CHAPTER- 2
DIFFERENTIATED TRAJECTORIES OF TRADE
UNIONISM AND INDUSTRIAL RE-ORGANIZATION
2.1 Background

Trade union history is as old as industrial society. As industrial society changed over the years in terms of technology, work organisation and human resources, the structure and strategy of unions have undergone changes in the past several decades. However, developments during the recent past have posed serious challenge to trade unions across the world, including emerging economies like India. Not only has the density of trade unions declined sharply in recent years, but also the rationale of trade unions is faced with threats of survival in the new economic environment. Several factors, including globalisation, technological changes, emergence of a global market, public and political perceptions about unions, may have contributed to the emergence of the new scenario.

Industrial Reorganization

There are complex and protracted, internal as well as external processes of enterprise reorganization and business re-engineering in the broadest sense. It covers a wide range of strategic options, which prepare companies for competing in a network economy. There are fading boundaries within and between enterprises, strategic and operative decentralization, company networks, mergers, and the organizational development of transnational as well as virtual enterprises. In reorganization processes the roles of such actors as management, owners, shareholders and employees, including their representative bodies and organizations are of crucial importance. Additionally, there are different Human Resource Management strategies and the reorganization of internal, enterprise specific labor markets.

There is currently a broad cross-national trend toward the decentralization of bargaining in industrial relations, which challenges established bases of union influence everywhere. The combined effects of intensified world market competition, new microelectronic technologies, managerial strategies to reorganize production, and the success and influence of Japanese production models are exerting great pressure on systems of industrial relations in Western Europe and North America; in many societies, unions are among the major losers in political realignments and industrial adjustment. Alongside wide-ranging discussions of competitiveness and the causes and consequences of trade and other economic problems, heated debate is heard in both public and academic arenas within every industrial society concerning the contemporary position of major interest groups, including (often most prominently) organized labour. Critical questions arise with regard to the trade unionism: Why have Western industrial relations systems experienced widespread destabilization since the late 1970s? What accounts for the prolonged decline of unions in the turbulent markets and

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changed political circumstances of the past decade? Are contemporary unions, once critical bastions in the historical development of political and industrial democracy, now a spent force, increasingly irrelevant in highly differentiated modern societies (playing important roles only in countries in earlier stages of development such as Poland and South Korea)? If not, what constructive role can unions play in a period of market turbulence and rapid, continuous industrial adjustment? What, if any, conditions are necessary for contemporary unions to succeed in advanced industrial democracies39?

Trade unions traditionally performed different roles in their relations with individual employers, employer associations, the state and the public at large. Unions directly or indirectly played an economic role of facilitating production and distribution in society. Unions played this role largely by promoting cooperation between capital and labour in production and in enterprise restructuring, to secure sustainable growth consistent with social equity, employment opportunities, improved living and working conditions. Unions also have argued for ensuring an equitable distribution of the value-added by the production process. Unions perform the democratic and representative role by providing an identity to labour at the workplace, and in society at large. Trade unions play this all important role through several processes including collective bargaining, tripartite negotiations and social dialogue at all levels of the economy. Unions play this role also by voicing the views of the labour force on macro-economic policies, fiscal and monetary policies. Trade unions attempt to strengthen the solidarity among labour in different sectors and occupational groups by providing an anchor for broad-based social movements through alliances with other social actors with shared values and goals, and by extending services to members of unions. Trade unions also strive to achieve social integration by minimising the risk of social exclusion or marginalisation of vulnerable or minority groups, including migrant workers and ethnic communities. As products are customised using flexible technology, the ways in which the machines are used affects the occupational profile of the workplace. Highly skilled operatives backed up by trained technicians and engineers have already become more predominant in the new workplace, resulting in reduced division of labour. Technological changes alter the occupational structure in favour of higher skilled upper strata. Fewer people will be employed in the organised sector and these will be white-coat labour forces. A mushroom shaped organisation profile in which a small number of managers direct a much larger number of engineers supported by a much smaller number of technicians and a diminishing number of other ranks seem to be replacing the traditional pyramidal structure. The rapid growth of the

services sector supported by the Information Technology Enterprises Sector (ITES) in most economies, including India, bear witness to this phenomenon. Changes in skill mix occur in the work place in two ways. First, there are employees with distinctly new skills represented in the workplace, and second, because many workers have several new skills mixed with their existing ones, there is hybridization of skills (Campbell and Warner, 1992). While higher degree of specialisation of functions was associated with industrialisation and technological change in the past, the reversal of the trend seems to happen with the application of microelectronics. The single disciplined craftsman has no foreseeable future, and the shift is to a multi-skilled professional worker. Maintenance craftsmen may need to have a wider mix of engineering and electrical skills as well as new electronic technician skills (Mamkoottam and Herbozeimer, 1990).

New technologies affect the structure of employment and the skill requirement at work. Differentiating skills into three categories of (a) cognitive, (b) interactive, and (c) motor skills, Howell and Wolf (1991) noticed a decline in the growth of cognitive skills and a slight decline in the rate of growth of interactive skills from the 1960’s to 70’s for professional, technical and managerial staff. They also observe that cognitive skill levels of job grew faster for non-supervisory workers than for supervisory workers, and interactive skills grew substantially faster in the supervisory category. The shift in the skill levels has been attributed to the introduction of new technologies, which resulted in a reduced need for jobs with low cognitive skill requirements in the manufacturing sector. The same reason leads to a relatively rapid growth in the average cognitive skill level for non-supervisory occupations, as teamwork, inter-functional co-ordination and integration were required in the new work environment. With the rapid growth of IT and Internet based knowledge economy, the value of cognitive skill has already seen a quantum jump. Burton-Jones (1999) argues that knowledge is transforming the nature of production and thus work, jobs, the firm, the market, and every aspect of economic activity. All such changes are ushering in a new worker as well. Evidence from process industries, banking and finance, food processing, electronics, engineering and services show trends towards greater integration of tasks and a need for “cross trading” and demand for multi-skills. The new technology calls for a new worker, who possesses not

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only higher technical knowledge but also better adaptability to new situations, an ability to respond quickly to technical problems as well as a capacity for teamwork. The traditional order of physical strength and individual work ability are no more sufficient. The new technology calls for a polyvalent and professional worker, who should understand not only the basic process of production but should also possess knowledge about the basic functioning of the machines and their operation. As the new machines are flexible and versatile, so should the new employee be so that he would be able to operate them efficiently. It is also important that the employees should be competent both conceptually and in technical matters; he should be open-minded, and should be willing to learn and co-operate with others to work effectively in teams.

The new employee, in a way, is expected to be a *superman* who will function in a versatile, flexible and multi-functional position. The new polyvalent worker performs larger number of tasks. He occupies positions embodying broader job descriptions within a reduced hierarchy of division of labour. In general, this is reflected in the overall reduction in the number of employees required to perform a given set of operations. Such a reduction would be more prominent in the categories of unskilled and semi-skilled levels as these are easily mechanised and replaced by machines. The traditional three-tier categories of unskilled, semi-skilled and the skilled are being replaced by the less skilled and the highly skilled categories. The unskilled category would be gradually reduced and eliminated and merged with the less skilled group, while the skilled category would increase in size and importance. Change in the structure of the organisation would become much more accentuated, as there would be an increase in the number of skilled workers in the organisation. In fact, the IT industry, which employs predominantly knowledge workers, is already experiencing the need for a new organizational structure -a virtual organisation! (Mamkoottam, 2003)

Major changes are taking place in the composition of work force particularly in terms of gender, age and education across the world. Increasing number of women choose to enter the work force, especially in the developing countries, where relatively few women have been absorbed so far. Johnston (1991) has observed that the trend toward women leaving home-based employment and entering the paid work force is an often-overlooked demographic reality of industrialisation. As cooking and cleaning technologies ease the burden at home, agricultural jobs diminish, and other jobs especially in the service sector proliferate, women would be absorbed increasingly into the industrial sector. More than half of all women between the ages of 15 and 64 are now estimated to work outside the home; and women comprise nearly one third of the world's organised work force.

Traditionally trade unions were shaped by the existence of a “normal” employment relationship, which involved a full time job with a specific employer and usually a degree of long term stability. Part-time work, short-term and casual employment, agency work, self-employment, special
government make-work schemes have increasingly become typical in recent times (Hyman, 1999, p. 2). Furthermore, changes in the structure of work and work organizations often result in challenges in working life as well (Watson et al., 2003). Hyman (1999) makes an extremely important observation about the dwindling trade union membership in the traditional constituency, while there has been expansion at two extremes: those with professional or technical skills who may feel confident of their individual capacity to survive in the labour market; and those with no such resources but whose very vulnerability makes effective collective organisation and action difficult to achieve or perhaps even to contemplate. Thomas (1999) in his paper raises a number of issues which reflect on the role of the labour movement in general and argues more specifically that unions need to play an active role in the development processes and broad transformation, particularly in the underdeveloped and emerging economies. Similarly, Hyman (1999) remarks that in many countries unions have come to be perceived as conservative institutions whose concerns remain confined to defend the relative advantage of the elite among the workforce. Trade unionism, therefore, in the twenty first century is confronted with the challenge to revive and re-define its role.

Trade unionism in recent years has undergone major changes and the unions, especially those in the organised (industrial sector) have experienced different kinds of stresses and strains. Trade unions had their strongholds among the unskilled/semi-skilled workers in the large public sector and traditional (manufacturing) private sector organisations. However, since the 1970s, strong (at times stronger than the blue-collar) trade unions and associations have been organized by the white collar (including officers/managers) workers in the large public sector and government organisations. In fact, in the recent years, unionism in India has become militant among professionals such as University Teachers, Doctors, Nurses, and Lawyers etc. White collar employees particularly in the banks, telecom and P and T, etc. have demonstrated high levels of bargaining power.

There is some evidence to suggest that unionism among the blue-collar workers including in the public sector has weakened since the 1980s. In fact, labour statistics indicate a marked decline in the number of strikes in India in recent years. There is also hardly any evidence to show that attempts are being made to organise the un-organised, home-based, part-time workers. Workers in general appear to be disenchanted by the traditional type of trade unions led from outside, often by political

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leaders driven by political objectives which have in many cases alienated the average worker from
the trade union movement. Younger and more educated and career-oriented workers seem to be keen
to support internal unions which focus on local/enterprise issues rather than national/external
issues. Instances that took place in Telco Pune, Maruti Gurgaon, etc. are examples of this trend. The
gradual spread of market principles has led to wide inter-regional and inter-sectoral differences in
the levels of economic activity resulting in turn in considerable variation in the nature of labour
management relations. Consequently, an erstwhile national IR system has given way to many “local”
systems (Bhattacherjee, 2000)48.

Since 1991, employers and management (including the public/government sector) in India have
taken several initiatives in terms of introducing professional management systems and practices,
particularly streamlining “Human Resource Management”. Performance/merit-based rewards
productivity-linked wages, team work etc. are becoming more and more popular. Managers are
trained in people management skills, which in turn, have improved direct communication with the
workers, subordinate development programmes, etc. Employers are concerned to build a work force
with close identity and greater commitment to the company and its goals.

However, the (national) trade union leadership has done precious little to address the changing
realities of the new work environment, except expressing helplessness in the losing union
membership. In fact, the anti-union sentiment is growing stronger among the public, particularly as
the public is growing stronger in customer consciousness and consumer rights.

The unions’ fight against the process of globalisation, introduction of technological change, etc., in
the guise of job loss and unemployment have been often received little sympathy or support from the
public at large. Such tactics have been viewed as reflection of an invert-looking leadership that is
often found to delay/obstruct/stop progressive change processes—be it technology, be it
restructuring.

Union leadership is often criticised for pursuing limited goals (self-interest and politically motivated
behaviour) even sacrificing the larger interests of the members. Moreover, the larger society often
perceives unions as institutions which only protect the unproductive work force, hence characterised
as institutions with no social responsibilities. Unions are increasingly seen as mere pressure groups
confined to narrow interests of small sections of the workers in the organised sector, while the
millions in the un-organised sector remain neglected. There is little evidence to suggest that trade
unions are changing their agenda beyond wage bargaining. Technological up-gradation, retraining,

skill up-gradation, professional growth etc. have not as yet become important issues for trade unions in India.

The globalised world in general and the post-1991 India in particular have experienced important developments in terms of more liberalised economy, greater thrust on privatisation, introduction of new technologies, organisational changes, and above all, a new awareness about competitiveness, quality and service among the consumer. In an increasingly competitive environment, quality, productivity, and cost saving measures have become extremely important for survival. In the new environment of a demanding, quality conscious consumer/ market driven economy trade unions will need to re-examine their roles, responsibilities and strategy.

There is an urgent need to understand and appreciate the crisis of confidence that is facing the trade union movement today. Detailed investigations at local levels can certainly throw up important findings on the challenges and future of trade unions. Specific focus on the response of trade unions to globalisation, competitive and customer driven market reality will throw valuable insight on the role and relevance of trade unions in the 21st century.

Findings in Central and Eastern Europe (CEE) indicate that union membership had halved during early capitalist transformation; bearing in mind that this survey covered unionised enterprises, this must underestimate losses within the active labour force as a whole (Pollert, 1999)49. Those countries with lowest union affiliation, such as Poland, also showed the greatest growth. Open confrontation was rare everywhere (6–7 per cent of cases in CEE), suggesting that few unions challenged management, and endorsing the general view that unions do not oppose the restructuring process. Findings indicate a more deregulated working environment in terms of hours and contractual arrangements in the Czech Republic and Hungary than elsewhere (in CEE). This reflects the greater legal employment deregulation in these countries and unions inability to challenge this with workplace collective bargaining. Over half the enterprises covered by collective agreements in the Czech Republic on job security, and improvements on the labour code in paid leave and shorter working hours, but 40 per cent also with agreements underscoring employment flexibility. Hungary appears to have poorer employment and social protection, and also greater agreed flexibility. Where national legislation has deregulated the working environment, fragmented workplace bargaining has insufficient strength to challenge it. The argument advanced here recognizes both pervasive contemporary changes in industrial relations and contrasting outcomes in different countries. The

starting point is recognition that dramatically changing world markets have transformed the tasks facing companies and unions. Intensified market competition, new technologies, and path-breaking Japanese production models have created managerial imperatives to reorganize production and work, confronting unions with unexpected challenges. Labour leaders schooled in the politics of wage negotiation and contract enforcement suddenly find themselves confronted with the politics of work re-organization: conflicts and negotiations that precede or accompany managerial attempts to reorganize work. Since the late 1970s, these market-driven changes have destabilized systems of industrial relations and in many cases undermined the traditional bases of union influence, setting the stage for further union decline.

The effects of the new market driven imperatives, however, vary substantially from country to country, depending on the institutions of industrial relations in place. For explaining national variations in the stability and extent of workers' interest representation, two variables are critical: integration into processes of managerial decision making versus adversarial, arm's-length unionism; and the presence or absence of laws or corporatist bargaining arrangements that encourage and regulate firm-level union participation from outside the firm. Where union integration and appropriate laws or corporatist bargaining arrangements prevail, unions have adapted well to challenges posed by the re-organization of work. Where the opposite institutional attributes prevail, unions have declined substantially in influence since the late 1970s. In the United States at least, this argument runs counter to received industrial relations and union wisdom, which favors arm’s length unionism (viewing integration as weakness), a decentralized labour movement (in which competitive organizing spurs the expansion of union influence), and a minimum of government intrusion into collective bargaining and plant-level labor-management relations.*By the mid-1980s, "Euro sclerosis"** had become a catchword for industrial stagnation; Western Europe’s social democracies, in this view, were too burdened by welfare state spending and interest group demands (especially from labor, the main promoter of both rising wages and state welfare spending) to shift resources rapidly toward research and development, new investment, and the reorganization of production, as world markets required (Olson 1982; Scott 1985).

Note *- See Ross and Fishman 1989 for a brief but useful survey of the general arguments; and Goldfield 1987, pp. 94-104, for a clear presentation of how some of these arguments are applied to the U.S. case.

**A term introduced by German economist Herbert Giersch referring to the economic stagnation that can result from a government’s overregulation and overly generous social benefits policies. Euro sclerosis, which stems from the medical term Sclerosis, meaning the hardening of tissue, describes countries experiencing high rates of unemployment and lagging job creation during periods of economic growth. It is a name for the ‘disease’ of rigid, slow-moving labour markets in Europe in contrast to fast-moving markets, e.g. in North America.
President Ronald Reagan and Prime Minister Margaret Thatcher led a resurgence of conservative economic policy that included cutbacks in the welfare state as well as direct and indirect challenges to the power and influence of organized labour. This time labour proved vulnerable. Instead of conflict, "explosions," growing strength, and the high-level bargaining of the previous two decades, unions braced themselves defensively. In several countries, such as Italy, Britain, and the United States, the decline of unions turned into a rout. Even after the deep recession of 1980-82 passed and economic growth was re-established, the decline of union influence continued in most societies and the terms of growth included a weaker role and academicians developed their own theories of domestic union decline or the breakdown of "neo-corporatism" (Streeck 1984b; Hoffman 1988; Hohn 1988). Studies of unions and for organized labour in both the political arena and industrial relations even where labour appeared strongest and where union membership levels did not decline, serious challenges to labour's position were evident: in Sweden, centralized collective bargaining broke down and scholars wrote of the demise of the Swedish model; in West Germany, labour faced a new conservative regime committed to rolling back labour's conflict potential, crisis (Lange, Ross, and Vannicelli 1982; Gourevitch et al. 1984) were replaced by studies of unions in crisis (Marshall 1987; Hohn 1988; Miiller-Jentsch 1988a).

Why do unions now appear to face long-term decline in many industrial societies? Most of the answers offered fall into two broad groupings: explanations that emphasize general economic, industrial, and social change; and country-specific explanations, most often focusing on the behavior of managers and union leaders themselves or emphasizing changing domesticpolitical relations and coalitions. In the simplest version of the general explanations, a shift in the locus of employment from manufacturing to services has undercut the traditional industrialbases of union strength (Freeman and Medoff 1984, pp. 221-28).

A related view has it that recent generations of young workers (many of them in service sectors) are more oriented toward individual than collective concerns; in this view, unions are in part victims of their own success, and even the well-educated children of unionists perceive less of a need for unions today. Another argument emphasizes the rise of the new social movements: activist students and younger workers in industrial societies are more interested in peace, the environment, and gender and racial equality than they are in unions and traditional labor concerns, and the new social movements have everywhere cut into both the political influence of unions (by disrupting old coalitions) and the ability to organize on the shop floor (Dalton et al. 1984; Inglehart 1984; Heckscher 1988; Halfmann 1989).
Important contributions to an understanding of broad, general trends have come from Michael J. Piore and Charles F. Sabel (1984) in the United States and Horst Kem and Michael Schumann (1984) in West Germany. In these analyses, changes in world markets and new technologies are driving the reorganization of production and the introduction of "new production concepts," which increasingly decentralize labour management negotiations and undermine traditional national bases of union strength. In the United States, Piore and Sabel view "job-control unionism" as increasingly inappropriate, while Kern and Schumann see the decentralization of responsibility for production accompanied by a problematic shift of influence from unions to firm-identified works councils in West Germany.

In every advanced industrial society, there are contemporary theorists who advance country-specific explanations for the decline of unions. In Italy, unions overstepped their power, lost touch with the rank and file, and were vulnerable to a management counter-attack in economic recession; in France, François Mitterrand and the socialists cleverly united with and drained off strength from the communists and their dominant labour federation, and the competing unions continue to fight among themselves; in Britain, unions discredited themselves under a Labour government in the 1978-79 "Winter of Discontent;"* and Thatcher's subsequent firm grip on political power squashed labour's strength; and even in Sweden, centralized bargaining and "wage solidarity" have proven inappropriate institutional responses to new market challenges and the demands of young workers, leading to the breakdown of traditional bargaining with a still uncertain effect on the future influence of unions.

In West Germany, a perceived decline of union influence is explained by the "dual system" (in which unions and works councils are legally distinct) and by the actions of unions themselves in transferring power to firm-oriented works councils (Hohn 1988; Hoffmann 1988). In the United States, union decline predates the contemporary period and is explained from the left as caused by offensives conducted by employers, "business unionism," and the fear on the part of entrenched union leaders of rank-and-file mobilization (Goldfield 1987; Moody 1988; Parker and Slaughter 1988); and from the right by excessive and obstructive union power (Reynolds 1984). In the two most comprehensive and influential recent studies of industrial relations in the United States, greatest weight in explaining union decline is given to the anti-union behavior and ideology of American management, with insufficient union organizing effort or adaptation to new circumstances as a secondary cause (Freeman and Medoff 1984; Kochan, Katz and McKersie 1986).

*The Winter of Discontent refers to the winter of 1978-79 in the United Kingdom, during which there were widespread strikes by public sector trade unions demanding larger pay rises, following the ongoing pay caps of the Labour Party government led by James Callaghan against Trades Union Congress' opposition to control inflation, during the coldest winter for 16 years—a period of unhappiness.
At the sub-national level, in addition to broad and country-specific explanations, there have been numerous studies of the decline of specific unions in recent years; these studies, rich in empirical data, generally produce explanations rooted in changing market circumstances in particular sectors, firms' strategies (ranging from product-segment decisions to union-avoidance strategies), and the behavior and structure of specific unions. But as with country-specific explanations, we are left with specific causes for what look like very general forces within national contexts but invalid in them as explanation!

If country-specific arguments are valid, are the broader forces at work only a backdrop, a set of background “contextual variables”? The obvious answer is that a full explanation for the fate of contemporary Unions requires reference to both sets of factors. But it is easy to get lost in the rich tapestry. It is possible to construct a parsimonious explanation for cross-national outcomes in industrial relations, one that both acknowledges the driving force of international economic and social changes and identifies the critical domestic institutions that shape contrasting national responses and outcomes.

The starting point for an analysis of the fate of unions in the current period is recognition that workers' interest representation has faced new challenges in the 1980s. Drawing on the work of Kern and Schumann (1984), Piore and Sabel (1984), Stephen S. Cohen and John Zysman (1987), Robert Gilpin (1987), and others such as the French "regulation" school, the research begins with the perspective that in the past twenty years, world markets and economic relationships have experienced a new dynamism. Markets have changed for a number of reasons, but perhaps the single most important factor has been the rise of Japan as a world-class industrial and exporting nation. Not only have Japanese products gained rapidly rising market shares across a whole range of industries throughout the advanced industrial world, but Japanese firms have developed innovative models for organizing production that are perhaps unrivaled in their ability to bring low-cost, high-quality products to market and to change product offerings rapidly in response to market changes. In addition, the rise of the newly industrializing countries (NICs, especially South Korea, Taiwan, Hong Kong, Singapore, Mexico, and Brazil), the successful export strategies of firms in West Germany, Scandinavia, and northern Italy, and the "multi-nationalization" of American, European, and Japanese firms have put new pressure on world markets.

Capitalist markets, of course, are never static: firms compete and many fail, new technologies require new skills while making old skills obsolete, workers are displaced. But in the past fifteen years, as Japanese, European, and NIC-based competitors have caught up with once dominant U.S. firms, and as the pace of micro-electronic technological change has escalated, world markets have become increasingly interdependent and competitive. With the Japanese leading the way, the
The principal characteristic of the current world economy is intensified market competition, in response to which firms everywhere have been forced to move at a pace unprecedented in the post-war period to introduce new technologies and reorganize production.

"A critical part of the reorganization of production and technological change is the reorganization of work; and this, for workers and their unions, is "where the rubber meets the road." (Managerial strategies for reorganizing work in the recent period have presented unions with major new challenges at precisely the time when changing world markets and high unemployment in many countries have undercut the ability of unions to bargain for the steadily rising real wages that characterized most of the postwar period. To the politics of wage bargaining have been added the politics of work reorganization. Whereas in the past, unions (and their members) could be content to bargain for wages and benefits while "letting management manage," the new pace and content of work reorganization have challenged established shop-floor orders in ways that divide the work force (into the winners and losers of reorganization) and threaten established bases of union influence.** Developing responses to managerial reorganization strategies, to protect workers' interests and defend union institutional security, has become a major preoccupation for unions everywhere in Western Europe and North America.

Country-specific as well as comparative studies of unions in the 1980s make it clear that these broad changes in markets and the organization of production are forcing unions to adapt to similar new tasks and are driving change in industrial relations across a range of countries (Kochan 1985; Thelen 1987b; Golden and Pontusson 1991).

Even where unions retain effectively centralized structures, as in Sweden and Germany, there is a broad trend toward the decentralization of bargaining. Managerial initiatives have forced unions to scramble for negotiations on pay protection, employment security, and retraining rights as trade-offs against the new shop-floor flexibility, and often the enhanced responsibility given workers, that management seeks. Because the specifics of work reorganization take place at the plant, local bargaining assumes critical new importance. And as the torch passes to local negotiators, national unions grapple with problems of their own identity and strength (Locke 1990a).

Note 4- Reorganization of production here refers to firms' strategies to change what is produced and how (this includes sourcing decisions, supplier networks, product and process decisions, personnel policy, and so on). Reorganization of work (changes in job design, content, or technology) is one part of the reorganization of production. Although technological change is often an important part of work reorganization, work can be extensively reorganized without changes in technology. Technological change almost always requires changes in job content; when work is reorganized without changes in technology, new work organization often lays the groundwork for technological innovation. Thus, although the focus here is on reorganization of work rather than technological change per se, there is a close relationship between the two.

Note **- Work reorganization, in earlier periods, has also upset shop-floor orders, creating winners and losers among the work force; note, for example, the 1960s "automation scare" in the United States. But whereas in the past unions generally faced incremental technological change that affected particular groups of workers (Slichter, Healy, and Livemash 1960), unions and workers today face much more extensive and rapid reorganization.
In many, but not in all countries, these changes appear to be closely linked with problems of widespread union decline. Reorganization of work aims at higher productivity, which often means a work force reduced in size. Quality circles or problem-solving groups often accompany the reorganization of work because one managerial goal in reorganization is to increase workers' input and commitment; but such groups provide a new forum for the expression of workers' interests outside established industrial relations channels. The increased importance of plant-level bargaining has enabled managers to extract new concessions by playing one plant off against another (both domestically and internationally). And in many cases, managerial initiatives to reorganize work have been accompanied by direct challenges to union influence, as firms find it necessary to push aside old restrictive union power on the shop floor.

Analysts in countries such as Italy, France, Great Britain, and the United States have linked all these processes to the decline of unions. Given these general processes at work, country-specific analyses that emphasize, for example, managerial ideology or particular union strategies within a particular nation become less convincing, at least as full causal explanations. It stretches the imagination to believe that unions have declined in numbers and influence across a whole range of industrial societies in the past decade but for quite different reasons within each country. It makes more sense to argue that general economic changes, including intensified market competition and managerial imperatives to re-organize-production, have driven widespread processes of change in industrial relations, which in many cases have included union decline. It happens in many cases, but not all. There have been, in fact, substantial, empirical, cross-national differences in the performance of unions since the early 1980s. Theorists of union decline in Germany and Sweden, for example, are quite wrong when their arguments are looked at from a - perspective. By almost any measure—union membership levels or density, bargaining gains, institutional stability—unions have not declined in these countries. They have had to grapple with new problems, develop new strategies, and make organizational adaptations, but they have not seriously declined in influence as unions in France, Italy, Britain, and the United States have done. So the question becomes, why not? Why have unions in some countries declined precipitously in the face of new external and shop-floor circumstances, while unions in other countries have held their own and adapted?

The answer offered here, and the argument that will be tested with evidence, is that the key to an explanation for contrasting, cross-national union outcomes in the present period lies in the way interest representation is institutionalized, or more precisely, the structures that represent workers interests.
In particular, two critical variables account for relative union success or decline and the stability of industrial relations systems in the contemporary period: first, the extent to which unions, as a broad national pattern, are integrated into processes of managerial decision making, especially concerning work reorganization; and second, the existence of laws or corporatist bargaining arrangements that regulate firm-level union participation from outside the firm. Where unions enter the current period of work reorganization already integrated into processes of managerial decision making, as in West Germany and Japan, union influence remains stable, and patterns of industrial relations in general.*

This is true because agreement is required, before change can be implemented, and agreement between labour and management ensures labour's stable place, even if work reorganization is far-reaching. Because labour is integrated at the level of the firm, union representatives participate in decision making that considers both market imperatives to reorganize work and the viability of the representation of workers' interests. But it also makes a big difference whether labour's integration into managerial decision making is backed up by law or corporatist bargaining arrangements, which include a cohesive labour movement. When this is true (as in West Germany), labour participates in firms' decision making from a base that is independent of management; unions are in a position to assess the needs of the work force and market requirements independently and to bring a new perspective to the discussions and perhaps even an independent, worker-oriented vision of the shape of new work-organization. Most important, statutory or corporatist regulation narrows managerial discretion concerning both work reorganization and union integration, which allows for a more stable and extensive union role. Both management and labour, at the firm and plant levels, are pushed from without toward collaboration on issues such as new ways of organizing work.

By contrast, where no such statutory or bargaining arrangements exist and the labour movement is fragmented (as in Japan), the union has little independent basis from which to develop its pushed from without toward collaboration on issues such as new ways of organizing work.

By contrast, where no such statutory or bargaining arrangements exist and the labor movement is fragmented (as in Japan), the union has little independent basis from which to develop its own information and analysis. Because statutory or corporatist regulation is not present, managerial discretion is wider; collaboration that occurs does so on management's terms (Japan, numerous plant-level cases in the United States, Britain, and Italy).

Note 6- Stability in Japanese industrial relations includes a modest decline in union membership density, from 32% of the non-agricultural work force in 1979 to 28% in 1986 (Freeman 1989, p. 130). But the essential labor-management relationship (enterprise unions, management-led integration) remains unchanged. Japan fits into this analysis somewhat awkwardly because the success of Japanese production models, including teamwork and enterprise unionism, is a driving force destabilizing industrial relations systems in the other countries examined. But Japanese industrial relations are nonetheless included among the cases to be explained because Japanese unions must cope, as is true in all other advanced industrial societies, with ongoing and intense work reorganization.
Weak labour is integrated into managerial decision making in a decidedly subordinate way. Where unions are not integrated into firms' decision making, usually because of adversarial or arm's-length labor-management traditions, worker representatives have no solid position from which to influence the shape of work reorganization (except indirectly through threats to file grievances, fail to cooperate, and strike). Consideration of the institutional interests of unions tend to be left out of the discussion in these cases, and often work reorganization aims explicitly at the reduction of union influence.

But where corporatist bargaining arrangements exist, unions can use broad political and economic influence to gain new integration into decision making at the firm level, in a period when such integration appears critical for continued union success. This is exactly what happened in Sweden beginning in the mid-1970s. The real problems come for unions in countries where labour is not integrated into managerial decision making and there are no appropriate laws or corporatist bargaining structures. In these cases, labour has little political leverage to push for a new national pattern of engagement; integration that occurs does so on the basis of a single firm or plant, often as a result of management prodding and major union concessions, thus raising the specter of weak enterprise unionism. Where managers perceive unions to be standing in the way of work reorganization, unions have no society wide base to prevent either direct challenges to their influence or strategies to move around unions and marginalize their influence. Thus in France, Italy, Britain, and the United States, unions have declined seriously in influence in the past decade; and this is true whether they were relatively strong at the end of the 1970s (Italy and Britain) or already in decline (France and the United States).

As noted at the beginning of this chapter, this argument runs counter to received wisdom in the United States, which held that both adversarial, arm's-length unionism and decentralized, competitive organizing were most conducive to the expansion of union influence (and this may well have been true in the early post-war period). Linked to this argument is the fact that industrial relations systems in countries such as Germany and Japan appear highly compatible with economic and competitive success (Streeck 1987a). Although it is beyond the scope of this study to test such a linkage (because there are so many factors that contribute to market success), plant- and firm-level industrial relations that integrate unions into managerial decision making appear to contribute to the micro-foundations of economic success. The case studies will strengthen this speculation. In a sense, then, this argument includes an "intervening variable": particular structures of interest representation, in part because they contribute to favorable production outcomes, ensure stable industrial relations and union influence in the contemporary period.
The advantage of this argument is that it allows us to move from the driving economic changes at work in the world economy to work reorganization at the levels of the firm and shop floor, which is necessary to compete in today's markets, by way of the institutions of industrial relations that shape country-specific options for reorganization and determine the relative stability and influence of unions in the new era. This analysis links the fate of unions and industrial relations systems directly to world economic changes, through the prism of country-specific institutional mechanisms. From the perspective of comparative union success or decline, these linkages make sense of broad economic trends affecting all contemporary unions: the impact varies substantially depending on how interest representation is structured.

Another advantage of this argument is that it shows what unions must do to reverse widespread decline: they must abandon or overcome arm's-length traditions and get integrated into processes of managerial decision making. But it also shows the risks: where unions are not backed up by appropriate laws or corporatist bargaining, there is a clear danger that they will be subordinated to management.

Corporatist bargaining is here defined as regularized peak or sub-peak negotiation between relatively cohesive units of business and labour, with the formal or informal backing of the state. This concept builds on the work, over the past fifteen years, of a variety of theorists of "corporatism," "neo-corporatism," and "democratic corporatism." There are, among industrial democracies, different types of political economies ranging from the more pluralist (the United States, Britain) to the more corporatist (Sweden, Austria, and Norway), and that these different structures greatly influence political and economic outcomes.7

For the encouragement and regulation of union and worker participation in management, a cohesive labour movement is the dynamic element within a structure of corporatist bargaining. A cohesive labour movement is one that includes a relatively small number of national unions and is effectively, if not formally, centralized, either through a dominant central labour federation or through the centralizing influence of one dominant union. A formally centralized labour federation has the power to make binding decisions for national unions; this is not necessarily the case for a cohesive labour movement, in which central authority may be less well defined.

Note 7- There are as many definitions of democratic corporatism as there are theorists.

Note 8- A cohesive labour movement is a comparative category that is not inconsistent with intra-class or intra-labor-movement conflict and division. There is conflict between unions just as there are relative winners and losers within any labour movement (see Markovits 1986 on the "activists" and "accommodationists" within the West German labour movement; Swenson 1989 and 1990 on labour divisions in the early processes of corporatist labour inclusion).

Note 9- There are thus two types of cohesive labour movements, those that are formally centralized (Sweden) and those that are not (Germany). There are also two types of fragmented labour movements, plural unionist (France and Italy) and highly decentralized (the United States, Britain, and Japan). Although Japan has both contending federations and extreme decentralization, the latter is the most salient defining characteristic. For a useful comparative discussion of centralized labor movements in West Germany and Sweden, see Swenson 1989, pp. 31-34. Swenson contrasts these labor movements to the more fragmented ones found in the United States and Britain (pp. 20-21).
A cohesive labour movement is a broader category, including but not limited to centralized labour movements. A cohesive labour movement is juxtaposed to a fragmented one, in which either labour is divided into contending, plural union federations, or authority is highly decentralized within a single federation. Summarized, the above discussion offers the following hypotheses, suitable for cross-national comparative analysis (applicable to advanced industrial societies in the contemporary period of work reorganization):

1. Where unions or works councils, as a broad national pattern, are integrated into managerial decision making, representation of workers' interests remains stable in the recent period of major work reorganization.

2. Everywhere else, where unions have arm's-length traditions of various kinds, organized labour experiences declining influence with the onset of major of the subject, and indeed conceptual confusion has undermined some of the value of the Literature.

Managerial initiatives and union responses in the politics of work reorganization have developed and increased in importance in the past ten to fifteen years. Testing the argument presented here, therefore, requires above all getting inside firm-and plant-level negotiations and conflict over work reorganization, to examine the interactions between management and labour, the role of unions, the stability and extent of workers' interest representation, and the causes for contrasting outcomes.

Overall union decline, of course, is based only in part on the weakening of union influence in its established bases. It is here that the research is concentrated in this analysis. But union decline is also a product of the inability to organize the unorganized in growing sectors (which in turn is related to a shift in employment and investment away from traditional unionized sectors). In the contemporary period, union organizing efforts are arguably facilitated both by corporatist bargaining arrangements and by legal frameworks to regulate and encourage union participation in management decision making.

The main problem, the evidence here suggests, is not job-control unionism, as Katz and Sabel (1985) and others have implied. At plant after plant, workers (usually under pressure) have proven willing to give up job classifications in return for promises of new participation—only to return from training programs to the shop floor, where their raised expectations are dashed by old-fashioned managerial ways (Milkman and Pullman 1988; Turner 1988b).

The works councils arguably contributed to a new "plant syndicalism" (Hohn 1988), which has made it possible for German managers to begin to learn the art (well developed at U.S. auto firms) of playing one plant's work force (and works council) off against another. The strength of employers in this regard may well increase with the opening up of East Germany. Both German unification and
the coming of the single European market pose new and potentially serious problems for German unions.

Methodologically, this analysis is situated between broad, general analyses that tend to be determinist (whether Marxist or liberal; see Goldthorpe 1984b) and arguments that locate explanations only in the unique and detailed circumstances of particular countries. This latter perspective is found in a current body of insightful studies in which industry structures, social patterns, and industrial relations are woven into a social fabric that produces unique outcomes in each country (Maurice, Sellier, and Silvestre 1986; Sorge and Warner 1987). My view is that though these studies usefully depict processes at work in particular countries, it is nonetheless possible to locate critical variables (not everything is equally important) that contribute to cross-national causal explanation.

In other words, countries respond in contrasting ways to the same challenges and tasks because different institutions are in place; yet it is possible to group countries according to a limited number of outcomes (in this case concerning the stability of industrial relations and relative union success) and to explain these outcomes with reference to selected variables. This analysis thus falls in with those that see distinct national models linked to distinct patterns of outcomes. Zysman (1983), for example, offers one approach that is broadly consistent with the findings presented here: a "bargained solution" in West Germany and Sweden is contrasted to a "company-led" model of industrial adjustment in the United States and Britain and a "state-led" model in France and Japan. In the first model, labor is included in negotiations; in the last two, labor is excluded. The neo- or democratic corporatist theorists afford another important example, in which countries are grouped into two or three. This argument parallels and is complementary to Streeck's argument that union or works council-imposed labor market rigidities drive employers up market toward "diversified, high quality production," with positive results both for competitiveness and for the continued influence of workers' interest representation (Streeck 1985a, 1987a). But to the extent that these theorists are anticiorporatist (Schmitter 1982, p. 261) or emphasize unstable institutional rigidities (Sabel 1981; Streeck 1984b), the present analysis diverges. "Bargained" or "democratic corporatist" political economies on the whole showed remarkable institutional stability in the turbulent years from the mid-1970s to the late 1980s, and this was particularly true for the structures representing workers' interests. Perhaps most important, the findings presented here shed light on domestic debates regarding unions and on country-specific analyses of union decline. In West Germany, for example, numerous scholars shared the perspective in the 1980s that unions were in serious trouble, facing the threat of either "Japanization" or "Americanization" (Streeck 1984b; Hoffmann 1988). The problem was that some of these theorists had unrealistic expectations: they expected the West German labor
movement to adhere to an old program for the transformation of society and "unitary unionism" that may be increasingly out-of-date (Hohn 1988). West German unions have adapted to new tasks and challenges and are stable in numbers and influence, both in comparative perspective and along a number of measurable dimensions; German analysts looking for the decline of unions would do better to look beyond their own borders.

There is, however, a conservative or neoliberal view in West Germany that unions are too strong and are standing in the way of industrial adjustment.

This view was reflected in the Kohl regime's legislative challenge to union strike power and in the Lafontaine current within the Social Democratic party (SPD) that called into question some of labor's most sacred cows (such as the free weekend). From comparative perspective, West German unions are indeed influential; yet this influence appears to be flexible and considerably more in tune with the adjustment needs of industry than is true of unions in many other countries (Streeck 1987a; Thelen 1987b).

In the United States, there is widespread debate about the causes and consequences of union decline. The findings here confirm in part the path-breaking studies by Richard Freeman and James L. Medoff (1984), Ko-19. The term is not precise and has been subject to a variety of definitions; especially controversial is its applicability to the West German case. But in both structure (centralized, inclusive interest representation) and behavior (labor-management peace bargain, extensive bilateral and trilateral negotiation throughout the political economy), Germany is closest to the smaller, more clearly corporatist societies such as Sweden, Norway, and Austria (Katzenstein 1985, 1987). Thus Wilensky (1983) places West Germany "on the margins of democratic corporatism."

Chan, Katz, and McKersie (1986), and Michael Goldfield (1987) that locate the primary source of this decline in managerial values and growing employer opposition to unions (or the capitalist offensive, as Goldfield puts it). But from a comparative perspective, arguments are placed that managerial tactics and strategies of opposition to unions are successful precisely because of the absence of particular institutional forms of constraint. Opel and Ford managers in West Germany, for example, have in the past also acted on "American" values and strategies (not least because these are American owned firms); yet the effect has not been to interfere with the expansion of union influence. Thus the way in which union influence is institutionalized, not employer strategies or values, is the causal variable at work.

And finally, there is a debate in the United States concerning what unions should do about their current plight. One view has it that unions need to rebuild lost militancy to fight more effectively against managerial opposition (Goldfield 1987; Moody 1988; Parker and Slaughter 1988); another
view argues that unions need to be more open to engagement in managerial decision making (Kochan, Katz and McKersie 1986; Heckscher 1988). Labour needs both integration into managerial decision making and a more cohesive movement of its own, both engagement with management on new work organization and more assertive unions. The polarization of the debate into cooperation versus militancy inhibits the development of appropriate strategies to rebuild the U.S. labour movement. Unions are not in decline everywhere. There are demonstrable preconditions for contemporary union success, and these preconditions are located primarily in the structures of interest representation.

CONCLUSION

To sum up, there are Changing Contours of the Employment Relationship and New Modes of Labor Regulation. Employment relationships are in flux as the network economy develops. Economic and social de-regulation and re-regulation as well as shifts in the relationship between individual and collective labor law are affecting established norms. New and different patterns of a-typical employment, such as short-term contracts, marginal part-time work, new forms of self-employment, in- and outsourcing and tele-work is representative of the changing nature of employment.

Fundamentally, the industries are integrated in different societies and these differentiated integrations can explain the differences in performances. The way national capitalism and specific industries affect each other is analysed using an opposition between “top down” and “bottom up” logics. Industries’ specific configurations can be depicted by four *industrialized relationships* (IRs) that stem from the sets of constraints and opportunities faced by the industry and altogether, form an *institutional order*. The internal coherence of each IR features the mechanisms which mediate between actors with differing, or even opposing, interests, thereby reflecting the social dimension of transactions. Each IR is besides shaped by overarching interactions between legislative, economic and political concerns. This framework thus permits to explicitly integrate the economic and political dimensions of an industry.

The labour market perspective of the “mass worker” with a standard model of full time employment, firm-specific job security and limited scope for occupational advancement can no longer dictate the central content of bargaining policy for trade unions. To construct trade union programmes with which vertically and horizontally differentiated groups of workers can identify, requires a sensitive redefinition of what interests are represented (Hyman 1999).

Note 10-Banks and Metzgar 1989; Herzenberg 1989. Unions, for example, could actively promote proactive strategies for new work organization (as many are attempting to do) and at the same time could unite in campaigns for new national legislation to regulate workers' and unions' participation in management.
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from: http://digitalcommons.ilr.cornell.edu/articles

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2.2 State Intervention

Historically, the states have intervened to a great extent in matters concerning the establishment, organisation and running of trade unions. As a result, it has put restrictions on the free exercise of union action, especially in that the state imposes rules for the functioning of the union movement through a legal regime governing union organisation. The main source of such regulations is the Law framed to regulate trade union movement in the name of safeguarding workers' trade union freedom. The state, through legislation, makes a structure to safeguard the workers and employers interest and any change in this structure would necessitate a change in the law.

Specific countries, especially countries run by Communist parties, while still having unions in name, do not allow for independent trade unions, just as they rarely allow for independent businesses. These state-run trade unions do not function in the same way as independent trade unions and generally do not hold any kind of collective bargaining power, acting to ensure the smooth running of Government industry.

Attempts to reduce the effects of trade unions may include union busting activities by private companies or state action including governments of authoritarian regimes such as in Adolf Hitler's Nazi Germany and Burma's military dictator, Ne Win. Many democratic governments have also attempted to limit the effects of unions, although success has been mixed.

It has been argued, particularly by market anarchists, that government/state intervention in the economy has been decidedly anti-union, even in economies like the United States or the European Union. Kevin Carson maintains that the most effective union tactics are either criminalized or displaced by state policy in most countries. Trade unions established themselves through sit-down strikes, sympathy strikes, secondary boycotts, and hot cargo agreements; these tactics are all illegal in most industrialized countries. Similarly, the original unions dubbed as social welfare organization, using union funds to provide healthcare and pensions to workers and welfare to the unemployed. By adopting various welfare-state measures, governments made the populace less dependent on unions.

Attempting to limit the workers' right to strike, the bourgeois governments all over the world implemented new anti-strike and anti-trade union laws, such as the Taft-Hartley Act in the USA and the Industrial Relations Act of 1971 in Great Britain. However, the bourgeois governments did not succeed in putting an end to the upsurge in the strike movement. By joining strikes, the unionized working people of many capitalist countries restored and raised wage levels, which had been lowered after the World War. Between 1957 and 1969, wages rose 22 percent in the USA, 35.9 percent in Great Britain, 68.3 percent in the Federal Republic of Germany (FRG), 45 percent in Italy, and 78.2 percent in Japan. In a number of developed capitalist countries, the workers won a shorter
work week, more paid holidays and leaves, and the expansion of social legislation. (For example, these gains were won by the French workers after the general strike in May-June 1968.) However, the economic crisis that began in the first half of the 1970's resulted in a decline in the standard of living of the toiling masses and confronted the trade unions with the task of organizing the resistance to the offensive by the monopolies, which were trying to nullify the concessions wrung from them during the long struggle of the exploited against the exploiters.

In the context of state-monopoly capitalism and the scientific and technological revolution, the trade unions face new problems, which they can solve only if they broaden their range of activities. As a result of the direct and increasing participation of the state in the economy in the capitalist countries, the struggle of the trade unions for the economic demands of the workers often grows into an action against the entire system of state-monopoly capitalism. "Structural unemployment," a consequence of the scientific and technological revolution that affects primarily workers in "older" branches of the economy, such as the coal mining industry and railroad transportation, requires that the trade unions engage tirelessly in a struggle to solve the problem of employment in the interests of the working people. Among the special problems associated with the general problem of employment are social security, vocational training, and a shorter work week with a guaranteed wage level.

Unemployment, which has increased as a result of the economic crisis, is intensifying the struggle to realize these demands. (Between the end of 1973 and the beginning of 1978, the number of unemployed in the developed capitalist countries rose from 8 million to 18 million.)*

To solve all of these problems, the trade unions participated in the control of production and became involved in the politics of the bourgeois state. Trade unions, including those headed by reformists, are increasingly advocating the nationalization of production by democratic methods. Moreover, the trade unions are demanding a role in state economic planning. Communists and all supporters of the revolutionary trend in the contemporary trade union movement view the activities of trade unions for establishment of socialism. By contrast, right-wing trade union leaders would like to focus the struggle for the democratization of the economy on reforms within the capitalist system.

As a result of current socio-economic processes in the capitalist world, the trade union movement faces the important task of attracting broader strata of office employees, engineering and technical personnel, and workers in the service sectors. Trade unions are becoming more actively involved in international politics, supporting peace and international security.

While different countries have different critical moments in history and pursue divergent industrialization strategies, it is usually observed "a less developed country begins the process of

industrialization by creating some initial conditions conducive to investment. In industrial relations terms, it may translate to low wages and low unionization. This situation may attract initial investments by firms, which can take advantage of such labour market conditions. However, with increased investment, the initial labour market conditions inevitably change and there are pressures for higher wages and possibly unionization...This reduces the initial advantage which attracted the new investment in the first place, so other inducements are needed in order to retain attraction to external investors. This creates a critical juncture in the development process and places pressure on the existing industrial relations systems. "The State at this stage may introduce measures such as wage controls and union repression or, alternatively, take recourse to upgrading skills and linking wages to productivity and shift to high wage, high value industrialization where workers get higher wages but wage costs become competitive. Wage controls cannot be prolonged and union suppression by itself cannot guarantee economic success. Therefore wage controls and union repression is uncalled for.

Indian state also intervenes in trade union activities to maintain industrial peace. The Trade Unions Act, 1926 provides for registration of trade unions with a view to render lawful organization of labour to enable collective bargaining. It also confers on a registered trade union certain protection and privileges. The Act extends to the whole of India and applies to all kinds of Unions of workers and association of employers, which aim at regularizing labour- management relations. A trade union is a combination whether temporary or permanent, formed for regulating the relations not only between workmen and employers but also between workmen and workmen or between employers and employers.

Again state intervention in India by means of dispute settlement Acts becomes imperative. The Industrial Disputes Act passed in 1947 had its basis in two laws of United Kingdom: The Conciliation Act (1896) and the Industrial Courts Act (1919). The main objectives of the Act was to preserve good relations between the workers and employers, investigate and settle industrial disputes, prevent illegal strikes and lock- outs, provide relief to workers in matters of lay-offs and retrenchment and promotion of collective bargaining. The principal techniques of settlement provided in the Act were: collective bargaining, mediation and conciliation, investigation, arbitration, and adjudication. All disputes have to go through the process of conciliation, the issue should be trade union related, and requires disputes to be referred by the appropriate government. Adjudicators have the power to create, alter and modify, vary and set aside contracts, and can direct reinstatement in case of wrongful termination. The awards need to be published and the government has the right to reject or modify the award. Failure to implement the award is an unlawful practice.
and the party can be prosecuted for the same. Final award can only be challenged by filing a petition to the High Court or the Supreme Court.

Though the Act is quite comprehensive, the biggest problem with it is the delay. To overcome the problem of delays, court costs, procedural formalities and adversarial justice a new approach to dispute resolution has emerged. This system is called Lok Adalat System which means ‘Peoples Courts’. The drawbacks of these courts are that they are still sponsored and controlled by authorities and the Adalat cannot decide any case without consensus and all that is needed to scuttle the process is that either of the parties refuses to agree to conciliation.

Like the process of collective bargaining, the process of wage determination is also controlled by the state. In industries, where the public sector dominates, the government naturally plays a central role in determining wages. In other industries that are dominated by private sector, it chooses to play a major role by establishing wage boards. In all these industries, there is little space for collective bargaining (Sivananthiran, 1999). The trend towards flexibility is not only evident from collective bargaining, it is also apparent from the changes from the work practices. Now more and more firms are introducing new manufacturing technologies. Total quality management, leaner organization by eliminating middle management and supervisors and more HR practices are becoming the norm in industrial set ups. The predominant effort of the Indian companies is to restructure them. Often their focus is primarily on numerical flexibility, although these efforts are accompanied by more dynamic and flexible HR practices that are in tune with a long-term orientation to competitiveness based on higher technology intensive production (Sivananthiran, 1999).

The Indian government built on colonial labour institutions and regulations to fashion an industrial relation system that sought to control industrial conflict through a plethora of protective labour legislation. These laws covered a wide range of aspects of workplace industrial relations; including detailed laws on safety and health, dismissals and layoffs and industrial disputes. The basic purpose of these laws was to contain industrial disputes within the framework provided by the laws and maintain continuity of production. The ID Act allowed employees only temporarily, with compensation up to 180 days and employer was also required to get permission from the government which was rarely given because of the close ties of the unions with the political parties. On the other hand, the right to strike existed but all strikes needed due notices and strikes could be brought to an end with either party requesting for a third party intervention through government conciliation offices. If conciliation failed, the government had the right to refer the dispute to compulsory arbitration or to a labour court or industrial tribunal for a final decision (Kuruvilla, 2002).

There was diversity not only in unions but also in industrial relations laws, each state has the right to enact its own labour laws. This feature produced a variety of local colours of unions with varying
orientation to labour relations and for the most part kept the labour movement from becoming national. Unions were mostly structured on enterprise, industrial, political or regional lines. There was inter-union rivalry and adversarial relationship with the employers.

With the coming of globalization, the 40 year old policy of protectionism was done away with for Indian industry to remain competitive. In 1991, the process of liberalization started by government of India and the balance of power was shifted in favour of the employers under the pressure from international market, IMF, WTO, World Bank, which exerted also pressure to change labour policies in India. Employers pushed for work force reduction, given their inability to retrench employees, they introduced the policies of voluntary retirement schemes. There has been an increase in the demand for functional and numerical flexibility in the workplace by the employers.

Globalization has also brought in the beginning of a government–employer coalition. The government enthusiastically supported the liberalization policy. In Maharashtra, for example, for the first time the government has declared several private sector firms as ‘essential and public utilities’ permitting a ban on strikes in these sectors (Kuruvilla, 2002).

The role of the state in the industrial relations depends on the ideological, (socialist, communist, or neo-capitalist persuasion), political (neo-colonial, democratic, dictatorship), and socio-economic (protectionist and neo-liberal policies).

The Indian state has always intervened in Indian Industrial Relations and its role has always been pervasive and extensive. There have always been detailed laws on collective bargaining, dispute resolution, employee participation and employment security. There is also a court system, the independent labour courts in India are the main mechanism for the implementation of labour laws.

**International Labour Organisation (ILO) and Indian State**

As a founder member and as one of the ten chief industrially important countries, India holds a non-elective seat in the Governing Body of ILO. India has ratified 38 of the 181 conventions. A tripartite committee on ILO conventions overseas the aspects relating to international labour standards, proposals concerning new conventions / ratification of old conventions, compliance of the provisions in the ratified conventions, etc.

As seen from Table 1, the Constitution of India upholds all the fundamental principles envisaged in the seven ‘core’ international labour standards. India has only ratified 3 of the 8 core conventions that constitute the fundamental principles. India has not yet ratified convention no. 105 concerning abolition of forced labour and Convention No. 182 concerning immediate action to end worst forms of child labour.
### Table 1: Components of Social Clause and State’s Legislation in India

<table>
<thead>
<tr>
<th>Social Clause aspect</th>
<th>Constitution and Legislation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freedom of Association and Right to Collective Bargaining (Convention Nos. 87 and 98 respectively)</td>
<td>Freedom of Association is guaranteed as a fundamental right in constitution of India. Trade Union Act, 1926 meets with part of the objectives of Convention Nos. 87 and 98. Both conventions have, however, not been ratified by the Government of India.</td>
</tr>
<tr>
<td>Equal Remuneration Convention, 1951 (Convention No. 100) to eliminate gender-based discrimination in remuneration and provide for equal remuneration to both men and women for work of equal value.</td>
<td>The Constitution upholds the principle of equality between men and women. Equal Remuneration Act, 1926 seeks to provide equal remuneration to both men and women.</td>
</tr>
<tr>
<td>Discrimination (Employment and Occupation) Convention No. 111 of 1958 which has the effect of nullifying or impairing equality of treatment.</td>
<td>Constitution denounces discrimination and encourages preferential treatment to disadvantaged groups in society. Convention No. 111 ratified.</td>
</tr>
</tbody>
</table>

Former Chief Labour Commissioner of Government of India, Nath (1997) opines about the real intention of the government behind not ratifying the ILO Conventions, “These conventions have not been ratified by India because the policy of the government has been to restrict freedom of association to only manual workers (by defining them as Workmen) and exclude supervisory and managerial workers…… The other interest of the government is not to allow the fight of collective bargaining even to industrial workers in government’s departmental undertakings like the Railways, Post and Telecommunications, Central Public Works Department, etc……”

Further, mere ratification cannot guarantee the achievement of the underlying objectives. Ratification should be backed up by strong political will, legislative framework and effective vigilance by the other social partners and the constituents in the civil society. These considerations, however, cannot be a justification for non-ratification.

India has ratified Convention No. 11 of 1921 concerning Right of Association for agricultural workers way back in 1923. The Union Ministry of Labour in cooperation with the National Labour Institute set up by it in the 1970s has organized several workshops and rural camps to facilitate the organization of rural workers. Still, given the huge social inequities both in terms of caste and land distribution, the density of unionization among rural agricultural workers is negligible even though 92 per cent of India’s work force remains in the informal sector*. *Report of the National Commission for Enterprises in the Un-organized Sector (NCEUS), constituted by the Government of India February 2012.
India has a long way to go, before it could comply with core labour / minimum standards in national legislation - not to speak of international standards. In the absence of proper supervisory mechanism that fully understands and deals with the ground level realities, efforts to improve labour standards could lead to deterioration in labour standards.

In the past, some of the legislative initiatives based on ILO conventions have had the opposite effect. Measures to safeguard the interests of women workers through maternity benefits and restriction of employment of women in night shifts in factories and in underground mining had resulted in many employers hesitating to employ women and drastic decline in employment of women in textiles and mines.

India has advocated the promotion of labour standards within the framework of the ILO Constitution. It has consistently opposed file proposals to link labour standards and trade through 'social labelling,' etc... The non-aligned countries summit organized by the Labour Minister of India at New Delhi in 1995 adopted a resolution to this effect. India played an active role in Seattle in 1999** to prevent linking trade with labour and environmental issues.

Under Article 236 of the Constitution of India, Labour is in the Concurrent List. Since liberalization there has been a tendency on the part of some of the state governments to pursue competitive labour policies with a view to attract investments and create jobs.

To sum up, it can be said that the Indian state has intervened and is still intervening and playing an important role in the country's industrial relations. The basic purpose of the state intervention has been to maintain industrial peace, but recently with the advent of globalization the policy is changing towards a more competitive approach.

**In the City of Seattle the World Trade Organization (WTO) Ministerial Conference in November-December 1999 was held. The WTO is a global international organization dealing with the rules of trade between nations. The conference began in November 1999 and inspired one of the largest political protests ever seen in Seattle. Protesters focused on issues including workers' rights, sustainable economies, and environmental and social issues.

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(Sandiaga S. Unno, Anindya N Bakrie, Rosan Perkasa, Morendy Octora : The Young Strategic Renaissance's In Asia)

"...vulgar are the means of livelihood of all hired workmen whom we pay for mere manual labour, not for artistic skill; for in their case the very wage they receive is a pledge of their slavery." - De Officiis[1]

"As long as politics is the shadow cast on society by big business, the attenuation of the shadow will not change the substance", in "The Need for a New Party" (1931), Later Works 6, p163

Marx 1990, p. 1006: "Labour-power, a commodity sold by the worker himself."

Nelson 1995. p. 158. This Marxist objection is what motivated Nelson's essay, which claims that labour is not, in fact, a commodity.

Globalization and Industrial Relations of China, India, and South Korea: an argument for divergence by Mohammad A. Ali, University of Rhode Island.
2.3 Social Development

Social development is a process that results in the transformation of social structures to improve the capacity of a society in order to fulfill its objectives. It aims specifically in developing power to elevate expansion of human activity. It is about putting people at the center of development. This means a commitment that development processes need to benefit people.

Social development can be described as the process of increasing – the assets and capabilities of individuals to improve their well-being, the capacity of social groups to exercise their rights, transform their relationships with other groups, and participate in development processes, the ability of society to reconcile the interests of its constituent elements, govern itself peacefully, and manage change.

Progress toward an inclusive society, for example, implies that individuals treat each other (more) fairly in their daily lives, whether in the family, workplace, or in public office. Social cohesion is enhanced when peaceful and safe environment within neighborhoods and communities are created. Social accountability exists to the extent that citizens’ voices are expressed, and heard by the authorities. Formal institutional reform – for example, the provision of legally enshrined rights, better law enforcement, or more participatory governance – are part of the process by which institutional change is achieved, changing the way people relate to people is an equally important part of this*.

The Indices of Social Development focus on ‘Civic activism’ referring to the social norms, organizations, and practices which facilitate greater citizen involvement in public policies and decisions, ‘Clubs and associations’, ‘Inter-group cohesion’ referring to relations of cooperation and respect between groups in a society; where this cooperation breaks down, there is the potential for conflict and acts of terror and riots, ‘Interpersonal safety and trust’ measuring the level of trust and confidence between individuals that do not know each other personally, specifically with regard to the likelihood of criminal violence and other forms of trust violation, and combines this with measures of rates of violence, ‘Gender equality’ estimating the extent of discrimination against women, whether in the labour market, education, healthcare, or in the home **.

Social development theory attempts to explain qualitative changes in the structure and framework of society that help the society to better realize its aims and objectives. Development can be broadly defined in a manner applicable to all societies’ at all historical periods as an upward ascending movement featuring greater levels of energy, efficiency, quality, productivity, complexity, comprehension, creativity, mastery, enjoyment and accomplishment. Development is a process of


95
social change, not merely a set of policies and programs instituted for some specific results. The basic mechanism driving social change is increasing awareness leading to better organization. When society senses new and better opportunities for progress it develops new forms of organization to exploit these new openings successfully. The new forms of organization are better able to harness the available social energies and skills and resources to use the opportunities to get the intended results.

Development is governed by many factors that influence the results of developmental efforts. There must be a motive that drives the social change and essential preconditions for that change to occur. The motive must be powerful enough to overcome obstructions that impede that change from occurring. Development also requires resources such as capital, technology, and supporting infrastructure. Development is the result of society's capacity to organize resources to meet challenges and opportunities. It refers to a vertical shift in the level of operations that causes qualitative changes, such as a retailer turning into a manufacturer or an elementary school turning into a high school.

Development is the outer realization of latent inner potentials. The level of people's education, intensity of their aspiration and energies, quality of their attitudes and values, skills and information all affect the extent and pace of development. These factors come into play whether it is the development of the individual, family, community, nation, or the whole world.

Society can be conceived as a complex fabric that consists of interrelated activities, systems, and organizations. Development occurs when this complex fabric improves its own organization. That organizational improvement can take place simultaneously in several dimensions: Quantitative expansion in the volume of social activities, qualitative expansion in the content of all those elements that make up the social fabric, geographic extension of the social fabric to bring more of the population under the cover of that fabric, integration of existing and new organizations so the social fabric functions more efficiently.

Social development aims at not only improvements in material well-being but also progress in relation to equity, social cohesion and democratic participation. At a moment of global crisis, joblessness, rampant inflation, industrial decline and growing uncertainty over the economy, the environment, transparent and efficient governance arrangements can lead to equitable and sustainable development. The global interdependence on which economic growth and poverty reduction were premised had become instead a conduit for inequality and crisis. The aspirations of the new millennium to "make poverty history" faced unforeseen challenges. Many development certainties were shattered but real alternatives remained elusive.
Social development is concerned with the processes of change that lead to improvements in human well-being, social relations and social institutions, and that are equitable, sustainable, and compatible with principles of democratic governance and social justice. It emphasizes social relations, institutional arrangements and political processes that are central to efforts to achieve desirable development outcomes. It includes material achievements, such as good health and education, and access to the goods and services necessary for decent living; and social, cultural and political achievements, such as a sense of security, dignity, the ability to be part of a community through social and cultural recognition, and political representation.

It also encompasses both process and outcome. Improvements in material well-being through processes which deny some individuals or groups voice in decision making, or access to recourse against injustice, are unlikely to be sustainable over the longer term; conversely, apparently inclusive or democratic processes which lead to inequitable outcomes will tend eventually to be undermined or resisted.

Recent, ongoing and recurrent crises have exposed the depth of human insecurity and the inadequacy of systemic and structural reforms over the past three decades to create sustainable and equitable growth, or to move poor countries and populations on to a stable development trajectory. The context is one in which many development certainties have been shattered, and the pervasive uncertainties under which the majority live have come to the forefront of global attention.

The impact of the global crisis of 2008–2009, particularly on low-income countries, is deeply rooted in longer term development strategies and policy choices. A package of market-led liberalization reforms initiated in the 1970s and applied to developing countries through the structural adjustment and stabilization programmes of the 1980s, imposed heavy costs on the poorest countries and peoples, leading in much of Latin America and sub-Saharan Africa to a “lost decade” of development. Criticism of the human cost of adjustment programmes helped to move development debates during the 1990s from the market fundamentalism of the previous decade towards a gentler version of neo-liberalism sometimes referred to as the post-Washington consensus. This was marked by a recognition of market imperfections and failures that undermined many of the Washington consensus policy prescriptions; an acknowledgement of the crucial role of non-market institutions, including the state, in promoting development; and the belated realization that the historical legacy—pre-existing conditions and institutional arrangements—matters.

This shift in policy focus created space for a return to more active poverty reduction and social policies, and to renewed attention to employment creation as an essential component of pro-poor growth. Led by the Britton Woods institutions, new development strategies emerged around the Poverty Reduction Strategy Papers (PRSPs), debt relief and a good governance agenda. Greater
emphasis was placed on national ownership of development strategies (through PRSPs and budget support, for example). Following the Asian crisis, the social protection agenda also broadened from narrowly targeted *ex post* safety nets to a focus on diverse forms of "social risk" that could be better managed through a range of mitigation, insurance and assistance measures.

Other actors—academia, national governments, the United Nations system and other international organizations—have gone further in arguing for more radical shifts in approach. Distinctive country-led development paths have emerged, while new social and political movements have mobilized around alternatives that emphasize distributive justice, rights-based development, empowerment, small-scale or collective forms of production, and the ecological dimensions of development. Many critiques of the neoliberal policy agenda appeared to be vindicated by early responses to the 2008-2009 crises among rich countries, particularly the demand-side stimulus packages used to kick-start growth and provide some level of social protection.

However, while there may be a widely shared critique of the existing system, there is significant variation in terms of analysis of the problem and possible solutions. Thus while underlying structural problems made visible by crisis are acknowledged, responses have been concerned principally with immediate consequences (through support for financial institutions and the global economic system) rather than attempting a paradigmatic shift to address the fundamental causes of crisis and the structural impediments to development.

The challenge for contemporary development thinking is thus to move beyond critique towards alternative and multiple ways of framing the development problem, leading in turn to the recognition of diverse development paths. The response to crisis must place greater emphasis on recovery and development that is about people, society, social relations and institutional arrangements, and not simply be about a return to growth. These problems of social development of contemporary interest to the United Nations system, academia and civil society are, of course, both old and new. Long-standing issues related to human insecurity, poverty, livelihoods, inequality, discrimination, conflict, identity, social cohesion, participation and empowerment will continue to generate new research focusing on the situation of different social groups and societal contexts. United Nations Research Institute for Social Development (UNRISD) research has consistently been concerned with such issues in contexts of globalization, liberalization, structural change, crisis and contestation. It has examined the effectiveness of public policies and institutions at multiple levels in promoting inclusive and sustainable development, but also enhanced productive capacity and employment, equity and inclusion, social justice and empowerment. Such alternatives need to value diversity of ideas, strategies and policies, rather than seeking a single solution; to have the flexibility to respond
to uncertainty at multiple levels; and to recognize that political process and power configurations (whether at local, national or global level) are also important in determining policy alternatives.

**Institutional Dynamics of Social Development**

Social development requires effective and accountable states, institutionalization of rights, sustained public engagement, and types of politics that empower groups, such as the poor or those marginalized, for example, by ethnicity, to exercise influence in how policies are made and resources allocated. Policy reforms for effective states with progressive social agendas and active citizenship remain disappointing, often ignoring structural factors that reproduce inequalities in power relations, or neglecting informal kinds of mobilization and citizen action.

The changing nature of governance means that civil society actors interact with policy processes, exert claims and seek redress in diverse ways. These include protest, advocacy campaigns, lobbying, bargaining, participation in knowledge networks and policy dialogue, private standard-setting and grievance procedures.

Gender equality are facilitated by engagement with the state, by exploring the interface of institutional structures and political agency with regard to women’s rights and entitlements in three broad areas: personal autonomy and bodily integrity; livelihoods; and welfare entitlements*.

**Regulation, Markets and Corporate Accountability**

While the state remains a central actor in market and business regulation, and citizens and social movements are essential in claims-making and accountability, private actors—enterprises in the corporate and social sectors (such as water, health and education)—also play a significant role. Large corporate actors that wield significant market and political power across international borders, often with damaging social and environmental consequences, are needed to be held accountable to citizens and contribute to social development.

**Climate Change as a Social Development Issue**

Without a strong social focus, policies for addressing climate change or new initiatives around the green economy or green growth will fail to deliver development that is inclusive and sustainable. While the profound development implications of climate change are now well accepted, the major challenge remains to frame the climate change debate as one in which equity, human needs and security are central. Social policies then are public policies aimed at three levels: promoting equality of opportunity to benefit individuals (micro-level), equality of agency and institutional reform to benefit groups (meso level), and horizontal and vertical social integration to benefit society (macro

* 'Social Development in an Uncertain World', March 2011, United Nations Research Institute for Social Development(UNRiSD),Palais des Nations, 1211 Geneva 10, Switzerland info@unrisd.org, www.unrisd.org, © UNRiSD 2011

99
Equality of opportunity has been the most common principle for public action to redress inequality and discrimination.

Its limitation is that it tends to ignore the pervasiveness of group-based inequalities, such as those based on ethnicity, race, gender or caste. Under unequal "terms of engagement," i.e. when power relations are unequal, equality of opportunity is insufficient and needs to be supplanted by a second principle of "equality of agency" to overcome the disadvantages of group-based inequities. Again a cultural lens leads to a different view of social policy which requires policies and actions aimed at individuals as well as groups.

**Social Policy in the World Development Reports (WDRs)**

The work on social policy builds on the institutional space created by the Social Development Strategy (SDS), approved in 2005 and the recent World Development Reports (WDRs) – Attacking Poverty (WDR 2000/01), Making Services Work for Poor People (WDR 2004) and Equity and Development (2006) – to reconsider the scope and design of social policy to increase their social development impact.

The SD Strategy espouses the principles of inclusion, cohesion and accountability and refocuses the World Bank’s social development work toward three strategic priorities: more macro-level social development work, more socially responsive projects, and better grounding of its advice on sound social research. The work on social policy responds to the third priority, and will lay the basis for tapping into global knowledge and country experience—combining the state-of-the-art in social policy with the ongoing debates among policy analysts and developing countries—enabling the donor community and developing country partners to take a fresh look at social policy interventions in the context of a rapidly globalizing world.

The WDR 2006 recognizes equity as an essential element of development, and a complement to economic growth. The WDR recognizes market failures and political inequalities as the two major channels that perpetuate inequality traps. While market failures have received much attention, relatively less attention to deeper structural causes of inequality; political inequality has received.
The World Bank intends to explore these issues by mobilizing academics, policy analysts and developing country experts who have been researching and writing on these issues.

Trade Unions and Social Development

Trade unions are engaged with efforts to ensure that mainstream development thinking moves beyond a singular focus on economic growth and material well-being (measured in terms of income or GDP), or concern with the agency of the individual, towards an approach that integrates social and collective dimensions into the fundamental conceptualization, measurement and practice of development. Its approach involves rejecting the widely accepted dualism of the economic and the social, which places social issues and policies in a subordinate and residual position. It recognizes that the achievement of development is always a political process, involving contestation, struggles for the representation and recognition of groups with competing interests, and requiring the redistribution of power and resources. And it emphasizes the intrinsic value of diversity in ideas and open debate about alternative policy options that are feasible under different circumstances.

Trade unions have always held that a consistent defense of the interests of their members over the long term period required them to work for the well-being of people and of society as a whole (including elements such as political and social democracy, civil and democratic rights, the elimination of poverty, equality, the rule of law). In that respect, they would legitimately claim to be serving the interests of society generally.

But of late, the complacency and de-politicization of the labour movement in the post-war period had an important side effect: the erosion of trade unions. The pre-war labour movement was built on the assumption that all major social issues were its responsibility, and that it was its duty to develop an adequate response to all of them. Specific aspects of the general struggle for a better world were normally taken up by a well-structured socialist mass movement which conceived of itself not only as a political party, but as a counter-culture to the existing society and which created in its midst whatever organs or institutions were needed to take charge of any major social issue.

In the post-war world, most of these institutions declined. In many countries they either disappeared or survived by narrowing down their agenda and scaling down their level of ambition. Ultimately, this was a consequence of the loss of whole strata of ideologically committed and educated cadres which contributed to the decline of the socialist mass parties into electoral machines and to the loss of any broad political dimension in the trade unions. But underlying this decline was also an assumption that dealing with many of the broader social issues, seen earlier as an obligation of the labour movement, had become, in the context of the post-war world, a responsibility of the State, which the labour movement had helped to build and in which it was an active participant, and in which it had therefore developed a sense of ownership.
This assumption, of dubious value at the best of times, became obviously untenable as the State itself came under challenge, as from the 1980s, in its role as the keeper of social justice and welfare and started itself to “downsize” its own commitments, under both Left and Right governments. The withdrawal of the trade unions from a wide range of social concerns had actually prepared the ground for the emergence of issue-oriented groups without traditional ties to labour, which gradually filled the vacuum left.

The globalization process of the world economy which picked up momentum in the 1980s found the trade union movement, at national and international level, largely unprepared. Globalization vastly increased mobility of capital and in particular of finance capital. So there is the increase in number, size and power of the transnational corporations, which have been, at the same time, the spearheads and the chief beneficiaries of the technological changes underpinning globalization. The geographical spread of transnational corporations has brought about the change in their structure through outsourcing, which has led to the shrinkage of the “core” labour force in manufacturing and services and the growing casualization of production through a cascade of sub-contractors often ending with individual home workers.

One political consequence, with major social implications, is the decline of the national State, in the first place as an economic actor.

The national State has declined as an employer through privatizations, which have not only increased the power of the transnational, as they buy up public assets, but which have also deprived the State of economic leverage and have therefore weakened its ability to influence economic policy and, in its role as an employer in labour policy.

The national State has also declined in its role of regulator of economic policy as a result of recent international trade arrangements which narrow the scope of democratic control over social and economic policies, transferring authority from democratically accountable governments and institutions to TNCs which are accountable only to their shareholders.

Finally, the growing inability of the State to control international flows of capital has reduced its ability to tax capital and has thus reduced, sometimes drastically, its fiscal income which provides the basis for public services and social programs, thereby further undermining the social consensus which depends on its ability to protect the weak through the redistribution of the social product.

Even more dangerously, the inability to control capital within national borders (through legislation or other political measures) carries with it a commensurate loss of influence of all institutions operating within the confines of national borders: national legislatures, political parties, national trade union centres: in other words, all instruments of democratic control where they existed in the first place.
The ideological reflection of these developments is what has been described as the New Policy Agenda or the Washington Consensus: "an expression of faith— that markets are efficient, that states are unnecessary, that the poor and rich have no conflicting interests and that things turn out for the best when left alone. It held that privatization and deregulation and open capital markets promote economic development, that governments should balance budgets and fight inflation and do almost nothing else".

Since most social-democratic governments subscribe, to a varying extent, to this position the trade unions have been left with diminishing support from their traditional political allies and from the State. The unraveling of the alliance between social-democratic and labour parties and the trade union movement has meant that the unions have lost many of their traditional contact points and anchors in civil society and the increased influence of organized business on the State has meant that the State has become an increasingly weak and unreliable bulwark to defend the social rights, welfare and security achieved through labour struggles in earlier decades. This is happening as the trade union movement is facing new and major challenges as a result of the emergence of a global labour market, the most important social consequence of globalization. The global labour market means that because of the mobility of capital and the fluidity of communications, workers of all countries, regardless of their degree of industrial development or their social system, are competitively underbidding each other, with huge wage spreads between countries and regions, in all areas of the economy.

This underbidding on a global scale has set in motion a relentless downward spiral of deteriorating wages and conditions through competitive deregulation and informalization of work. But, as the traditional "core" labour force shrinks in industrialized countries, there is no quid pro quo in terms of a balanced social and economic development for the industrially underdeveloped countries of the "South" or the transition countries of the "East", where unemployment remains a massive and growing problem and where wages remain in most cases below poverty level. One of the reasons has been the ability of transnational capital to impose its own conditions on national States by the threat to move elsewhere if its conditions are not met; another related and often underrated reason is State repression, which keeps in place the near slave-labour conditions that prevail at the bottom of the scale (for example in many of the Export Processing Zones or in countries like China, Vietnam or Indonesia).

In India living standards are still highly inequitable. Social differences between classes remain large and averages often obscure the real depth of problems relating to poverty or social marginalization. Despite the progress achieved during the past few years, as per Ministry of Planning in 2011, 27 Crores of population (21.9 per cent) live in below poverty line i.e. in extreme poverty whereas in
Odisha it is 26.1 per cent, life expectancy is 60-61 years in 2001 confirmed by the Census of India in 2001. Only 4 per cent of our population is over the age of 65 per cent, but much lower among the poor. The death rate of people in Odisha is much higher and life expectancy is lower than at the national level. The Crude Death Rate (CDR) in Odisha is 8.3 whereas this is 7.3 for India. The official illiteracy rate in the country is 25.06 percent, but functional illiteracy and the low quality of education remain widespread among the disadvantaged groups*. Moreover, income distribution is highly uneven, in fact more so than at the end of the 2001. Parthapratim Pal and Jayati Ghosh (2007) emphasised that the National Human Development Report (2001) published by the government of India, reported an increase in rural inequality in seven states, while 15 states saw a rise in urban inequality. Taking NNP growth at 8.75% during 2010-15, the top 20% households are seen gaining the most, from 37% share in total income in 1993-94 to 58% in 2014-15. However, the sharper decline is noted in middle than bottom, the share of bottom 20% is 7% in 1993-94 to 6% in 2014-15**.

The main point to be kept in mind here is that the global labour market is not a “market” at all: it is ultimately not regulated by economic laws but by political laws. The Washington Consensus, which calls on the State to reduce its functions to the minimum, has nothing to say about massive State intervention in the form of military and police repression when it serves the interests of organized business.

At the end of the 1990s, the trade union movement remains the only universal and democratically organized movement at world level defending, explicitly or implicitly, the vision of a society organized to serve the common welfare and based on the values of social justice, equality and cooperation. In recent decades, it has become politically isolated and weakened in its substance.

Trade unions, although primarily concerned with conditions of employment and the workplace, have always had broader social and political concerns which they have expressed through political commitments, views and programs over a wide range of national and international issues. These include in particular: human rights, development, education, women’s rights and equality, protection of the environment.

On some of these issues, unions have allowed a gap to develop between theory and practice by withdrawing into what they regarded as their “core business” and neglecting broader issues perceived as side-issues or as someone else’s business. This has happened partly because of a decline in political capacity and competence, partly because of their perception that a division of

*Registrar General of India, Census-2011
**Rajesh Shukla and Ishan Bakshi: Posted: Jan 15, 2011 in Financial Express
tasks existed in the labour movement where other specialized agencies would take care of single issues. But, as we have seen above, these specialized agencies themselves had lost much of their capacity for advocacy in the post-war period. Because of their roots in the democratic revolutions of the last century, trade unions have always identified with the struggle for human rights. Apart from historical reasons of principle, trade unions (in contrast with other important social actors, such as churches or business) cannot function in an environment where human and democratic rights are not safeguarded, for example in highly repressive military dictatorships or in police states. Trade unions, as clandestine organizations when necessary and publicly whenever possible, have been in the forefront of most of the critical battles for democracy, also in recent history (for example in Spain, Poland, Hungary, Czechoslovakia, South Africa, Brazil, Korea, China).

In addition, practically all basic trade union concerns are in fact human rights issues, starting with the most elementary: the right to exist. Restrictions on the right to organize and on the right to strike, which is included in the right to bargain collectively, are infringements of fundamental human rights specified in several UN human rights instruments and in international labour standards.

Because of their perceived obligation to advance a broader social and political agenda, trade unions in industrialized countries have engaged in development activities, at national and international level. In most cases these activities focus on trade union development through educational and organizing programs.

Women's Rights and Equality Issues

The relationship between trade unions and the women's movement have been complex and contradictory. Trade unions, since their inception, have championed women's rights and many women have been charismatic leaders throughout the history of the labour movement (Flora Tristan Moscoso, active in France and in Peru, was the author of L'Union Ouvrière, a pioneering plea for a general international workers' union; Louise Michel was a leader of the Paris Commune; Clara Eissner Zetkin had been a leader of the German socialist women's movement as well as the first general secretary of the ITGLWF; Maria Jones ("Mother Jones") was a legendary organizer of American mine workers and a founder of the IWW; Federica Montseny was a leader of the CNT in the Spanish Civil War and in exile; Marie Nielsen was a teacher and a leader of the Danish Left before WWII; Margarethe Faas was a secretary and organizer of the Swiss Federation of Trade Unions, and an editor of "L'Exploitée/Die Vorkämpferin" in the first decade of the 20th century - to name only a few).

At the same time, the trade union movement has been dominated since its origins by the culture of the industrial worker, where men generally predominated - with the exception of the textile and garment industry. This was not a culture friendly to women. In several countries women had to
create their own unions because they were not welcome in the existing trade union movement. The only union of this type still existing, the Danish Women Workers’ Union (KAD), was established early in the century because the General Workers’ Union at that time refused to admit women into membership. Faced with increasing pressure from the women’s movement over the last three decades and with the fact that women are representing a growing share of the labour force, unions have undertaken serious efforts in many countries to open trade unions to women. This has meant introducing affirmative action programs within the union structures, moving women’s demands to the top of the bargaining agenda and changing the prevailing culture, customs and practices of the organization to make it friendlier to women. Despite significant and continuing, albeit slow progress, much of the trade union movement still remains male-dominated and a legitimate target for criticism by women’s rights groups.

In the last ten years or so the explosive growth of the informal sector has underscored the necessity for the trade union movement not only to organize women workers, but women workers who are for the most part not in regular, permanent employment. The informal sector has grown for two principal reasons: the world-wide economic crisis, and the changes in the organization of work. The debt crisis of the developing countries, the dismantling of the public sector and the deregulation of the labour market under the structural adjustment programs of the IMF and the World Bank and the global crisis which started in Asia in 1997, continued in Russia in 1998 and hit Brazil, have pushed millions out of formal employment into the informal sector. According to ILO, this current crisis destroyed 24 million Jobs in East Asia alone, mostly in the “modern industrial sector”. In Russia and the NIS, in addition to the millions of unemployed, there are millions of workers still in formal employment who are not getting paid for several months at a time. For all of these, in the absence of any serious social safety nets, the informal sector provides the only possibility of survival.

The other factor that has contributed to the growth of the informal sector in the last twenty years or so has been the changing structure of transnational enterprise. The modern enterprise is essentially an organizer of production carried out on its behalf by others. Its core will include the management and the employees at corporate headquarters and possibly a core labour force of highly skilled technicians. This core directs production and sales, controls sub-contracting, decides at short notice what will be produced where, when, how and by whom and where certain markets will be supplied from. The production of the goods it sells, and in any case all labour-intensive operations, will be sub-contracted, also internationally. This type of company will be the coordinator of cascading sub-contracting operations which will not be part of its formal structure but will nevertheless be wholly
dependent on it, with wages and conditions deteriorating as one moves from the centre of operations to its periphery.

The decline of trade union density in most industrialized countries in the 1980s and 1990s is less due to transfers of production and relocations to the South and to the East than has been often assumed: more important has been the deconstruction of the formal sector and the deregulation of the labour market in the heartlands of industrial trade unionism. With the informal sector representing a great majority of the labour force the so-called developing countries, and a significant and growing proportion in industrialized countries, it is impossible to conceive today of organizing a majority of workers at world scale without serious organizing in the informal sector.

Informal sector workers are women workers, in their very great majority. A majority of workers expelled from the formal sector by the global economic crisis are women. As the ICFTU has reported, women are the principal victims of the casualization of labour and the pauperization created by the crisis and has therefore massively entered the informal sector in the last two years. According to a survey by the Friends of Women Foundation in Thailand, the mass lay-offs in 1998 mostly took place in the textiles and electronics industries where 90% of workers are women. In Moscow, two-thirds of the jobless are women.

Even before the crisis women constituted most of the informal labour force (child labour is also strongly represented). The very great majority of home workers are women (and homework represents as much as 40 to 50% of labour in certain key export sectors, such as garments, footwear or electronics, in Latin America and Asia); women are also the great majority of street vendors in informal markets (which in certain African countries represent up to 30% of the urban labour force). Also 90% of labour in the 850 Export Processing Zones (EPZs) around the world is women and in the majority of cases workers' rights and social protection are non-existent also in EPZs. Although they work in factories, what EPZ workers have in common with informal sector workers is that they are in both cases unprotected, largely unorganized, female labour.

In many countries, economic gains are mainly benefitting people at the higher end of the income pyramid, while the majority has hardly benefitted due to widespread wage restraint. In this situation, women, minorities and migrants are particularly left behind. High levels of inequality have a consistently negative impact on welfare indicators such as life expectancy, literacy, infant mortality, homicides, mental illness and social mobility. In addition, this report shows how inequality threatens other key factors of human well-being such as democracy, public security, social stability and economic and environmental sustainability.

The traditional core areas of union activities – labour market institutions and social policies are crucial to achieving greater equality. However, this needs to be complemented by consistently high
levels of public investment and universal public services and policy measures to tackle the power of the financial sector and multinational companies as well as widespread tax fraud and evasion. Despite broad public support for better social security systems, high-quality public services and protective labour legislation, many governments use the global economic crisis as a pretext to attack these institutions even harder.

Where labour, as the traditional defender of social justice, succeeds in building inclusive alliances beyond its traditional core constituency of blue collar, skilled male workers, much needed policy space can be regained - even under the difficult conditions of globalisation.

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2.4 Human Resource Management

Human Resource Management (HRM) is the process of hiring and developing employees so that they become more valuable to the organization. Human Resource Management includes conducting job analyses, planning personnel needs, recruiting the right people for the job, orienting and training, managing wages and salaries, providing benefits and incentives, evaluating performance, resolving disputes, and communicating with all employees at all levels. Examples of core qualities of HR management are extensive knowledge of the industry, leadership, and effective negotiation skills. It was earlier called personnel management.

Human resource management is the governance of employees of an organization. HRM is sometimes referred to simply as human resources (HR). A company’s human resources department is responsible for creating, implementing and/or overseeing policies governing employee behaviour and the behaviour of the company towards its employees.

Human resources are the people who work for the organization; human resource management is really employee management with an emphasis on those employees as assets of the business. In this context, employees are sometimes referred to as human capital. As with other business assets, the goal is to make effective use of employees, reducing risk and maximizing return on investment (ROI). Areas of HRM oversight include -- among many others -- employee recruitment and retention, exit interviews, motivation, assignment selection, labor law compliance, performance reviews, training, professional development, mediation, and change management.

HRM is a function in organizations designed to maximize employee performance in service of their employer’s strategic objectives. HR is primarily concerned with how people are managed within organizations, focusing on policies and systems. HR departments and units in organizations are fundamentally responsible for a number of activities, including employee recruitment, training and development, performance appraisal, and rewarding (e.g., managing pay and benefit systems). HR is also concerned with industrial relations, that is, the balancing of organizational practices with regulations arising from collective bargaining and governmental laws.

HR is a product of the human relations movement of the early 20th century, when researchers began documenting ways of creating business value through the strategic management of the workforce. The function was initially dominated by transactional work, such as payroll and benefits administration, but due to globalization, company consolidation, technological advancement, and further research, HR now focuses on strategic initiatives like mergers and acquisitions, talent management, succession planning, industrial and labor relations, and diversity and inclusion.
In the startup of the companies, HR's duties may be performed by trained professionals. In larger companies, an entire functional group is typically dedicated to the discipline, with staff specializing in various HR tasks and functional leadership engaging in strategic decision making across the business. To train practitioners for the profession, institutions of higher education, professional associations, and companies themselves have created programmes of study dedicated explicitly to the duties of the function. Academic and practitioner organizations likewise seek to engage and further the field of HR.

Theoretical Developments

HR spawned in the early 20th century and was influenced by Frederick Taylor (1856-1915). Taylor explored what he termed "scientific management" (later referred to by others as "Taylorism"), striving to improve economic efficiency in manufacturing jobs. He eventually keyed in on one of the principal inputs into the manufacturing process— inquiry into workforce productivity.

The human relations movement grew from the research of Elton Mayo and others, whose Hawthorne studies* (1924-1932) serendipitously documented how stimuli unrelated to financial compensation and working conditions—attention and engagement—yielded more productive workers. Contemporaneous work by Abraham Maslow, Kurt Lewin, Max Weber (1864-1920), Frederick Herzberg, and David McClelland (1917-1998) formed the basis for studies in organizational behavior and organizational theory, giving room for an applied discipline.

Birth and Evolution of the Discipline

By the time enough theoretical evidence existed to make a business case for strategic —the Chartered Institute of Personnel and Development—was founded in England as the Welfare Workers' Association, then changed its name to Institute of Labour Management. Likewise in the United States, the world's first institution of higher education dedicated to workplace studies—the School of Industrial and Labour Relations—was formed at Cornell University in 1945. During the latter half of the 20th century, workforce management continued to expand its influence within organizations. "Industrial and labour relations". In 1948, what would later become the largest professional HR association—the Society for Human Resource Management (SHRM)—was founded as the American Society for Personnel Administration (ASPA).

Nearing the 21st century advances in transportation and communications greatly facilitated workforce mobility and collaboration. Corporations began viewing employees as assets rather than

*A school of thought largely developed by Frederick Taylor who pioneered the use of time and motion studies, in which management would carefully break down tasks into simple chunks, then work out the best way for a worker to execute the chunks (all the way down to how long a step to take, how often to break, how much water to drink, etc.). The worker then executed their jobs exactly as they were told, like automatons by providing some mental stimulation that were good for morale and productivity.
as cogs in a machine. "Human resources management" is otherwise known as "Human capital management" and is sometimes used synonymously with HR and other terms sometimes used to describe the field include "organizational management", "manpower management", "talent management", "personnel management", and simply "people management".

**Business Function**

Dave Ulrich lists the functions of HR as: aligning HR and business strategy, re-engineering organization processes, listening and responding to employees, and managing transformation and change.

At the macro-level, HR is in charge of overseeing organizational leadership and culture. HR also ensures compliance with employment and labor laws, which differ by geography, and often oversees health, safety, and security. In circumstances where employees desire and are legally authorized to hold a collective bargaining agreement, HR will typically also serve as the company's primary liaison with the employee's representatives (usually a labor union). Consequently, HR, usually through representatives, engages in lobbying efforts with governmental agencies to further its priorities.

The discipline may also engage in mobility management, especially pertaining to expatriates; and it is frequently involved in the merger and acquisition process. HR is generally viewed as a support function to the business, helping to minimize costs and reduce risk.

**HR and Unions' Relationship**

Tom Wilson, head of organisation and services at the TUC, says: “Contrary to the stereotypical view of embattled union/management relations, the survey shows that most managers recognise unions are a force for good that their representatives are constructive, trained and understand their job and that representatives provide a professional service, giving good value for employers as well as their members.” However, there are some disagreements and underlying tensions that threaten to destabilise the relationship.

**References:**


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2.5 Labour Markets and Trade Unions

The labour market is the nominal market in which workers find paying work, employers find willing workers, and wage rates are determined. It is an area of economic exchange in which workers seek jobs and employers seek workers. A "tight" labour market has more jobs than workers. In a "slack" labour market, the reverse is true. The labour market is the market in which workers compete for jobs and employers compete for workers. A labour market is the place where workers and employees interact with each other. In the labour market, employers compete to hire the best, and the workers compete for the best satisfying job.

A labour market is defined by employer needs, geography, education and technical expertise, occupation, licensure or certification requirements and experience of the labour pool.

A labour market in an economy functions with demand and supply of labour. In this market, labour demand is the firm's demand for labour and supply is the worker's supply of labour. The supply and demand of labour in the market is influenced by changes in the bargaining power. A labour market is referred to all the people who are able to work and want jobs in a country or area, in relation to the number of jobs there are available in that country or area. The longer people have been unemployed, the harder it is for them to compete in the labour market. Reduction of state intervention in the labour market leads to enhancement of monopoly of the employers in the labour market, competition, and job location.

Macro and Micro-Analysis of Labour Markets

There are two sides to labour economics. Labour economics can generally be seen as the application of micro-economic or macro-economic techniques to the labour market. Microeconomic techniques study the role of individuals and individual firms in the labour market. Macroeconomic techniques look at the interrelations between the labour market, the goods market, the money market, and the foreign trade market. It looks at how these interactions influence macro variables such as employment levels, participation rates, aggregate income and Gross Domestic Product.

The Macro-Economics of Labour Markets

The labour force is defined as the number of individuals age 16 and over, excluding those in the military, who are either employed or actively looking for work. The participation rate is the number of people in the labour force divided by the size of the adult civilian non-institutional population (or by the population of working age that is not institutionalised). The non-labour force includes those who are not looking for work, those who are institutionalised such as in prisons or psychiatric wards, stay-at home spouses, children, and those serving in the military. The unemployment level is defined as the labour force minus the number of people currently employed. The unemployment rate is
defined as the level of unemployment divided by the labour force. The employment rate is defined as the number of people currently employed divided by the adult population (or by the population of working age). In these statistics, self-employed people are counted as employed.

Variables like employment level, unemployment level, labour force, and unfilled vacancies are called stock variables because they measure a quantity at a point in time. They can be contrasted with flow variables which measure a quantity over duration of time. Changes in the labour force are due to flow variables such as natural population growth, net immigration, new entrants, and retirements from the labour force. Changes in unemployment depend on: inflows made up of non-employed people starting to look for jobs and of employed people who lose their jobs and look for new ones; and outflows of people who find new employment and of people who stop looking for employment. When looking at the overall macro-economy, several types of unemployment have been identified, including:

**Neo-Classical Micro-Economics of Labour Markets**

Neo-classical economists view the labour market as similar to other markets in that the forces of supply and demand jointly determine price (in this case the wage rate) and quantity (in this case the number of people employed).

However, the labour market differs from other markets (like the markets for goods or the money market) in several ways. Perhaps the most important of these differences is the function of supply and demand in setting price and quantity. In markets for goods, if the price is high there is a tendency in the long run for more goods to be produced until the demand is satisfied. With labour, overall supply cannot effectively be manufactured because people have a limited amount of time in the day, and people are not manufactured.

The labour market also acts as a non-clearing market. Whereas most markets have a point of equilibrium without excess surplus or demand, the labour market is expected to have a persistent level of unemployment. Contrasting the labour market to other markets also reveals persistent compensating differentials among similar workers. The competitive assumption leads to clear conclusions — workers earn their marginal product of labour.

The labour market, as institutionalised under today's market economic systems, has been criticised, especially by both mainstream socialists and anarcho-syndicalists, who utilise the term wage slavery as a pejorative for wage labour. Socialists draw parallels between the trade of labour as a commodity and slavery. Cicero is also known to have suggested such parallels.

According to Noam Chomsky, analysis of the psychological implications of wage slavery goes back to the Enlightenment era. In his 1791 book *On the Limits of State Action*, classical liberal thinker
Wilhelm von Humboldt explained how "whatever does not spring from a man's free choice, or is only the result of instruction and guidance, does not enter into his very nature; he does not perform it with truly human energies, but merely with mechanical exactness" and so when the labourer works under external control, "we may admire what he does, but we despise what he is." Both the Milgram and Stanford experiments have been found useful in the psychological study of wage-based workplace relations.

The American philosopher John Dewey said that until "industrial feudalism" is replaced by "industrial democracy," politics will be "the shadow cast on society by big business". Thomas Ferguson has postulated in his investment theory of party competition that the undemocratic nature of economic institutions under capitalism causes elections to become occasions when blocs of investors coalesce and compete to control the state.

As per anthropologist David Graeber, the earliest wage labour contracts we know about were in fact contracts for the rental of chattel slaves (usually the owner would receive a share of the money, and the slave, another, with which to maintain his or her living expenses.) Such arrangements, according to Graeber, were quite common in New World slavery as well, whether in the United States or Brazil. C. L. R. James argued that most of the techniques of human organisation employed on factory workers during the industrial revolution were first developed on slave plantations.

Additionally, Marxists say that labour-as-commodity, which is how they regard wage labour, provides an absolutely fundamental point of attack against capitalism. "It can be persuasively argued," noted one concerned philosopher, "that the conception of the worker's labour as a commodity confirms Marx's stigmatisation of the wage system of private capitalism as 'wage-slavery'; that is, as an instrument of the capitalist's for reducing the worker's condition to that of a slave, if not below it."

Trade Unions

The sellers of labour (i.e. the workers) can achieve some degree of monopolistic power if they all join to form a trade union. To have more power, the workers band together to deal with employers rather than dealing with them individually.

The key functions / objectives of trade unions are to- a) negotiate for their members (the workers) as high a pay rise as possible on regular intervals (and at least enough to maintain their real earnings) protect and improve the real living standards of their members, b) protect workers against unfair dismissal ( employment rights ), c) promote improvements in working conditions and health and safety issues, d) promote improvements in work place training, education, accumulation of human capital, e) campaign for protection of Pension rights for union members, and f) counter balance to possible monopoly power of employers in the labour market.
It is the collective nature of the union that gives them their power. The larger the proportion of the workforce that is members, the more clout they will have with the employers. If an individual tries to negotiate for a higher wage with his employer on his own, he will have very little clout. The employer knows that he can just find another worker if one employee kicks up a fuss (especially if the industry is a low skill one).

If a union with a large membership is refused a pay rise by the employer, the members of the union can vote on whether to go on strike (down tools and stop working!). This will affect the employer where it hurts - his profit level! An employer will be much keener to keep a whole union happy rather than an individual employee acting on his own behalf.

Factors Influencing Bargaining Power

Economic climate-unemployment rates, labour shortages, profitability of companies, strength of economic growth, public support for unions, union density -- percentage of the work force in an industry who are members of a union, and legislation which can affect the legal powers of a union to take industrial action are the factors which influence the bargaining power of trade unions.

Bargaining powers of Trade Unions will tend to be high under the following situations: 1-when there is little scope for substituting other factors of production for labour. Here the skilled labour has strong bargaining power and the unskilled labour little clout, 2- when the demand for the product is relatively inelastic. Here a rise in wages and therefore, in cost of production depresses the quantity relatively little. Electric power worker's strength rises here but a shop-worker's power weakens, 3- when labour costs are a small proportion of cost, 4- when union itself is strong, 5-when the employers earn substantial profit, and 6- when the union offers 'Productivity Deals'.

A perfectly competitive firm maximizes profit by hiring the quantity of input that equates marginal revenue product (MRP) and marginal factor cost (MFC). In that factor price equals marginal factor cost for a perfectly competitive firm, factor price is also equal to marginal revenue product. In other words, the firm hires factors by moving up and down along its marginal revenue product curve. The marginal revenue product curve is thus a perfectly competitive firm's factor demand curve.

However, because the marginal revenue product curve is negatively sloped due to the law of diminishing marginal returns, so too is the firm's factor demand curve. And because all firms in a perfectly competitive industry have negatively-sloped marginal revenue product curves, the factor demand curve for the entire industry is also negatively sloped.

We now need to look at how the introduction of a union will affect the equilibrium situations for the perfectly competitive labour market and the one with a monopolist employer (i.e. one buyer of labour).

Trade Unions vs. Monopolist Employers
A single firm which is the only buyer of labour in a particular market is known as a monopoly employer. A monopolist employer can affect the price of labour that it buys by restricting the amount that it purchases in the same way as it affects the price of the product by restricting the quality offered in the market.

**Monopoly TUs:**
The counterpart to the monopoly employer is the monopoly of the TUs. TUs with 10 or 100 members acting together has more power than acting alone. TU as an organization can confront the monopoly power of the employer with collective monopoly power of the workers. However, the monopoly effect of TU depends on the general economic climate and on the prevailing legal framework which became markedly less favorable to TUs in post reform period.

To sum up, competitive labour markets are best and monopolist employers against weak employees are the worst situation. Unions make things worse if they intervene in a competitive labour market, but improve things (up to a point) if they stand up to the monopolist employer. Bearing in mind that most labour markets are, to some extent, imperfect, and most of the larger labour markets have unions, it is probably fair to say that most unions are helping the economy in the sense that they try to force the monopolistic firms to keep wage rate and employment closer to the efficient levels found in competitive labour markets.

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Ferguson 1995.
Marx 1990, p. 1006: "[L]abour-power, a commodity sold by the worker himself."Another one, of course, being the capitalists' alleged theft from workers via surplus-value.Nelson 1995, p. 158. This Marxist objection is what motivated Nelson's essay, which claims that labour is not, in fact, a commodity.

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117
2.6 Free Market Economies

An economy in which the greater part of production, distribution, and exchange is controlled by individuals and privately owned corporations rather than by the government and in which government interference in the market is minimal is called free market economy. Although a total market economy is probably only theoretically possible (because it would exclude e-taxation and regulation of any kind), capitalist economies approximate it and socialist economies are antithetical to it. Market economies are also called free economies, free markets, or free enterprise systems.

A Market economy is an economy in which decisions regarding investment, production and distribution are based on supply and demand, and prices of goods and services are determined in a free price system. The major defining characteristic of a market economy is that decisions on investment and the allocation of producer goods are mainly made through markets. This is contrasted with a planned economy, where investment and production decisions are embodied in a plan of production.

Market economies can range from hypothetical laissez-faire and free market variants to regulated markets and interventionist variants. In reality, market economies do not exist in pure form, since societies and governments regulate them to varying degrees. Most existing market economies include a degree of economic planning or state-directed activity, and are thus classified as mixed economies. The term free-market economy is sometimes used synonymously with market economy, but it may also refer to laissez-faire or Free-market anarchism.

Market economies do not logically presuppose the existence of private property in the means of production; a market economy can consist of various types of cooperatives, collectives or autonomous state agencies that acquire and exchange capital goods with each other in a free price system. There are many variations of market socialism, some of which involve employee-owned enterprises based on self-management; as well as models that involve public ownership of the means of production where capital goods are allocated through markets.

Different perspectives exist as to how strong a role the government should have in both guiding the market economy and addressing the inequalities the market produces.

Capitalism generally refers to economic system where the means of production are largely or entirely privately owned and operated for a profit, structured on the process of capital accumulation. In general, investments, distribution, income, and prices are determined by markets.

There are different variations of capitalism with different relationships to markets. In Laissez-faire and free market variations of capitalism, markets are utilized most extensively with minimal or no state intervention and regulation over prices and the supply of goods and services. In interventionist,
welfare capitalism and mixed economies, markets continue to play a dominant role but are regulated to some extent by government in order to correct market failures or to promote social welfare. In state capitalist systems, markets are relied upon the least, with the state relying heavily on either indirect economic planning and/or state-owned enterprises to accumulate capital. Capitalism has been dominant in the Western world since the end of feudalism, but most feel that the term "mixed economies" more precisely describes most contemporary economies, due to their containing both private-owned and state-owned enterprises. In capitalism, prices determine the demand-supply scale. For example, higher demand for certain goods and services lead to higher prices and lower demand for certain goods lead to lower prices.

ANGLO-SAXON MODEL
Anglo-Saxon of capitalism is predominant in Anglophone countries and typified by the economy of the United States. It is contrasted with European models of capitalism such as the continental Social market model and the Nordic model. Anglo-Saxon capitalism refers to a macroeconomic policy regime and capital market structure common to the Anglophone economies. Among these characteristics are low rates of taxation, more open financial markets, lower labour market protections, and a less generous welfare state eschewing collective bargaining schemes found in the continental and northern European models of capitalism.\(^8\)

EAST ASIAN MODEL
The East Asian model of capitalism is based on a strong role for state investment, and in some cases, state-owned enterprises. The state takes an active role in promoting economic development through subsidies, facilitation of "national champions", and an export-based model of growth.

LAISSEZ-FAIRE
Laissez-faire is synonymous with what was referred to as strict capitalist, free-market economy during the early and mid-19th century as a classical liberal (right-libertarian) ideal to achieve. It is generally understood that the necessary components for the functioning of an idealized free market include the complete absence of government regulation, subsidies, artificial price pressures, and government-granted monopolies (usually classified as coercive monopoly by free market advocates) and no taxes or tariffs other than what is necessary for the government to provide protection from coercion and theft, maintaining peace and property rights, and providing for basic public goods. Right-libertarian advocates of anarcho-capitalism see the state as morally illegitimate and economically unnecessary and destructive.

Under the impact of globalization India adopted market friendly policies to transform its economy with a commitment to social welfare. Following the 1991 economic reforms, Indian liberalization, undertaken initially for technical reasons: the need to overcome the balance of payments crisis which
left the country on an economic knife-edge, India still remains among the fastest growing of the world's major economies. But there are reasons to worry about the quality and sustainability of this growth, which does not seem inclusive enough. The benefits of Indian growth have not percolated significantly beyond the middle class. That means India has not made a serious enough dent on poverty – it ranked 65 out of 84 countries in the Global Hunger Index of 2009, below North Korea, Sudan and Zimbabwe (Times of India-May 11, 2010).

The founding economic vision of the post-1947 Indian Republic is closely aligned to that of British economy, both of which have their roots in Fabian Socialism. Fabian Socialists favoured a strong state where planners and bureaucrats would be the lightning rods of enlightenment - entrusted with the task of ensuring social welfare for all – while the industrial working class would be given a corporate status. Besides publicly funded healthcare and education, they stood for public ownership of key industries and high taxation for the purpose of redistribution of wealth.

In its declaration of independence, India modeled itself closely on the political and economic system existing in Britain at that time. India adopted the Westminster, “first past the post” system of parliamentary democracy based on universal adult franchise, which came into force in Britain itself barely two decades before, in 1928, without going to the communist ideology of nationalization of all economic activities.

The Indian variant of present day liberalization is not so hot on public health and education, job opportunities and job security. An International Labour Organisation Report, Global Employment Trends-2010, does not paint a reassuring picture of South Asia’s job scene. It says that “vulnerable employment” increased from 76.9 per cent of total employment in 2008 to 78.6 per cent by 2009's third quarter. Also, workers associated with low wages, below par productivity and poor working conditions may have grown in number between 2008 and 2009 to 50-52 per cent of the global workforce. This is a clear pointer to the post-Lehman crisis’s impact worldwide, since insecure employment was declining in the 2000s. Though India was not flattened by the mayhem overseas, jobs were badly hit.

But even before the downturn, India was already plagued by labour's growing casualisation. It is estimated that, between 1999-2000 and 2004 – 05, an annual 2.5 per cent employment growth occurred in the organized sector alone. The National Commission for Enterprises in the Unorganised Sector said the sector accounted for 93 percent of jobs as in 1999-2000 (Times of India, Bhubaneswar- May 5, 2010).

Agriculture employing nearly 60 per cent of the productive population despite its dipping input to growth is nearly 100 per cent unorganized. Despite entrepreneurial vitality and cheap, abundant labour in the country, manufacturing in India is nowhere near China in terms of contributing to GDP
growth. Even the dynamic services sector is primarily informal. Employment in larger firms has dwindled over time. There is little scope for flexibility in contracts reflecting the diversity of jobs on offer across different sectors. The industrial workforce has got increasingly ‘casualised’ as employers source informal hiring systems even as labour contractors flourish. Investment in workers’ training, skills upgrade and welfare has been hit as a result.

One of the significant fall out of the market driven policies of the governments of India under the impact of the globalization is the disinvestment of certain percentage of government’s share from the public sector units, in certain cases even from Navaratna status holding companies, brewing resentment among the employees and workers engaged therein in the face of losing their jobs.

The government has begun an ambitious yearly disinvestment drive by selling a five per cent stake in Rural Electrification Corporation (REC) followed by Power Finance Corporation (PFC). In his 2015-16 Budget, Finance Minister Arun Jaitley targeted Rs 41,000 crore from minority stake sales in listed public sector undertakings (PSUs) and a further Rs 28,500 crore in ‘strategic sales’. This combined target of Rs 69,000 crore is the highest ever disinvestment target of a government for a single financial year.

Others in which a five to 10 per cent stake might be divested over the coming months are Dredging Corporation of India, Indian Oil, Bharat Heavy Electricals, National Aluminium, NMDC, MOIL, NHPC and Oil and Natural Gas Corporation (ONGC), among others. Cabinet approvals have already been given and Requests for Proposals (RFP) for merchant bankers have been issued for these companies. (Business Standard-April 8, 2015)

Economic liberalization in India since 1991 resulted in a major policy shift permitting the entry of private sector in areas hitherto to reserve exclusively for the public sector. This ensured a measure of competition for public sector monopolies in sectors like transportation, electricity, oil, telecom, banking and insurance, to mention a few. Along with this covert route, government has also resorted to disinvestment of less than 20 per cent of the shares of about 50 central public sector undertakings (PSEs). During 1990s employees were offered shares in central public sector undertakings as a step to ease workers’ opposition to privatization. Though some national federation of trade unions opposed the move initially, workers and several unions in some profit earning sectors demanded earmarking a higher proportion (up to 26%) of shares for them. When the shares of several of the enterprises began to decline, the initial euphoria among workers had subsided.

The Government has appointed a disinvestment commission in 1996-97 and referred about a quarter of the companies under its control to advise it on their privatization. The disinvestment commission made recommendations, from time to time, individually on about 50 central public sector undertakings. Successive governments did not, however, follow up on any of the major
recommendations. Scooters India, the first PSE at the national level to have been considered for privatization in early 1990s because of its persistent losses did not find a suitor because the government was not willing to allow any reduction in workforce. It has since diversified its product portfolio and began to earn profits. In 1999, the government replaced the Disinvestment Commission with Disinvestment Department.

The main elements of central government’s policy on PSEs announced in the Union Budget for 2000-01 include the following: (a) restructuring and reviving the potentially viable PSEs, (b) closing down the PSEs which cannot be revived, (c) bringing down government equity in all non-strategic PSEs to 26% or lower, if necessary, and (d) fully protecting the interests of workers. In regard to protecting the interests of workers, even if retrenchment is ruled out, downsizing cannot be, particularly because PSEs themselves have started downsizing. Steel Authority of India, which has proposals to reduce its work force by at least one-third, has even created a board-level position - Director, Restructuring – and engaged international consulting firms to consider shedding non-core activities and divest nonperforming assets. The only major means of dealing with labour redundancy seemed to be through voluntary retirements that gave four times the normal retrenchment compensation and a promise of employee stock options in disinvested firms. Recent trends in stock market have dampened the euphoria about the employee stock options even in the ECE – information, communication and entertainment – industries.

In January 2000, Modern Bakeries became the first central public sector undertaking to have been sold to Hindustan Lever, the Indian subsidiary of Anglo-Dutch multinational, Unilever. 17 other units were listed for privatization. These include Maruti Udyug where Suzuki is the majority partner. Air India and some companies in the petroleum sector, besides several trade unions, there is, however, considerable resistance within the alliance partners in the government as well as from several opposition parties. Among the trade unions, it is only the India National Trade Union Congress, which is not showing any ideological opposition to privatization as such even though the congress party with which it has strong links and which initiated the economic liberalization has begun to question the stripping of national assets. It is seen from table – 1 that disinvestment had picked up in 1999-2000.

Some state governments had privatised state level public enterprises- the units owned and controlled by them before the central government could do so in respect of units under their ownership and control. The States like West Bengal, which continued to be under left front rule, found it more difficult to mobilize public opinion to sell Great Eastern Hotel in Calcutta. In the largest state of Uttar Pradesh privatization of a cement factory, accomplished with considerable bloodshed and the killing of several people in police firing, had to be reversed in the wake of political instability that
resulted in a change of government. The same state had taken a tough stand with striking Power workers in early January 2000 over privatisation of electricity distribution because of its dependence on international borrowings to carry on reforms for its sustenance.

The experience with several of the private airlines and passenger road transport services in some states was not quite positive. Privatization of electricity transmission and distribution in Orissa was initially held as a success and a model. But when a massive cyclone and phailin uprooted the electricity transportation system in most parts of the state, the private sector operators were unable to restore the infrastructure. Privatized distribution of power was followed by a phenomenal rise in electricity tariffs incurring the wrath of the public. All things considered, there are doubts in certain quarters about the nature of the private enterprise in India and its capacity to mobilise the needed resources and its ability to manage the privatized business effectively.

Social dialogue on privatization – particularly deliberations on the future of Indian Iron and Steel Company, nationalized textiles mills and Indian drugs and pharmaceuticals Limited- in the special tripartite committee meeting and tripartite industrial committee meetings only helped to delay hard decisions and in the process rendered the sickness of these units more chronic. It is not only the trade unions but also the political and bureaucratic leadership, which is against privatization.

The government had offered some of the sick units to trade unions for takeover but unions were not quite willing to go for the bait. There is realization in the government that mere ownership change will not help the companies to improve performance. Therefore, it is now being proposed to disinvest more than 50 per cent of the shares and brings the management in the effective control of private management. A section of the civil service and politicians themselves continue to resist it.

So, there is a move to introduce the concept of golden share.

There is a shift in government’s approach to privatization. Yet, there is no clear-cut policy. Ad-hocism continues with concern for achieving revenue targets from disinvestment. Perceived political risks and social tensions are prevailing upon the government to make haste slow.

While pro-poor schemes like NREGS are important, they are not the answer to labour insecurity. India must go beyond palliative ones heavy on the public exchequer – to genuinely empower those surviving on low-paid, non-secure urban and rural jobs. Organized sector growth should be top priority given India’s fast-growing ranks of a young, productive and demanding population. India must create opportunities by dismantling hurdles to public investment in infrastructure, boosting agriculture-industry linkages and reframing land acquisition rules so that factories can start up easily.

Despite claims of industrialization, and high growth path, Odisha continues to retain the dubious distinction of being one of the poorest states in the country as per the latest findings by the expert group headed by Suresh Tendulkar, former Chairman of PM’s Economic Advisory Council. As per
the Report, while every third Indian is poor, Odisha houses largest percentage of poor- 57.2 followed by Bihar with 54.4. Odisha’s rural people spend just Rs.407.78 and urban residents Rs.497.31 per month on an average on essential necessities like food, fuel, light, clothing and foot wear (Indian Express- December 10, 2009). The Group being set up in the wake of growing criticism of the existing official estimates of poverty released by the Planning Commission in 2007 submitted the report. The Tendulkar report has estimated the poverty at 37.2 per cent against the Commission’s estimate of 27.5 per cent based on new basket of goods.

We need a performance measure and a comparator. Growth and poverty reduction have often been used to compare performance across time periods. But here we use a more effective summary measure of welfare, per capita DGP at purchasing power parity, to show how the average Indian fared relative to the rest of the world. This helps us compare the effectiveness of the globalization strategy relative to the effectiveness of pre-globalisation strategy period prevailing in the rest of the world during the same period.

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2.7 Globalization and Industrial Relations

This topic traces briefly some of the issues and trends in industrial relations in the wake of globalization with particular reference to India and Odisha and discusses the role of trade unions; employers’ organizations and government in developing systems of industrial relations particularly in terms of the challenges employers and their organizations are facing and will face in the future. The subject does this against the background of an explanation of the changing nature of IR, how IR are developing in the global context, as influenced by the forces of globalization and liberalization, and the particular historical and current factors which are influencing those relations in the region. The topic then identifies a range of issues which employers and their organizations will need to consider in developing appropriate strategies to respond effectively to the challenges they now confront.

To understand the range of industrial relations (IR) it is necessary to appreciate the current as well as historical factors which have shaped and are shaping such relations in the globe. During the 1990's, the new demands of international competition and dramatic advances in Technology - the forces of globalization - has changed substantially the nature and operation of the "market place", and how production is organised, in many industries across the world. Individual enterprises are now being required to innovate to provide "the right product, at the right price and time". These requirements are placing considerable demands on employers and their enterprises to develop and implement new strategies, structures and processes. There is an increasingly strategic role for industrial relations (IR) within the enterprise, as much of what has to be done involves significant changes to traditional practices in this and the related area of human resource management (HRM).

The result has been that the nature of IR is changing in many enterprises. A new approach is emerging, relying on a broader concept of employment relations. This new approach is based on a range of IR and HRM practices directed to improving the flexibility and skills of the workforce, within an environment which emphasises communication, cooperation and trust between managers, workers and their representatives. Adoption of this approach, however, has been neither universal nor uniform. It has been particularly pronounced in industrialised Countries, and is increasing in industrialising countries. But both the forms it has taken and its spread, has varied considerably within industries and across regions in the same country, and among countries and regions having different industrial relations policy, legal and institutional frameworks and traditions.

Much more than any other previous influence, globalization is emphasising the importance of IR to industrialization and economic development in the region. It is creating new challenges for, as well
as highlighting old tensions among governments and the social partners. It has also brought with it a number of strategic opportunities, if the parties can take advantage of them, to improve the prospects of enterprises and workers and to position the region for a period of continuing strong economic growth and development into the twenty-first century. Employers, as the force driving economic changes, and their organizations have to take the initiative to develop a reform agenda which can deliver these benefits. This will require a strategy directed to improving employment relations and which seeks changes in attitudes and behaviour in the workplace and addresses the key issues of skills development, compensation, work organization and flexibility, and cross-cultural management.

"IR" may be defined as the means by which the various interests involved in the labour market are accommodated, primarily for the purpose of regulating employment relationships. IR is essentially collectivist and pluralist in outlook. It is concerned with the relationships which arise at and out of the workplace (i.e., relationships between individual workers, the relationships between them and their employer, the relationships employers and workers have with the organizations formed to promote and defend their respective interests, and the relations between those organizations, at all levels). Industrial relations also includes the processes through which these relationships are expressed (such as, collective bargaining; worker involvement in decision-making; and grievance and dispute settlement), and the management of conflict between employers, workers and trade unions, when it arises.

These relationships and processes are influenced by the government and its agencies through Policies, laws, institutions and programmes, and by the broader political, social, economic, technological and cultural characteristics of each country. The IR policy, legal and institutional framework in a particular country is developed through bipartite consultative processes (i.e., between employer and worker representatives, and by them, individually, with government) and tripartite consultation and cooperation (involving government and the social partners). IR outcomes are a series of rules which apply to work, setting down minimum (and other) wages and terms and conditions of employment for workers. These employment conditions can cover hours of work, leave, training, termination of employment and the like, as well as issues related to occupational safety and health, social security (sometimes), and conditions applying to special categories of workers. These rules also define the roles and responsibilities of the parties, individually and collectively (e.g., through legislation; collective labour agreements; decisions by arbitrators and courts; and enterprise work rules).

IR processes or arrangements have traditionally been expressed through the individual employment
relationship and collective bargaining, and have a mediative function. They are directed to achieving a compromise between "market forces" (which seek to set the price and quantity of labour) and intervention in the market place by employers, workers and their representatives (and by government and its agencies, for political and social reasons) which establishes the various types of rules (noted above) which govern the employment relationship.

The essential rationale for intervention is three-fold - firstly, the right of those involved and affected by decisions in the marketplace to participate in resolving employment relationship issues; secondly, the function of freedom of association and collective bargaining in redressing the balance of power between "capital" and "labour"; and,thirdly, to prevent labour exploitation (eg, sweated and child labour). The relative "balance" between the role of market forces and intervening IR arrangements in regulating employment relationships will vary between countries.

The development of industrial relations in different countries, can be essential in their efforts to balance competitiveness, with equitable wages, and improved working conditions. Consequently, a well-functioning labor market is essential for solid economic performance, as well as future economic growth, and, for the well-being of workers, and their families. And, the effects of globalization on workers, on firms, and on macroeconomic performance, relate critically to labor institutions such as, trade unions, and dispute resolution mechanisms.

The trend towards globalization has tilted the power balance in favour of employers. Technology has not only reduced labour intensity but also diminished labour's control over jobs. The decline in employment in the organized sector meant decline in union density in the organized sector. So far, with 10 per cent effort unions could achieve 90 per cent fruits in the organized sector, but in the unorganized i.e. in informal sector 90 per cent effort will bear 10 per cent fruits.

**Historical Overview of Industrial Relations in India**

Like most of the countries with colonial origin, India based most of its laws on the colonial structure left by the British. Industrial law was no exception, the Indian Government built on colonial labour institutions and regulations to fashion an industrial relation system that sought to control industrial conflict through a plethora of protective labour legislation, influenced by the strong ties between the ruling parties and labour forged in the struggle for independence (Kuruvilla, 2002)*.

India was predominantly an agricultural economy till independence in 1947. Even after independence, the First Five Year Plan (1951-56) laid emphasis on agriculture. With the second five year plan (1956-61) there was a shift towards heavy industrialization. The share of agriculture in gross domestic product (DGP) declined from about 56 per cent in 1950-51 to less than 30 per cent in
1990-99 while the share of industry rose from 15.6 per cent to 24.7 per cent and of the services sector, from 29 per cent to 45 per cent during the corresponding period. Its middle class has grown to cover 250 million, a vast enough market, even as over 220 million continue to live below the poverty line.

The industrialization strategies and industrial policies followed in India till mid-1980s aimed at development and a faster growth, while giving emphasis on regulation. To protect the domestic industry from foreign competition and promote self-reliance, import substitution and export promotion was encouraged as state policy. The end result was the creation of pre-emptive capacities to minimize or avert competition, gross underutilization of capacities, profiteering by trading in licenses and quotas (for state controlled raw materials, etc.) and to collusion rather than competition. Thus, too much government in business and industry and vice versa eventually proved detrimental and counterproductive to the conduct of state affairs as also to industry and commerce, workers and unions and consumers and the community.

The following important developments in the historical evolution of industrial relations in the country could be considered, though the listing is a illustrative one and not exhaustive:

1-1910s: Conditions of workers deteriorate in the wake of World War 1.
2-1920s: India Trade Unions Act and Workmens' Compensation Act were enacted.
3-1930s: Royal Commission on Labour expressed concern over the conditions of labour. 1931 Karachi Session of Indian National Congress passed resolution about the need to safeguard the interest of workers through legislations and other means.
4-1940s: First Tripartite Indian Labour Conference under colonial rule. Political independence-Key legislations-Industrial Employment(Standing Orders Act; Bill for regularization of Dock workers employment conditions; Industrial Disputes Act; Minimum Wages Act; Payment of Wages Act, etc.
5-1950s: India became a Republic with 'justice, liberty and equality as the ideals enshrined in the constitution. Economic planning started. Emphasis on heavy industrialization, which led the foundation for the growth of public sector to attain the commanding heights of the economy. Nationalization of Imperial Bank and insurance companies. Spirit of voluntarism resulted in the signing of several declarations and codes of practice.

Trade Union Growth and Decline in Asia by Sarosh Kuruvilla, 1-1960s: Spirit of voluntarism continued. The first National Commission was constituted in 1966 which submitted its report in 1969 and recommended revamp of labour policy, law, and institutions.
2-1970s: Rise of Regional Parties resulted in further splits in trade unions and increase in tension between Centre and States on Industrial Relations issues. Series of nationalizations (banks, cocking
and non-coking mines, foreign oil companies, etc.). Internal emergency and abridgement of workers rights and suppression of all India strikes in transport sector. Industrial strife and militancy in West Bengal. Amendments to Industrial Disputes Act to secure job protection. Amendments to constitution defining duties of citizens and making workers participation in management as part of Directive Principles of State Policy.


4-1990s: Economic liberalization. Legislature, Judiciary and Executive soft towards unorganized sector and strict towards organized sector. Introduction of family pension and a series of other welfare facilities in favour of disadvantaged and vulnerable groups. Encouragement to private sector, foreign direct investment and multinational companies. Setting up of Second National Commission with a mandate to recommend changes in labour laws taking in to account the changes in product market characteristics and umbrella legislation for the unorganized sector. Seeds sown to liberalise, privatize and globalize the economy. Some unions are very critical about the new policies being anti-labour aimed at deindustrialization and privatization of profits and nationalization of losses. National Renewal Fund (NRF) was established as a social safety net for workers affected by restructuring, but it served mostly to voluntarily retired staff. Pension fund was set up to provide pension benefits to employees and their families from out of provident fund contributions. Rejuvenation of tripartite dialogue: frequent interactions, but hardly concrete actions. Banking and financial sector reforms and liberalization of banking and insurance. Dismantling of public monopolies in utilities and setting up of regulatory agencies (in electricity, telecom, stock markets and insurance) began.

5-2000s: Modern Bakeries became the first central public enterprise to have been privatized. Significant privatization and second generation structural adjustment reforms planned. Interest rate on provident fund was reduced.

6-2010s: Pension Regulation Act amended to provide full pension to workers putting in 20 years of service in place of earlier 33 years.

Legal Framework

India inherited the colonial legacy in its legal framework governing industrial relations.

1-The legal framework for industrial relations has focused more narrowly on the eight per cent workforce in the organized sector. The plethora laws provided little coverage and extended protection to a microscopic minority of the workforce. There is a need to make the coverage universal and get over the mindset of linking applicability of laws based on number of persons employed and amount of wage/salary drawn. In 2000 Maharashtra Government has taken the
initiative to provide, for the first time in the country protection for domestic workers. Now they are entitled to weekly off, 15 days paid leave and leave travel concession for home leave, 15 days paid leave in a year and a bonus on the eve of Diwali, the festival of lights.

2-In the pre-liberalization era labour was protected in labour market and capital in capital market. In the post-liberalization era both labour and capital feel less protected or unprotected. Indian employers feel that after globalization instead of realizing the opportunities in the global market, they are not able to compete even in domestic markets. In the past consumers interests were neglected. Now when consumers’ rights clash with those of the labour and the capital, the rights of consumers and community seem to prevail over that of labour and capital.

3-Indian legislation has focused on dispute resolution rather than on maintenance of sound labour-management relations. The stress was on adjudication rather than on collective bargaining.

4-Labour laws in India are considered not friendly to change and prevent easy exit. Workers and unions are concerned that easy exit means unbridled freedom to hire and fire. Therefore, even sick and unviable units- whatever be the reasons and labour may not be the reason in most cases- are forced to carry on, at least with a view to protect the jobs and livelihood of those employed in them.

5-In practice, most labour laws have neither found favour with employers nor with workers and their unions. Both employers and unions agree on the need for changing labour laws, but not on the content of the proposed changes.

Collective Bargaining

Decentralized collective bargaining has reduced the ability of the unions to disrupt and paralyse work and thus reduced its bargaining strength. As a result, many of the cooperative agreements meant assertion of managerial rights and forfeiture of accumulated rights of workers, even if some of them were in the nature of restrictive and wasteful practices. In sick industries the unions conceded agreements, which provided for reduction of man power, reduction / freeze of wages and benefits, suspension of trade union rights like strike for a certain period. In the sick public industries there had been no wage revision since 1992. In the PSEs the current trend is to sign agreements for 10 years as opposed to 3 to 5 year agreements during the 1970s to 1990s. The concept of parity among the PSEs is broken. Even in the Civil Service, the Eleventh Finance Commission proposed that in future there is no need for periodic pay revision because the employees are covered by full neutralization against rise in cost of living.

Workers Participation in Management

There has been much rhetoric about participation since independence, but in reality it remains elusive to this day. Walker (1975) observed, based on his global survey, that world over it was
confined largely to tea towels and toilets. One wonders whether in India, it has extended this far (Venkatratnam, 1992).

The development of industrial relations in different countries, can be essential in their efforts to balance competitiveness, with equitable wages, and improved working conditions. Consequently, a well-functioning labor market is essential for solid economic performance, as well as future economic growth, and, for the well-being of workers, and their families. And, the effects of globalization on workers, on firms, and on macroeconomic performance, relate critically to labor institutions such as, trade unions, and dispute resolution mechanisms.

The trend towards globalization has tilted the power balance in favour of employers. Technology has not only reduced labour intensity but also diminished labour’s control over jobs. The decline in employment in the organized sector meant decline in union density in the un-organized sector. So far, with 10 per cent effort unions could achieve 90 per cent, but in the un-organized sector 90 per cent effort will bear 10 per cent fruits.

**Impact of Liberalization on Industrial Relations**

Technology is redefining competition and ultimately the industrial relation. After nationalization, the nationalized banks expanded their branch network in to remote and rural areas and into virtually every street corner of the urban areas. Eventually many of them have remained unviable. The new foreign banks with latest technology are now saying that they are 24 hours open, seven days a week, all the 365 days through automatic teller machines. E banking has metamorphosed the banking industry. The CEO of a foreign bank said that, ‘we cannot have a bank in every street corner, but we can place one in every home, every phone, every personal computer.’

When people get service sitting at their home due to new situations, workers have become more influential in their orientation and strike as a weapon is getting blunted. Trade unions objectives remain the same even in the new environment, but their means of action to achieve them cannot be the same old ones.

The response of employers and trade union to industrial relations is often driven by the context in which the interface between the two social partners occurs. It is possible to discern at least five distinct scenarios where the balance of power seems to swing in either’s favour, influencing the possible outcomes. Based on this typology it should be possible to read the signal early enough and predict the degree of choice and discretion that parties may have in influencing industrial relations outcomes.

**Scenario-1**
Input costs are rising and output prices declining. Cash flow problems limit opportunities for further investment, modernization and growth. The resultant squeeze in employment, wages, benefit, etc. creates a sense of helplessness and causes tensions/conflict in human resources/industrial relations.

Scenario-2
Several companies have over a period of time, multiplied business turnover and profitability through (a) setting up parallel production facilities; (b) loan/lease license arrangements; (c) subcontracting; (d) franchising, etc. As output/services became less critical, employers seem to develop a sense of independence and force the unions to come to terms with management proposals. Several multinationals (Bata, Hindustan Lever and a host of pharmaceutical companies, for instance) which have conceded whatever unions asked in a cost plus situation are now beginning to take (undue?) advantage of the increased vulnerability of unions in the liberalized environment since the late 1980s.

Scenario-3
When companies become bankrupt due to mismanagement, etc. employers have to yield to union pressure to give up control and may be forced to accept employee buy outs by worker cooperatives, for example. In quite a few cases (Kamani Tubes and Central Jute Mills, for instance) workers are to revive sick units and sustain their profitability with support from professional management.

Scenario-4
When economic, structural, technological and other changes make enterprises bankrupt, trade unions are agreeing to several concessions of the following type to revive the unit and save threatened jobs: (a) downsizing, including retrenchment of a section of the workforce; (b) wage and benefit cuts and freezes; (c) freeze cost of living and other allowances; (d) suspension of trade union rights for collective bargaining and industrial action for a certain period; and (e) agreeing to changes in work norms and work practices and greater managerial discretion in maintaining discipline, production and productivity, etc. in almost all the companies-both public and private sector whose cases are referred to the Board of Industrial and Financial Reconstruction (BIFR) for revival of these concessions have become the norm rather than the exception. The latest in the series is the multi-unit public sector firm, Indian Drugs and Pharmaceuticals Limited.

Scenario-5
When neither the trade union nor the employer seems to show adequate concern and sensitivity to workers’ interests, workers are seen to ignore both employers and union and take charge of the situation. They neither prefer a strike nor are they prepared to face a lock out. They simply occupy the plant and run it to keep their jobs and earn their livelihood. The most recent such case is that of the Kanoria Jute Mills in Calcutta.
It may be noted that the Bhusan Steel Ltd. was in the thick of a controversy when a blast took place in November 2013 due to lack of effective IR. The state government came down heavily on the company, sealed one of its blast furnaces and insisted that the MD be the occupier rather than some other executive so that accountability could be fixed. Following such an order last year, Mr Neeraj Singhal, the MD, was declared as the ‘occupier’ by the BSL and the case registered yesterday is against him.

A charitable interpretation of the current industrial relations scene in India would be to call it very complex. A critical view could be that it is chaotic. The dynamic change process warrants a fresh look at the institutional and legal framework as also the roles of the principal actors. Changes in industrial strategies call for changes in labour management policies too to obtain the requisite balance between social system in our organizations and the technical systems for the performance of organizations towards fulfilling the purposes for which they are created.

Workplace changes point to a reduction in manufacturing employment, downsizing as right sizing, the ascendency as employer rights and increasing vulnerability of unions due to technological, economic, structural and other changes. In employment relations the following shifts are discernible. The shift to a market economy being decisive and irreversible at least in the foreseeable future, organizations will need to do more with limited resources to be viable, competitive, productive and profitable. The focus will be on productivity, profitability and quality improvement.

The above situation reflects the "normal" pattern of labour market activities governing employment relationships in industrialized and industrializing countries until recently. But a number of destabilizing influences have now emerged, and have coalesced around the forces of liberalization and globalization.

(i) Overview

The move towards market orientation (liberalization) in many countries has been reflected in deregulatory policies by governments, including the reduction of tariff barriers, facilitating the flows of capital and investment, and privatization of State owned enterprises. Liberalization has been forced by globalization (involving greater integration in world markets, and increased international economic interdependence). Both phenomena have been facilitated by the significant growth in world trade and foreign direct investment in recent years, and by information technology which has facilitated rapid financial transactions and changes in production and service locations around the world.

Recent data (1991-93) indicates that about two thirds of the inflow of foreign direct investment (FDI) is to advance industrialised countries, which are also the source of some 95% of the outflows.
of such investment (UNCTAD 1994:12). The most significant sources of FDI are multinational corporations (MNC's) based in the US, Japan, UK, Germany and France.

During the period 1981-92, FDI valued at $US203 million flowed to the ten largest developing and newly industrialising countries (This represented 72% of the total FDI to such countries). The ten countries or territories concerned were (from highest to lowest): China, Singapore, Mexico, Malaysia, Brazil, Hong Kong, Argentina, Thailand, Egypt and Taiwan [China] (UNCTAD 1994:14). The proportion of East Asian countries in this group is notable, as is the growing significance of Singapore, Taiwan [China] and Korean MNC's as investors in China and other Asian developing countries. In this regard, between 1986 and 1992, about 70% of FDI flows into China, Indonesia, the Philippines and Thailand, originated in other Asian countries, with about 18% coming from Japan and 50% from Hong Kong, Singapore, Taiwan [China] and Korea (ILO/JIL 1996: page 3, note 2). The flow of FDI within the region can be expected to increase with the further development of the trading areas constituted by the Association of South East Asian Nations (ASEAN) and Asia-Pacific Economic Cooperation (APEC).

(ii) The Relevance of Globalization to IR – A Summary

Increasing international economic interdependence has disturbed traditional IR arrangements in several broad ways.

Firstly, such arrangements have normally been confined to the circumstances created by national markets; but globalization has fundamentally changed, and considerably expanded, the boundaries of the market place. In this respect, the extent of information flows made possible by new technology is building inter-enterprise networks around the world, is calling into question the traditional boundaries of the enterprise and is eroding current IR arrangements. MNC's are the primary driving force for change. They are organizations that engage in FDI and own or control productive assets in more than one country (Frenkel and Royal 1996a:7). They are creating very complex international production networks which distinguish globalization from the simpler 6 forms of international business integration in earlier periods. As producers of global goods and services (notably, in the area of mass communications), centres of networks and large employers, MNC's have an impact extending far beyond urban centres in the countries in which they are located. In addition to the activities of MNC's, many locally-based enterprises, of varying sizes, in many countries are using information technology to focus on the demands of international (and domestic) "niche" markets in a way which is contributing to a growing individualization and de-collectivism of work.

Secondly, globalization has disturbed the status quo between "capital" and "labour" in each country, in the sense that capital is significantly more mobile in an open international environment, while labour remains relatively immobile (here it should be noted that, under globalization, international
labour migration is continuing, but, proportionately to the rate in the 1970's, has not increased — see World Bank 1995: 53). This can place "labour" at a relative disadvantage, in that "capital" can now employ "labour" in different countries, at lower cost and on a basis which can prejudice the continuing employment of workers in the originating country.

Thirdly, globalization is having a contradictory impact on IR. It is accelerating economic interdependence between countries on an intra- and inter-regional basis and encouraging similarities in approach by individual enterprises in competitive markets. This may lead to some convergence in industrial relations arrangements around the world. At the same time, there is clear evidence of resistance towards convergence, based on particular national and regional circumstances (e.g., in Europe and Asia). This aspect will be considered later in the paper, in relation to Asia and the Pacific.

(iii) The Role of MNC's

The principal focus of the changes taking place in response to globalization is at the level of the individual (predominantly, private sector) enterprise. MNC's have had and will continue to have a key role in these changes (see below), although this role should not be overestimated (Kuruvilla 1997:5-6). UNCTAD estimates that, globally, there are about 37,000 MNC's having over 206,000 affiliates. Over 90 percent of MNC's are based in advanced countries, with nearly half of all affiliates in newly industrializing and developing countries (UNCTAD 1994: 3-5). MNC's are a major employer of labour. Globally, approximately 73 million persons are employed by these enterprises. This constitutes nearly 10 percent of paid employees engaged in non-agricultural activities worldwide, and about 20% in developed countries alone (UNCTAD 1994: xxii - xxiii). Compared with the position in parent enterprises, there has been a substantial increase in employment in MNC foreign affiliates, particularly in developing countries, during the 1990's. The World Bank estimates that MNC's employ in the order of 12 million workers in developing countries, but affect the livelihood of probably twice that number (World Bank 1995: 62).

What is the impact of MNC's in local markets, particularly where they are competing for workers? And what is their relationship with trade unions? Available evidence suggests that larger MNC's generally pay more than local firms and at least match or exceed working conditions and other employment benefits in the local labour market (UNCTAD 1994:198-201). While there are still disturbing incidences of "fly by night" MNC's, an increasing number of MNC's are emphasising their social responsibility, which reflects itself in a basic commitment to workers' welfare and "guiding" the employment practices of subcontractors and joint venture partners (UNCTAD 1994:325-27). This role is being reinforced through promotion of the ILO's 7 Tripartite Declaration and the OECD Guidelines concerning Multinational Enterprises, and, more recently, through
industry codes of conduct on labour practices in various countries. MNC relationships with trade unions are influenced both by labour-management relations in their country of origin and circumstances in their host country. In general, it seems that MNC's prefer not to recognise trade unions or to bargain with them; but normally do so where it is required (e.g., by legislation). Where MNC's appear to be predisposed towards trade unions, it is usually towards unions based in the enterprise. Overall, MNC's vary considerably in their IR/HRM strategies, and this an important area for future research in Asia and the Pacific.

(iv) Information Technology and IR

The impact of changes in information technology on the organization of production and work at enterprise level - the IR heartland - provides a specific example of the forces encouraging and supporting globalization. The discussion which follows reflects the situation - currently or developing - in many western industrialized countries, and in the more advanced Asian countries. It is a trend which is likely to spread more generally across the Asia and Pacific region with increasing industrialization and the impact of globalization. Increased competition in global (and in many domestic) markets has created demand for more specialised, better quality items. This has led to higher volatility in product markets and shorter product life cycles. These circumstances require enterprises to respond flexibly and quickly to changes in market demand.

In terms of the organization of production, new technologies are increasing the scope for greater flexibility in production processes, and are resolving information/coordination difficulties which previously limited the capacity for production by enterprises at different locations around the world. Where enterprises are servicing more specialised markets, smaller and more limited production processes are now involved. New technology has also made it possible to produce the same level of output with fewer workers. In both situations, there is increased emphasis on workers having higher value capacities and skills to perform a variety of jobs. This has blurred the distinctions (both functional and hierarchical) between different kinds of jobs and between labour and management generally.

In addition, efforts to improve products (through innovation, quality, availability and pricing) have led enterprises to establish cross-functional development teams, transcending traditional boundaries between engineering, manufacturing and marketing. These developments have been accompanied by the erosion of the standardized, segmented, stable production process (of the "Ford" type) which had facilitated collective IR. In many industries and enterprises there are also fewer workers available to be organized in trade unions. Another area of enterprise activity to be affected by globalization concerns the organization of work. To achieve the flexibility and productive efficiency required to respond quickly and effectively to market changes, narrow worker job descriptions have to be re-
written. This is resulting in work tasks based on broader groupings of activities, emphasising the undertaking of "whole" tasks.

In the interests of greater efficiency, work is also being re-organized, giving greater emphasis to team based activities, and re-integrated with a view to improving linkages across units and departments within an enterprise. Related changes have seen a "flattening" of management hierarchies and devolution of greater operational responsibility and authority to lower level managers, supervisors and work teams. In this process of adaptation, many enterprises have been increasingly relying on internal and external "benchmarking" to establish and maintain "best practice", and to emphasise "organisational learning" (ie, applying lessons related to superior performance to the work of individual managers and workers). All of these changes are directed to achieving stronger commitment by workers to the enterprise and its objectives and closer relations between managers and workers, based on consultation and cooperation.

Finally, enterprises have been seeking to "rationalise" their operations to strengthen further their competitiveness, by reducing costs (including both wage and non-wage labour costs). Responses have included identifying core functions (ie, those which define its essential rationale and competitive edge and must be maintained), and subcontracting (or reconfiguring existing such arrangements) for the performance of peripheral functions outside the enterprise; substituting technology for labour; and "downsizing". Strategic alliances and company mergers have also increased markedly during the past two decades. This has made the employment environment for workers in the formal sector in many industrialized, and increasingly in industrializing, countries much more unstable.

**Effective IR is a Key to Improved Enterprise Performance.**

In all of the above situations, effective labour-management relations are critical to enterprise performance. Globalization has changed the focus of IR, and the quality and type of such relations at enterprise level in a particular country will either position it well or not so well to take advantage of globalization. The most competitive and innovative enterprises (whether they be MNC's or domestic enterprises) have changed their IR/HRM function from one of the traditional type (ie, focused predominantly on providing advice and negotiating and maintaining rules) to a function which encourages innovation and is integrated in and supportive of corporate business objectives and strategies. In other words, the IR/HRM function is now considered to be as important as, for example, the planning and development, production, and marketing functions in an enterprise.

Key characteristics of the new form of employment relations being practised in advanced firms include: job security for key (core)workers, combined with more flexible contracts for peripheral workers; broad and challenging jobs, many based on teamwork; a concern for process improvement
and fulfilling obligations to other units/departments in the enterprise; supervision based on facilitation, not hierarchical control; continuous skills upgrading; individual performance appraisal; a performance-based rewards system; and worker involvement in decision-making, through a formal committee and/or a union in the form of a single bargaining unit (see Frenkel (1995)).

The major challenge, therefore, for countries competing on the basis of quality, is to move towards higher value added and flexible IR practices based on worker involvement and skills development, in order to attract higher quality FDI to continue the pace of development.

For enterprises and countries that are to compete primarily on the basis of cost (ie, countries in transition and some countries in South Asia and the Pacific), research evidence suggests that pressure will be exerted (from both domestic enterprises and MNC's) to amend labour protection legislation to reduce entitlements, improve flexibility and lower costs (for example, see Cooke WN (1995:21), "The influence of industrial relations factors on US foreign direct investment abroad", quoted in Frenkel and Royal (1996:24)). The main challenge for these countries will be how to remain attractive to foreign investment, without reducing workers' basic rights, and to transform, in time, to higher value added production arrangements.

The Importance of Diffusion

Whether such IR practices are adopted, on a widespread basis, will depend on three considerations: first, the impact of MNC's (through international benchmarking and diffusion of best practice to local suppliers and subcontractors); second, the extent to which individual domestic enterprises and governments learn "by doing" (and diffuse lessons learned within the local economy); and, thirdly, whether collective bargaining (particularly, at industry level) can produce good examples of negotiated agreements which address the range of issues of concern in developing more flexible workplaces, and provide "blueprints" which many local enterprises might seek to follow. With each of the second and third of these strategies, it will not be possible, in the short term, to achieve the desired outcomes, to the same extent, across the region. The second strategy requires a highly skilled and competent workforce, supported by IR/HRM research and experimentation and government policies which encourage such activities. In a developing country, these requirements can only be met over time. The third strategy clearly depends on significant parts of industry being unionised, which as has been noted previously, is not the case in many Asian countries. In addition, none of these changes can take place at enterprise level without reference to national policies, laws and relevant collective agreements which have a bearing on IR and local customs and practices followed within an industry or enterprise.

Some of these norms will have to change, if they are not to impede the objective of developing effective IR practices to secure increasing competitiveness. For the same reason, traditional or new
limitations within the IR environment of a particular country either linked with or separate from globalization will also have to be addressed. Consideration is also to be given to the roles of government and trade unions in realising the changes needed to realise enterprise development and growth in the context of globalization.

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139