companies, rarely conforming to the existing laws. The same is true with regard to the factory lay-offs and the retrenchment of workers. Greater flexibility in employment and changes in terms and condition of appointment would be detrimental to the workers. The unions and workers in such a case must resort for justice to conciliation and adjudication apparatus, which is non other than the state machinery, on a greater extent that before.

Modernisation of Technology and its Impact on Labour:

It is widely known, that rapid technological changes in the modern world is fraught with different paradoxes: in terms of greater opportunities and new avenues to be achieved, as also in terms of threat to the existing system which has to adjust constantly to the changes resulting often in greater job loss for employees. Both of the above statements are real. However, the induction of new technologies in select areas cannot be delayed as it is a contemporary economic compulsion.
Among the various kinds of new technologies, probably none has affected the lives of people as fundamentally and pervasively as that originating from the invention of the semiconductor chip and its subsequent implantation as the heart of the computer. The intensity of the impact of the micro-electronic revolution are matched by a variety of strategies evolved by many people throughout the world to exploit the potential of that revolution and meet the threats posed by it to the established patterns of production and behaviour and tragically to the very possibility of survival for people displaced by its impact. Ever since industrial revolution, there has been an invasion of technological developments resulting in newer horizons and economic regimes: of course, some of these developments have bypassed India. To put in the words of Bagchi:

"In India, we are still struggling to bring the entire nation under electricity circuit, whereas industrially developed nations have left behind the electronic revolution representing the second generation and are witnessing the third revolution represented by micro-processor, information technology (information processing), etc. For India, without imbibing the ethos and discipline of the first revolution, jumping into the fray for the new 'third' revolution has wide ramifications in terms of both equity and growth. Technological level in any society is set by the will-power and ability of its members to absorb, add to, and apply the existing stock of world's knowledge of science and industrial techniques. We know that there is an increasing impact of the micro-electronic revolution on work organisations, production and employment. In analysing the same, we shall try to take more balanced view, rather than being either supporting or opposing it as our concern is on how to cope with new technologies, instead of regarding them
as deliverers of fantasies or purveyors of doom" (Bagchi, 1995:7).

The point here is that the issue to be discussed is not whether new technology will slacken the growth of employment - As such an adverse trend is obvious; but it must be how to contain the fall-out. Tiwari (1990) stresses on four imperatives: (1) output has to grow faster than the combined rate of growth of productivity and labour force; (2) the market has to continuously expand\(^2\); (3) Skill upgradation should be an integral part of the adaptation of new technology and (4) there is an urgent need for radical restructuring of work environment, structure of work, redefining of the roles of supervisors, workers, etc., and reforms in labour laws\(^2\). There is a need for flexibility in work organisations as opposed to the rigidly stratified traditional ones. Here below we present some examples of adverse effects of adapting new technologies for modernisation, which has been done in a big way under liberalisation. Tiwari (1990) says that "it is apparent that induction of new technologies in select areas cannot be delayed—a contemporary economic compulsion. However, the "sunrise" technologies have implications beyond the pale of productivity; more importantly for employment and ideology of work" (Tiwari, 1990:41).

Coming to the telecom industry in India, we get a classic case as to how MNCs would thwart efforts of promoting research in developing countries. In India, the efforts of the native Telecommunications Research Centre and C-DoT have been swept aside in favour of foreign collaborations. The organisational form that would grant the developers the necessary autonomy and strong motivation is never experimented with. Whenever any obstacle is encountered, the authorities go in for foreign technical
collaboration, which throws indigenous efforts into a state of disarray. Local expertise though available at much lower costs is not invited, thus raising primary question whether these collaborations are necessary for technological upgradation or for kickbacks for the powers in the administration. Whatever be the reasons for opting new technology into this sector, lower level employment generation would for sure is effected. Scores of telecom operators, technicians/linemen, etc, now would be replaced by computerised machines, thereby creating net jobloss at those levels.

If we observe the electronics industry, this sector has expanded albeit without making much employment generation. This is due to decline in in-house R & D. This industry is thus merely involved in assembling imported components whereas it could have produced these components. Liberalisation policy has encouraged most firms to resort to foreign collaborations to substitute and not complement their local technology-generating efforts. On the other hand, firms with higher local R&D component have had higher employment generation capacity. If we observe the response of workers' unions to new technological changes, in India, they have been unable to develop new strategies to protect the workers' interests. They instead blindly opposed new technology without suggesting alternatives for protecting employment and production.

One should also consider the positive effects of this technology such as increased efficiency, better quality of products, etc. Moreover, it is necessary to consider whether it is new technology or the nature of industrial organisation which deunionise workers.
Thus, emerging shifts reflecting upon the future of industrial relations in China and India is revealing if we discuss modernisation of technology, productivity and employment. The positive fact of such shift is that of fading distinction between ‘blue’ and ‘white’ collar jobs, and in due course, but the class structure needs to be redefined which has serious implications for trade union movement. Application of computer and information technologies have often led to deskilling, unemployment and resistance to change, as well as to radical improvements in productivity and competitiveness. These effects do not depend on the technology alone. The consequences of technical change are influenced at least as much by the objectives that the management seeks to achieve in inducing change.

Mehta and Mohanty (1993) opine that in the manufacturing sector, “liberalisation has resulted in an influx of imported technology, external capital and foreign collaboration, all of which result in negative impact on the demand for labour. The adoption of technology, largely inappropriate, has been in favour of capital and has not augmented the demand for labour” (Mehta and Mohanty, 1993:21).

Introduction of new technology has brought in a host of new problems concerning employment, particularly in a labour-surplus economy such as India says Davala (1994). “In the first place, it makes a host of traditional skills redundant. Employers in order to avoid going through the painful process of retraining and redeployment prefer to phase out the workers with old skills and recruit new ones. The new jobs are more likely to be in the managerial and supervisory category or at the bottom end, i.e., unskilled casual/contract workers... new technology enables the
managements to have greater control over labour process. For instance, an automated process plant can be run by just officer and supervisors with the assistance of casual workers. So, even if the unionised category of workers adopt restrictive practices or go on strike the production will not be affected" (Davala, 1994:407).

Impact of Liberalisation on Industrial Relations:

The impact of policy reforms on employment has declined over the years. According to Dutt (1994), "while the GDP growth rate increased from 3.5 per cent to 5.3 per cent, employment had fallen from 2.82 per cent to 1.55 per cent between 1983-84 and 1987-88. Whereas the number of unemployed rose sharply from 11 million in 1990-91 to 17 million in 1991-92 and 21 million in 1993-94, the growth of employment in the organised sector reveals that during 1981-85 employment grew at the rate of 2.7 per cent with the private sector growth rate being negative. The growth rate of the organised sector was 1.4 per cent during 1985-91 which lagged behind the labour force which was of the order of 2.2 per cent. It is obvious that the organised sector failed to provide employment inspite of being given concessions and exemptions. Moreover, employment exchanges reveal a decline in placements. The 1971 placement rate of 10 per cent of registrations declined to 6.3 per cent in 1985 and to 4 per cent in 1991" (Dutt, 1994:407-12).

Mundle (1994) points out that the visible underemployment was declining under the structural adjustment programme. "It would continue to be about one half or one million persons per annum during 1992-93 and 1993-94 while open unemployment under present conditions would be around 4 million which under less favourable conditions would be 8 to 10 million, raising in the total
unemployment to about 20 to 25 million by 1993-94, the number of people of which constitute 5 per cent to 7 per cent of the total labour force" (Mundle, 1994:43-63. See also PIRG, 1996:80 and Dutt, 1999:15-20 for details on labour force and Employment).

Deshpande and Deshpande (1996) found out that the fears of the adverse impact of reforms on employment in the organised sector are widely shared... Employment in the manufacturing industries belonging to the ASI's (Annual Survey of Industries) factory sector is likely to have declined by about 90,000 from 67,19,000 in 1990-91 to 66,29,000 in 1994-95. If the present trends in wages and productivity were to continue after the reforms, employment would have declined at 0.34 per cent between 1990-91 and 1994-95" (Deshpande and Deshpande, 1996:551).

As discussed earlier, rate of employment generation in organised industry in India declined over a period of time. One can attribute this to the consolidation of market base in India where private business flourished under state protection. Now that they are capable of tackling market forces and withstand competition from MNCs, the state sector shrunk in size. This also might be to felicitate private sector acquire skilled manpower at a cheaper rate. Whatever the reason might be, since the advent of NIP 1991 earlier emphasis of welfare state policies, state support to unemployed, etc., were to go. Trade unionism is acceptable to the management only at local/plant level but not national federations. The present policy speaks of greater flexibility of labour (they must be mobile/migrate for long distance) and for their deunionisation. Under the new policy there are provisions for steep reduction of labour force. Instead of chanellising the whole of labour force, casualisation of labour (where employment is on hire and
fire basis) is evident. Wages are paid in piece rate payments instead of earlier policy of lumpsum payment.

As we were discussing in earlier chapters, the industrial sector, which was hitherto under the control of the government and was sheltered from external competition under state capitalism has now been opened for external competition. This would result in the MNCs and their local affiliates as well as the domestic industry vying for the limited market access in India. In this context, the changed situation has serious implications for industrial relations. Details as to how MNCs would effect industrial relations shall be discussed later.

As we know production and industrial relations systems are closely linked. To maintain overall effectiveness, one would respond to the changes in the other. Firms need to respond to both consumers as well as to the workers needs to increase their competitiveness. Increasing competition affects the nature and operational aspects of production system and the policies relating to industrial relations needs redesigning.

According to Sengenberger (1992), the firm has two options to remain competitive. The first is the labour cost management. When the firm becomes cost-conscious, it first attacks the labour cost element, whether it is sizeable or not. Containing, even reducing the labour cost is suggested to remain competitive; it is popular, as it suits capitalist ideology, though difficult. The firm may adopt any of the following measures to cut down labour costs

- Temporary or permanent reduction in an or all items of compensation package, extending operational hours or adopting flexi-time, introducing non-standard
employment forms (part-time, contract labour, agency services, etc.) relocation of plants in union free areas, etc.

- The second option is to increase the innovative capacity of the firm, concentrate on quality. Shift to higher value added products. This would require re-styling the organisation: altering the perception of organisation (Taylorism or otherwise) recasting personnel and industrial policies. (Sengenberger, 1992:139-54).

However, this idea of Sengenberger (1992) is disputed by Venkataratnam and Verma (1997). They argue that first option where the emphasis on wage cost (which is primary component of labour cost) is more is unadvisable for several reasons. The increased demand for the product will eventually increase the wages, which nullifies it. Low wages and non-optimum use of labour would affect productivity. Wages are not flexible and only real wages could be weakened by increase in prices. As regards the second option, the industrial polices must strive to improve training firm’s employees, involvement of workers in management, attractive reward policy and flexible work organisation.

Whatever form shall the policy of liberalisation take we know that the resultant effects of it are job loss, wage freeze, union bashing, erosion of workers’ rights, health and safety of workers. The total picture that emerges in India is one of increased vulnerability of workers. In such a situation, the industry may sight health & safety or environmental pollution and degradation to get closure. Technological changes, amalgamation of one industry with the other (through unit to unit sale/ joint venture) and participation of MNC or its local affiliate in
such merger and acquisition is on the anvil. The working class in India is sure to face tough time in the years to come with possibility of retrenchment of labour force and subsequent unemployment.

Liberalisation, State, Trade Unions and Workers:

The principal actors in the industrial relations system are (a) Trade Unions, (b) Employers Associations and (c) the Government of India i.e the Indian state.

With respect to the trade unions, we can say that, they are too fragmented. The trade union movement has developed in hap-hazard manner with about 16 government recognised national and regional federations of trade unions split over ideological and other factional considerations, each putting up exaggerated claims about their alleged membership strength. Every aspect for these unions is politicised, including union representation. This trend is more manifested in their fight against liberalisation.

The employers' Association too have limited coverage and problems of disunity. There are three employers' associations in India, viz. All India Employers Organisation (AIOE) founded by FICCI in New Delhi, Employers' Federation of India (EFI) founded by ASSOCHAM in Mumbai and the Standing Conference of Public Enterprises (SCOPE) founded by the Central Public Sector Undertakings (CPSUs) in New Delhi. These three have loosely federated into an organisation called the Council of Indian Employers (CIE). There is another organisation which also caters to the small and medium enterprises named All India Manufacturers' Organisation (AIMO).
The state intervention in industrial relations in India is more direct and pervasive than in most industrialised countries. The role of the state goes well beyond procedural and substantive laws to regulate industrial relations as discussed earlier. The state is the largest employer besides being the regulator and enforcer in India. The state here is having discretion to intervene not only when a dispute arises but also when a government/minister anticipates, whether just or otherwise, that there could be potential dispute. The government intervention in labour matters increased the dependence of the private sector also on it, while in the public sector the government actually dominated industrial relations granting little autonomy for enterprise management. The workers in India actually look for the state's intervention and resolution of disputes in their favour. However, political intervention and interference leads to low accountability as it is evident in the case of India.

In India, although it being a liberal democratic multi-party state, liberalisation was initiated by the Congress party without gathering much public opinion in favour of liberalisation and its consequences. However in China, where reform initiatives were taken up after due deliberations within and outside the government and the CPC, the reform programmes started. In India, almost all-political parties irrespective of bourgeois or left are more or less were for liberalisation. The Indian left which had accepted the same reluctantly as it does not have any alternative model\textsuperscript{22} and had to accept the case for liberalisation of Indian economy. However, one consolation here being that the reform initiatives hitherto did not affect the workers as majorities of the trade unions having affiliations to these parties are opposing any move that effects the workers badly. The reason is obvious of
avoiding political repercussions for the party in power. The workers are strongly attached to the radical left and liberal bourgeois parties and have lost independence. All the trade unions (irrespective of their ideologies) as discussed above, had supported or at best showed naïve protests to the liberalisation programme. The reason being no party or front was against liberalisation. Every party had tried to accept it, albeit with little corrections. Besides this the Indian industrial lobby also wanted to have liberalisation, as we have already discussed in chapter-3, so as to get limited access to international markets. As noted earlier in chapter-3 the Indian business elite accepted sub-servient role to world capitalism so as to get this limited access.

In India, the role of state is felt through various legislations pertaining to industrial relations which applies to the organised sector. There is conspicuous neglect of unorganised sector. The paradox is that union-present, minor segment of organised sector is getting maximum attention while large unorganised sector is struggling for their regularisation of wages. There are no effective controls, and organised unions, in the unorganised sector. The role of the state in India in containing industrial conflict, strengthening unionism, collective bargaining. State has failed to promote industrial democracy.

Trade unions have to actively participate in the revival of sick units because closure of industries would affect the workers most. Wherever it is feasible they must fight for workers' takeover. In a nutshell worker self-management schemes are undoubtedly the most effective means of workers' control in industry, provided they are run along democratic lines based on the principle of co-operation.
We can say that the introduction of NIP as part of liberalisation programme definitely effecting the workers. In the presiding discussion, we have tried to analyse the same. Introduction of NIP at a stage when the State is withdrawing itself from regulating markets have serious implications for the well being of the workers. We know that the entry of MNCs would not only harm the national businesses but also the workers at large. This is because of the fact that these corporations have highly sophisticated machinery and tools, which require fewer work force. Though new technology is to be adopted in order to acquire higher efficiency, it would be pertinent to cautiously accept them in those areas where its use is indespensable. Areas such as telecommunications, iron & steel etc., if they adopt such new technology would only lead the workers displaced from their work.

Coming to the social security, we must note that it is not limited to health, maternity benefits, accident insurance, pensions, etc. The greatest security comes from the people’s ability to look after themselves. This can only be achieved by improving skills and generally enhancing capabilities of the workers. Finally, trade unions in the organised sector have also to think about workers in the unorganised sector who are in much greater need of security. In the final analysis, unless there is sustained trade union effort, interests of workers cannot be secured under the NIP.
Section-III

COMPARATIVE ANALYSIS OF GROWTH AND INDUSTRIAL RELATIONS:

In the following section, we present changes that would effect the workers viz. labour force structure, labour productivity, etc., in a comparative perspective.

Labour Force Structure:

If we take into consideration the sectoral distribution of labour force and growth for the period of liberalisation (1980-97), it is revealed that India has higher growth than China in industry particularly in the manufacturing sector and in the service sector. This is evident by the fact that the growth of labour force in India is more by 5 percentage points than in China, which had only increased marginally by 1.8 per cent. This shows that China has stagnated performance in comparison with India over the years (Table-5.1).

Labour force under agriculture sector declined substantially during the period 1980-97 with 9.4 percentage points reduced in India while it is 3.3 percentage points reduction in China. It can be stated that labour force in India is migrating to industry and service sectors. The percentage of labour force in industry and service sector in India is more than that of China (sees table-5.1 for details).

In 1997 it is 18.1 per cent in industrial sector in India and 15.8 per cent in China. While coming to service sector it is 21.8 per cent and 13.3 per cent respectively. However, this is only quantitative indicator and qualitative aspects should be considered while assessing the
performance of labour force. Factors like productivity, value added per worker, profitability, etc., shall be discussed hereunder.

Table-5.1
Distribution of Total Labour Force by Sector

<table>
<thead>
<tr>
<th></th>
<th>Agriculture</th>
<th>Industry</th>
<th>Manufacturing</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>69.5</td>
<td>60.1</td>
<td>13.1</td>
<td>18.1</td>
</tr>
<tr>
<td>China</td>
<td>74.2</td>
<td>70.9</td>
<td>14.0</td>
<td>15.8</td>
</tr>
</tbody>
</table>


Total labour force in India as of 1997 is 419 million while in China it is 744 million. Work participation rate in China is 16.1 per cent more than that of India. This apart, gender disparity among labour force is more in India than in China. Observing the variance between participation rates between men and women can reveal this. Variance in India is 28.7 per cent while, in China it is negligible, that is 8 per cent (table-5.2). There is reduction in women labour participation rate in India (1.6 per cent decline) but there is growth concerning it in China (6.8 per cent growth).

Coming to men work participation rate China has improved considerably (3.1 per cent growth) than India (1.8 per cent growth). As per the World Bank report 1998, child labour in India reduced from 21 per cent in 1980 to 14 per cent in 1996. But remarkable decrease in child labour force can be observed in China from 30 per cent in 1980 to 11 per cent in 1996.
Table 5.2


<table>
<thead>
<tr>
<th></th>
<th>Labour Force</th>
<th>Labour Force Participation Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total (000's)</td>
<td>Annual growth rate</td>
</tr>
<tr>
<td>India</td>
<td>419562</td>
<td>2.0</td>
</tr>
<tr>
<td>China</td>
<td>744095</td>
<td>1.8</td>
</tr>
</tbody>
</table>


Labour Productivity:

Gross output per worker in India nearly doubled over the 15 years period (see table-5.3 for details). In other words, it has increased from 10210 dollars in 1980 to 19664 dollars in 1995 and it is observed that every year there is consistent growth in gross output per worker in India. Major shift in growth in productivity can be observed between the periods 1985 and 1990, but during 1990 and 1995 there was marginal growth.

In comparison to India, Chinese growth with respect to gross output per worker is less. And there are fluctuations in the growth. For instance, gross output per worker in 1980 is 9531 dollars, but it has declined substantially by nearly 30 per cent in 1985. However, China could improve its gross output twice in the subsequent ten years, from 6017 dollars in 1985 to 12444 dollars in 1995.
Table-5.3
Labour Productivity in India and China (1980-95)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gross output per worker ($)</td>
<td>10210</td>
<td>9631</td>
<td>13423</td>
<td>6017</td>
<td>19250</td>
<td>6574</td>
</tr>
<tr>
<td>2. Value added per worker ($)</td>
<td>1872</td>
<td>3632</td>
<td>2360</td>
<td>1946</td>
<td>3438</td>
<td>1697</td>
</tr>
<tr>
<td>3. Average Wage (including Supplements) ($)</td>
<td>1083</td>
<td>548</td>
<td>1298</td>
<td>286</td>
<td>1592</td>
<td>319</td>
</tr>
<tr>
<td>4. Wages and Salaries (including Supplements) as % of Profitability</td>
<td>11</td>
<td>6</td>
<td>10</td>
<td>5</td>
<td>8</td>
<td>5</td>
</tr>
</tbody>
</table>


Taking into consideration of value added per worker, India's improvement is better than that of China. In India, the value addition per worker has improved twice. That is from 1872 dollars in 1980 to 4096 dollars in 1995. Comparatively in China, per worker value addition has declined by around 50 per cent during 1980 to 1990. However, from 1990 to 1995, Chinese performance is remarkable as its value addition per worker is doubled.

Average wage (including supplements) is less in China than in India because of China's population and worker participation rates are more. There is improvement in average wage until 1990 in India. However, it has declined in 1995. With regard to China there was decline in 1985 and improvement during the period 1990-95.

Coming to wages and salaries in percentage of gross output is considered for industrial development. This proportion is substantially reduced during 1980-95 in India as well as in China. However, China's decline is lesser than that of India. In India, wages and salaries proportion was 11 per cent during 1980, it declined to 6 per cent in
In China, same in 1980 was 6 per cent and it came down to 4 per cent in 1995. This indicates there was substantial growth of gross output in India than in China. It was observed a stagnation in wages and salaries as percentage of gross output in China during 1985 and 1990.

Prices and Wage Protection:

As we have already discussed in Chapter-2 and Chapter-3, the Chinese reform process started in early 1980s. Of which it was the rural reforms that preceded the urban one, the urban reforms formally started in 1985. As a result the purchase prices of eighteen farm products increased by an average of 22.1 per cent, “more specifically the price increases included 20 per cent for grain, 25 per cent for fats and oils, 15 per cent for cotton, 26 per cent for pigs and 20-50 per cent for 14 other products. And due to the great success of HRS (Household Responsibility System) in the poorest areas, the system was supported by the government and adopted in the nation in a sweeping fashion. By the end of 1980, 14.4 per cent of all households adopted the system; by the end of 1981, 45.1 per cent; by the end of 1982, 80.4 per cent; and by 1984, about 99 per cent” (Yang and Zhou, 1999:129).

Since 1985, the adoption of wage bonuses and managerial responsibility system have made significant gains in outputs by workers and managers resulting in comparatively higher earnings in the urban areas. Before we discuss about the growth rate of wages, it would be pertinent to see the prices indices which are presented in table-5.4.

The table-5.4 illustrates, inflation became more prevalent in China between 1986 and 1992, when annual prices rose to 8.7 per cent from 3.3 per cent in 1978-85 and the
average inflation rates in the later period were roughly equal across rural (8.6 per cent) and urban (9.9 per cent) regions.

Table-5.4
Average Prices Indices in China
(Base last year=100)

<table>
<thead>
<tr>
<th></th>
<th>National Retail Price</th>
<th>Urban Consumer Prices</th>
<th>Rural Consumer Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978-85</td>
<td>103.3</td>
<td>103.9</td>
<td>--</td>
</tr>
<tr>
<td>1986-92</td>
<td>108.7</td>
<td>109.0</td>
<td>108.6</td>
</tr>
</tbody>
</table>


The effect of reforms on wages in China is highly significant. This can be observed by the fact that there are inter-regional wage differentiation and the relationship between average and real wages based on consumer price index is wide. According to Sabin (1999) "employment growth between 1980 and 1992 was quite rapid... ranging from a low of 49 per cent in education to a high of 98 per cent in services (including the private economy)"... inter regional wage variation does tend to decline following increased resource efficiency, and wage rates do appear sensitive to inter-area differences in labour market conditions. However, given pre-reform China’s extreme centralisation, it is perhaps more likely that the broader scope for inter-area variation of all sorts would produce wider wage gaps, at least initially... In addition, the recent decline in state sector dominance of urban employment which had imposed a high degree of inter-area wage uniformity in earlier years, might promote increased wage variation across urban regions" (Sabin, 1999:135-37).

The dramatic increase in the marginal impact of employment in a skilled sector points to declining skill-
related wage egalitarianism during 1980s. "Figures on non-
wage benefits (excluding housing subsidies) in the state
sector indicate that the less skilled sectors have in recent
years paid out higher average benefits per worker, thereby
blunting the wage differential. However, the gap in
benefits per worker shrank from 54 per cent in 1988 to 22
per cent in 1992, pointing to relative gains for workers\(^{29}\) in
the more skilled sectors" (Ibid: 150).

Average wage ratios for workers in China are presented
in table-5.5. If we observe the table, within the skilled
workers there is consistent fall in the ratio of wages in
both state/collective as also in state/joint enterprises.
This indicates that there appears to be some wage
convergence between all ownership types since 1980s. In
contrast, a recent rise in the wage gap in the less skilled
sectors between both urban collectives and state enterprises
and between state enterprises and jointly-owned and foreign
firms indicate a possible increase in labour market
segmentation\(^{30}\).

Table-5.5

<table>
<thead>
<tr>
<th>Year</th>
<th>Skilled State/Collective</th>
<th>Skilled State/Joint</th>
<th>Unskilled State/Collective</th>
<th>Unskilled State/Joint</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>1.36</td>
<td>1.28</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>1985</td>
<td>1.35</td>
<td>1.20</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>1989</td>
<td>1.25</td>
<td>0.75</td>
<td>1.27</td>
<td>0.83</td>
</tr>
<tr>
<td>1992</td>
<td>1.24</td>
<td>0.77</td>
<td>1.28</td>
<td>0.78</td>
</tr>
</tbody>
</table>

Source: Sabin, 1999:150.
The analysis of Sabin (1999) points to a decline in inter-regional wage variation during early reform period followed by rising wage gaps in the later years. This unusual pattern appears directly related to the combination of China's pre-reform wage structure and trends in wage growth during the reform period. In the south-east coastal regions, wage differentials first narrowed as incomes in these areas caught up to those elsewhere and then began to widen.

In India, wages in the organised sector are composed of three main elements: basic wage, dearness allowance and payment of bonus. There are established rules for payment of dearness allowance and bonus to the workers. Bonus payments are statutory and are governed by the Payment of Bonus Act, 1965. Thus, minimum bonus of an employee is 8.33 per cent of the annual wage (that is basic plus D.A). If the basic exceeds specified amount, then bonus is calculated as though wages are equal to the specified amount. The structure of basic wages and patterns of annual increments generally are determined by the Wage Boards and Pay Commissions. They are periodically changed, once in around 3-4 years. Though collective bargaining exists, government intervention plays important role. Similar is the importance of hike in wages in public enterprises in proportion to hike in private enterprises.

Here below, we examine the rate of change of wages and prices in the organised sector. Same is presented in table-5.6. If we observe table-5.6, the rate of change of prices in India is somewhat less than the rate of change of wages of employees. Implying that, after liberalisation, the wages of employees have gone up, a positive indication, because of liberalisation of the Indian economy. However, as is evident from the table, ever since liberalisation
started, there is a steady decline in real wages. Whatever changes in the wage structure have taken place, they are enough only to maintain the current consumer price index. Hence, we would like to add that the increase of wages might be because of pay revisions done during 1990s.

Table-5.6

<table>
<thead>
<tr>
<th>Year</th>
<th>Wages (1963-65=100)</th>
<th>% Change</th>
<th>Consumer Prices (1982 = 100)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1051</td>
<td>--</td>
<td>186</td>
<td>--</td>
</tr>
<tr>
<td>1991</td>
<td>1190.1</td>
<td>13.2</td>
<td>212</td>
<td>13.4</td>
</tr>
<tr>
<td>1992</td>
<td>1343.0</td>
<td>12.8</td>
<td>232</td>
<td>10.4</td>
</tr>
<tr>
<td>1993</td>
<td>1480.9</td>
<td>10.3</td>
<td>252</td>
<td>6.3</td>
</tr>
</tbody>
</table>


Coming to the unorganised sector workers, who constitute nearly 93 per cent of the work force in India, they work and live in to most precarious conditions. Often they work at back breaking labour such as construction work, agricultural labour, etc., which does not fetch them wages adequate for two square meals. Another important point to be noted is that majority of them are women workers who earn less than their male counterparts.

In India, the state governments for different schedules of employment fix the minimum wage. They are fixed according to the minimum Wages Act. They differ across the Indian states. In 1996, minimum daily wages for agricultural labour varied between Rs.21/- and Rs.52/-. If minimum wages were ensured, it would be beneficial to the workers. Unfortunately, the same is not taken seriously.
Agricultural labour, except in some peak months, generally get \( \frac{4}{7} \) of the minimum wage. Home based workers get less than \( \frac{4}{7} \) their wages. Inspite of the existence of statutory minimum wages, workers are not paid accordingly, as workers are often unorganised and are weak and vulnerable to demand their basic wages\(^{32}\).

As we have discussed in chapter-4, the UNIDO statistics show that the percentage of wages and salaries decreased from 6 per cent in 1980 to 4 per cent in 1995 in China. In Case of India, it has substantially declined from 11 per cent in 1980 to 6 per cent in 1995. This indicates wages and salaries are more or less stagnant in china and India. However, gross output per worker has increased substantially in India and China. This indicates that labour exploitation is in existence in both India and China as is presented in earlier sections. This can be substantiated with the average wage yield by the workers. There were fluctuations in the average wage in India and China also during 1980-95. It indicates higher labour turnover in both the nations\(^{33}\) (See chapter-4 table-4.2 for details on profitability, salaries and wages).

Social Safety-Net:

The structural transformation of the economy of China makes it difficult for it to continue enterprise-based provision of social services. The government feels that this would become an obstacle for, labour mobility and competitiveness of state owned enterprises. Thus, in China, present conditions are such that "both enterprises and labourers now must adopt to competing in a market-oriented economy and their ability to do so will depend in part on successful reform of China's social security system. In the
process of reform the government has made clear the need to shift responsibility for providing social services and benefits from enterprises to a combination of the government, enterprises, community and individuals" (West, 1999:153).

Features of New Pension System in China:

The third plenary of the 14th communist party central committee in 1994, specified an overall framework for the establishment of an old age security system. "It called for a multi-pillared system combining a social basic pillar with supplemental enterprise-sponsored pensions and individual savings for old age. At present, emphasis continues to be placed on designing the social basic pillar, which is to provide a minimum standard of living for retirees and be financed by the enterprise, employee and government through a combination of pooled funds and individual accounts. This pooling of funds is similar to the case of India where the government, employee as well as the employer contribute to pension fund. The other two pillars have just began and are expected to develop slowly" (Ibid: 161).

The social basic pillar has two components: a defined contribution plan with an individual account established for each worker, and a defined benefit plan known as the social pension, based on a social pooling account. The relative emphasis on the two components varies according to locality. "When a worker is eligible for retirement, the accumulated principal and interest in individual account is divided by 120 and paid monthly to the retiree. When the accumulation in the individual account is completely exhausted (10 years after retirement), payments are to be made from the social pool fund at the same level. On the contrary to this
situation, in India, the contribution from government, employer and employee is taken to determine the pension of a retiree. This pension system in China, many be termed as discriminative as it works against the interests of workers. In case of the death of retiree, the social pool contribution does not reach the family. This is because there is no system in China for family/spousal pension as work participation rates are high, as we have see earlier. However, this might come for confrontation in the years to come\textsuperscript{36}. The benefit formula for the social pension varies across localities, with social pension benefits based either on the earnings of the worker, the average earnings for worker in a location, or a combination of the two. Vesting rights to the social pension usually accrue after 10 to 15 years... because details of the new scheme vary across pools so do the income replacement rates ranging from 65 per cent in Jiangsu and Hainan to 102 per cent in Harbin. The average nation wide was 78 per cent in 1995\textsuperscript{7} (The World Bank, 1996:10).

It may be noted that China had laid foundation for an excellent system for old age security based on multi-pillar strategy. However, present attention is towards the social/public pillar. However, pension reforms are incomplete as there is an urgent need to formulate regulations and supervision of the pension funds. There needs assurance alike for both contributors as well as beneficiaries of both growth as well as safety. We may point out that a reformed pension system has an important role to play in increasing labour efficiency through labour mobility and thus ensuring enterprise efficiency. Hence, a broad-based and financially sound social security system is critical for the development of labour markets in China.
Features of National Renewal Fund in India:

In India, complying with the provisions of the New Industrial Policy (NIP) 1991, the government has established a National Renewal Fund (henceforth NRF) in 1992. The scope of NRF was comprehensive and detailed. It was to operate as a non-statutory fund for a period of 10 years. During this period, it is subjected to the Comptroller and Auditor General (CAG) audit. Financing for this NRF would come from government, multilateral aid agencies, insurance companies and industrial units. This fund is to be exclusively used for the benefit of employees welfare and is restricted to the large-scale industries notified under the Industrial Disputes Act, 1951.

Objectives:

1. To provide assistance for the retraining and redeployment of workers;
2. To provide funds for compensation to displaced workers;
   and
3. To fund employment generation schemes.

The NRF consists of two components, first the National Renewal Grant Fund (NRGF) and second the Employment Generation Fund (EGF). The former is to provide the following:

(a) Worker counselling, retraining, redeployment and placement services for workers affected by modernisation, restructuring, revival of undertakings, upgradation and revival, rationalisation or closure of sick units.

(b) Worker compensation packages in both the public and private sector. If the units are closed on any
examination by the Board for Industrial and Financial Restructuring (BIFR), the funds will be used to pay the workers' legal dues and those arising from VRs. If the VRS is operating in a Public Sector Enterprises (PSEs) funds will be given even if it has not been referred to the BIFR; and

(c) The funds will also be given as interest subsidy to financial institutions to help them provide soft loans for funding rationalisation of weak units.

Under the second component of Employment Generation Fund (EGF), following assistance is to be provided:

(a) For approved employment generation schemes in the formal and informal sectors and

(b) To specific restricted areas affected by the industrial distress arising out of the reform process.

Another initiative has come from the National Bank for Agriculture and Rural Development (NABARD) and the Small Industries Development Bank of India (SIDBI) who have agreed to refinance loans of commercial banks to rehabilitate employees of National Textile Corporation, a PSE, if they accept voluntary retirement. Workers willing to buy old, second hand looms would be required to contribute 25-30 per cent of the cost and the rest will be paid out of a loan on easy terms.

The working of the NRF shows that the safety net for workers is too unsafe for the displaced workers to rely upon. We would like to caution that, unless there are regulatory and safety arrangements in place, liberalisation and the opening of floodgate of closures and retrenchments
without functioning safety mechanisms would defeat the very purpose of restructuring — a key principle of the NIP.

As we have seen in the above discussion, the amount of social security being offered to the workers in both India and China is inadequate. The policy needs comprehensive outlook as well as pragmatic approach so as to benefit millions of labour force who would be directly effected as a result of liberalisation. In China the reform in SOEs is yet to take-off (although the recent pronouncements by Zhou Ronghji, Primier over privatising and/ closure of over 1,00,000 of them). If initiated the effect of it on retrenchment and resultant unemployment is not being given serious look by the leadership, which needs serious reconsideration. Similarly in India, the NRF component does not serve the interests of the effected parties. The state in India needs to reconsider to provide higher role as well as finances to the NRF for providing a meaningful solution to the effected workers.

Impact of MNCs and Capital Mobility on Employment and Industrial Relations:

Developing countries such as India and China, with large-scale unemployment and relatively well-educated populations have benefit from the establishment of Multinational Corporations (MNCs) affiliates. These affiliates use low-cost labour for the manufacture of parts for electronics and other high-technology products to be sold in established markets in developed countries of the world. Many countries including India and China, have benefited from such investments, as a consequence of which economic level of their people as a whole have risen. However, if we observe closely, employment by the MNC subsidiaries in the Third World remains relatively low.
There are additional benefits other than increase in employment. New skills are taught that may be useful for local entrepreneurs and the wages paid by the MNC affiliates are normally higher than those prevailing in the country. Additional employment sources may be created through the increased use of local suppliers and ancillary services.

These are precisely the points, which are praised by some and are criticised by many. The critics such as Feld (1980) claim that "the MNC affiliates often import technologies that are mostly capital-intensive with minimum labour requirements and thus disregard the pervasive unemployment (roughly around 30 per cent of total labour force) and under employment that plague the country. Moreover, higher wages paid by MNC affiliates may lead to demands by employees of local firms for similar increases. This may create severe competition, especially for technical personnel, and cause difficulties for local companies. At the same time, higher wages may fuel inflationary pressures, and might also reduce the competitiveness of the local business (which have low operational efficiency)" (Feld, 1980:102).

Finally, organised labour plays a role in these situations. While the increased wages paid MNC affiliates provide incentives for existing labour organisation to level up wages generally, the emerging disparities in wages may induce governmental leaders to oppose such endeavours. Moreover, the national business houses, which are already at a comparative disadvantage in India because of the higher efficiency of MNCs may pressure the government to halt efforts at levelling up wages. It is relevant to mention here that in China also the big business houses have got a grip over the economy and there is an increasing trend in mergers and acquisitions of companies in China (Nolan and
The government also fears that, if the wages are stressed too far, MNC entry might stop. This shall result in decrease in inflow of foreign capital as well as technology which is crucial for modern development. This apart, the political leadership in our country fears that if the unions are successful in their aims, they will create new positions of power competing with it.

Coming to the function of industrial relations (IR), MNCs deal within a largely internationally decentralised form. Even when, they actually believe in and sometimes advocate enforcing, 'close managerial supervision' over its subsidiaries. They enforce tight technical and financial control over subsidiaries. However, allow purely local influences to determine the nature and form of their labour relations, even when foreign managers are retained in crucial positions.

The multinational is merely a corporate expression of the fact that the productive forces of capital are international. However, the employee relations of such firms remain nationally fragmented. International firms deny their workers access to international resources (information, decision-making, etc.), standards (personnel practices, disclosure codes, safety, etc.) and conditions (shift payments, working hours, etc.). They do so in order to increase the flexibility of the firm and increase the power of corporate management.

There are massive disparities in the treatment of multinational labour forces because MNC employers are fundamentally opposed to bargaining arrangements which would make it possible for unions to eliminate inequalities in standards and conditions by standardising the essential terms and conditions of employment between plants.
internationally. This is essentially to serve the purpose of the management, by way of allowing different levels of bargaining as well as strategic choices, which involve various issues on which they could take decisions unilaterally from headquarters.

The mobility of capital means that firms, which were previously limited to national markets and resources, can now raise money anywhere in the world, and site production wherever they think best. In India and China this had generated incentives for states/provinces to lighten the tax and regulatory burden being faced by firms within their borders (See for details Nolan and Xiaoping, 1998 for China and Shyamsunder, 1998 for India). Such policies of "competitive detaxation" and "Competitive deregulation" combined with tight control of wage and non-wage labour costs become increasingly plausible options for firms which can relocate their production at their will.

ILO Report (1997) says that "investment decisions are becoming increasingly sensitive to such factors as wage rates and regulatory and tax policies. However, these are still only elements in the much more complex equation of allocating investment capital, most of which is long-term and highly sensitive to other factors such as the overall productive capacity of the workforce and the economic potential of the region involved" (ILO, 1997 in IJLE, 1998: 391).

Liberalisation has some positive consequences for growth and employment as has been discussed in chapter-4 and chapter-5. However, it also has potentially destabilising results for distribution of wealth and on the processes of collective bargaining. "In fact the openness of economies and the benefits that result therefrom are even easier to
maintain when the social partners are capable of assuring wage earners a reasonable measure of security in the face of change... Capital mobility destabilises the sheltered structure of wages that national industrial relations systems produced when market competition was largely a national matter" (Ibid.).

Implications for labour include wages, once taken out of competition are now back in the competitive sphere. This would not be a problem for highly skilled labour, but low skilled labour are the vulnerable ones who are readily available to enterprises at low wages, once they have a certain degree of locational freedom\textsuperscript{38}.

Capital mobility rewards qualified skilled workers, as mobile capital seeks them out and bids up their wages, contrary is true for the unskilled labour who used to be protected from wage competitive. With marke forces bidding down the wages for the less skilled workers, trade competition and capital mobility can thus have the effect of dividing workers at the national level. Trade unions would face greater resistance when they try to boost the wages of less skilled workers\textsuperscript{39}. This apart union organisation would become sensitive as a result of capital mobility as firms become more sensitive to labour costs. Venkataratnam (1997) says that the attempt to lure investment capital can also produce important behavioural changes in the exercise of freedom of association or in the industrial relations climate (Venkataratnam, 1997: 34-39).

In the preceeding analysis we have discussed as to what is the impact of the changes brought about under liberalisation on industrial relations. In the coming chapter we shall present inferences drawn on the study.
NOTES

1 This refers to our basic understanding that liberalisation in India is not the offshoot of the Balance of Payments (BoP) crisis in 1990. On the contrary, it is more or less continuation of the policies initiated by Indira Gandhi and Rajiv Gandhi. Thus, even before 1980s itself, we had the advent of new technological collaborations between MNCs and Indian firms, which doubt had their impact for workers in India. In China, we know that the Deng’s “Four Modernisations” is in a way relocating the role of technology and capital which Mao himself understood by early 1970s. This we can see with his compromise with America and establishment of diplomatic relations between the two in 1972. All this could not have happened, had Mao not thought of bringing new technology into China. Sino-Soviet détente played a crucial role in it.

2 His famous quote being “no matter whether the cat is black or white— as long as it catches mice”. See chapter-3 for details on ideological compromise of Deng.

3 A labour market is constructive to economic development in socialism, while the argument that labour is not a commodity, is consistent with the traditional marxism on which the socialist system is built.

4 This term seems to be more accurate than the term labour contract system.

5 Here, if we closely observe the arguments of reformers raises doubts as to whether reforms would in any way benefit workers? This is so because what ever is being carried under the pretext of socialism is nothing but restoration of capitalist employment relations. Such change would harm the interests of workers rather than do some good to them.

6 Here, we must note that before 1990s, so as to avoid ideological debates, the phrase ‘waiting for a job’ (daiye) was used in place of the word ‘unemployment’ (shiyi). However, since 1990, the word unemployment is accepted and used academically, officially as well as in public.

7 We know that the ten-year plan to develop science and technology under “Four Modernisations” and the ambitious development targets which the reformers were striving to achieve could not be achieved without the import of advanced technology and know-how.
We must understand that there was no gender inequality in China and employees of equal number from both sexes were allocated jobs by the labour office.

A feature which would have negative effects/bearing on the unity of workers.

Premier Zhou Rongji pronounced recently in 1998 that more than 1,00,000 State Owned Enterprises (SOEs) would be either closed down or would be handed over to private entrepreneurs.

This again we must note would negatively implicates the workers, as who ever is against either the management or the union would be implicated in false allegations and may be removed. The irony for Chinese workers is that, there is no alternative trade union which would take up the issue, as we have in a bourgeois liberal system. The trade union is also technically part of the government and hence, any move by government is to be supported by workers.

The impact of enterprise reform on the employment of women was immediate. Enterprises imposed heavy cuts on costs of health care, maternity leave, nurseries, etc., and dismissed women declaring them as weaker sex. For more details see Harding (1987), Smith (1992) and Hore (1991).

These figures might be more in recent years as the conditions for work is increasingly deteriorating and there is higher amount of people migrating from rural to urban areas who form cheap labour competing with the existing ones.

Rogen (1998) puts the figure of rural-urban migrants in China at 200 million.

This vindicates our earlier discussion that rise in contract jobs is not only deteriorating employment conditions but is also bringing wages down.
This has been emphasised by Swamy (1995), Smith (1993) et al. According to them, in China health care is more costly proposition and because of high costs, many people are avoiding a visit to hospital. This sure is going to effect all those concerned. On the flip side, in China due to longstanding male chauvinism, females are going to be effected as their health care would be neglected mainly for economic reasons.

We must note that the move to withdraw MRTP, FERA, etc., as has been discussed in the Chapter-3 is only to facilitate such changes. Similar is the campaign that PSUs are redundant and non-profitable. If we observe most of the PSUs privatised are only those which are profit making ones or has the potential to control market.

In the Budget of 1999-2000, there was a move by the Finance Minister to reduce subsidies to various sectors as also to permit retrenchment of workers. However, this was withdrawn, as these policies were to effect the electoral politics in India. We can say that there shall be changes sooner or later to effect both labour as well as agriculture sectors as a whole.

This is largely an offshoot of deregulation and decontrol of the economy as part of liberalisation. These structural changes and continuous budgetary deficits seem to have weakened the role of the state and portend to a diminished role of the state in social integration.

This obviously means that competitiveness of the product in the international market must be maintained.

In the present context there is urgency for clause by clause examination of the Indian labour laws in the context of new technology's functional characteristics. For example, Acts, Sections and Clauses providing for the conditions of work, change of work hours, shifting venue of business, hours of work, etc. needs review. Most importantly, the Industrial Disputes Act, Factories Act, etc., procedure for grievance settlement, and legal provisions in various acts dealing with personal injuries, health hazards, etc., needs complete restructuring as they are age old and may impede smooth transition from conventional to new technology.
So the alternative (TINA) factor compelled the Indian left to stick to the bandwagon of liberalisation. They also might have felt that liberalisation would also bring contradictions to its peak and that would be of advantage for them politically.

This vindicates the stand of Malenbaum (1982) that China's overall growth prospects and especially that of labour is limited. However, for India there are enough opportunities to improve.

This migration indicates rural to urban demographic transition comparatively more in India than in China. People displaced by agriculture are being accommodated by industry and services. However, this migration does have side effects such as disguised unemployment, under wages, etc.

If we observe, as pointed out elsewhere, China's work force is 320 million more than that of India's. Hence, we must understand that there are these low average wage figures.

Limited urban reforms had already started prior to 1984. For instance, the state owned enterprises (SOEs) experimented with various financial systems, including profit contracting and a schedule of four taxes to replace the old profit retention scheme. A comprehensive reform package, that included reducing the role of government agencies, reforming the planning system, the adoption of a double-tier price system, the separation of government from enterprise functions and the responsibility system to urban enterprises was not formally introduced until 1984.

Including the private economy, the more skilled sectors added nearly 5 million workers to reach almost 14 million. The less skilled sectors began from a combined base of 16 million in 1980 and ended the period with a total workforce of some 30 million. For details see Sabin, 1999:134-50.

In the case of China, it is tempting to hypothesise that increased market orientation should reduce wage differentiation.
This indicates that there is a stronger role for market factors in wage determination. It also provides evidence of rising significance of region specific factors.

While these changes are not dramatic and wage differentiation shall be in constant flux for some more time, they do suggest that reforms in China have served to reinforce pre-existing labour segmentation along ownership lines. Only change, which can be cited, is that contrasting with the past, the unskilled workforce in urban collectives is becoming increasingly dominated by rural migrants, thereby adding a major interpersonal dimension to such segmentation.

These are the areas where economic development and wage growth was swiftest, where wages had been administratively set at low-middle levels in the 1970s.

Even the governments do not try to help them in this regard. Thus, low wages are a resultant of the low employment opportunities especially in the rain-fed/ rural areas of India.

If we observe labour participation rates, labour productivity etc. as discussed in this section of on Industrial Relations, it is observed that there is stagnation in wages and salaries as percentage of gross output per worker in China while there is substantial growth in the case of India.

This was done after a decade of trial pension reforms throughout the country. For details see The World Bank (1996) China Pension System, Report No.15721-Cha, Washington D.C.

It is said that, by mid-1995, only 12,000 enterprises nation-wide were offering supplemental insurance plans that covered three million employees. At the same time, 7,00,000 workers had established individual retirement savings accounts, with accumulated funds reaching 50 million yuan. In some cases, foreign-funded and private enterprises and self-employed individuals have purchased commercial pension insurance policies, primarily from the Peoples' Insurance Company of China, which dominates the commercial insurance market. Commercial pension insurance, however, accounts for a small fraction of total benefits, with disbursements averaging 1.5 billion yuan in the yearly 1990s as compared to nearly 72.5 billion yuan in pension payments made through the government sponsored pension system in 1994. For details see West (1999).
Mainly due to the fact that more and more females are withdrawing from employment and are remaining indoors.

Although, there is also the New Pension Scheme, 1995 in case of India for comparison with China, we are deliberately avoiding it as the NRF is statutory and it was meant for the effected industries and workers as part of restructuring process. Hence, we are not discussing other policies such as NPS.

This is evident in China, where migrant workers are hired for piece-rate wages in sweat shops just outside the SEZs like Shenzen, Fujian, Guongdong, etc., and in India factories are hiring female workers to reduce labour costs and also are giving work to ancillary units for contract; Eg BPL, Philips, etc.

This is evident in case of India where the Bombay Textile mills strike had flopped having serious implications for trade union movement under liberalisation. Had it succeeded, the resistance to liberalisation by trade unions would have been more consistent.