

Impact of Liberalization and Globalization on Trade Unions in India

Ravinder Jit¹, Anju Bharti¹ and P. V. Rajeev²

¹Maharaja Agarsen Institute of Technology, GGSIPU, Delhi, India; jit_ravinder@yahoo.com, bhartianju4147@gmail.com

²Retired, Economic Advisor, Government of India, New Delhi, India; pvrajeev84@gmail.com

Abstract

Prior to 1991 economic reforms in India, the trade unions in the Indian industry exhibited a domineering stance. There were frequent labour strikes, often triggered, supported and sustained by political factors.

Post-reforms, the pressures of liberalization, privatization and globalization forced the central and state governments to support the capitalist class which adopted various cost-reduction and profit-maximization measures. The adoption of these measures led to fragmentation of labour movement and increased the helplessness of the unions. Even the trade unions in the public sector experienced worsening of their position. However, the absence of strong unions has been creating problems for the capitalist as well as for the workers. Hence it has become important to revive the status of trade unions. However, the trade union initiatives for revival should be in consonance with the new market driven business environment and should focus on making positive contribution in business growth rather than playing an antagonistic role. On employee front, trade unions have to ensure education, skill enhancement, and professionalization of employees to prepare them for meeting the challenges posed by the LPG model.

Keywords: Labour Reforms, Liberalization, Privatization, Globalization (LPG) Model, Public Sector, Trade Unions, NGOs

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1. Introduction

Trade Unionism is over a century old in India. It performed significant economic, social and political functions and made an important place for itself in the Indian industry. The evolution of Indian trade unionism has been intertwined with

India's freedom struggle. There was a constructive interface between trade union movement and politics as both needed each other. Unions provided a large political base for freedom struggle and political support helped trade unions attain recognition as legal representatives of labour class especially the organized labour.

During the post-independence period also, trade unions relied heavily on state intervention to frame the rules for 'industrial relations system' and for defining the role of the unions. The 'social compact' between the state and the unions involved exchanges: the unions' promise to accept wage restraint and maintain industrial peace was rewarded by the state by creating substantive and procedural rights for the unions. This led to the regulation of the unions and institutionalization of industrial conflict. The role of the trade unions was codified and defined as instruments of collective bargaining on behalf of labour class. The state created tripartite structure of consultation such as Indian Labour Conference, central industrial relations machinery, wage boards, joint management councils etc. The state's intention was to reduce areas of conflict by facilitating dialogue and averting strikes. If dialogue failed, the government used the instrument of compulsory adjudication wherein state and national level tribunals were appointed to address the issues. The period was marked by a social cohesion between the trade unions and the state. The unions felt empowered to voice their concerns and to protect and promote the interests of labour.

The employers, however, were wary of giving too much importance to the workers. They were not consulting and involving the workers while addressing the substantive and procedural issues. This led to disgruntlement and unrest among labour. Gradually the labour unrest turned into labour militancy. From 1960 onwards, India saw many labour strikes. For many years these strikes were triggered, supported and sustained by political factors. However, political unionism failed to deliver tangible and quick results. This resulted in gradual emergence of independent, decentralized and non-political unions in place of centralised and political unions, even though weaning away from political parties was not very easy for the unions.

The state also realized that its interventionist system was failing to achieve the objective of industrial peace, so it gradually started reducing its interventionist role. As a result of reducing state support for unions, labour militancy lost its vigour and gradually started waning. Employers made use of this opportunity and their offensive in the form of lockouts, retrenchments etc, began to rise since mid-1980s.

2. Liberalization and Globalization as a Challenge for Trade Unions

The ascent of Rajiv Gandhi on the Indian political scene was accompanied by his vision of liberal Indian economy. The economic reforms process initiated by him gained momentum in 1991 and finally culminated into Liberalization, Privatization, Globalization (LPG) model of development. The LPG model was already established in several countries world over so India

could not encapsulate itself from the process for long. Once India adopted this model of development the concomitant effects and pressures ensued. There were intensified competitive pressures in product markets, increased segmentation of labour markets and greater mobility of capital. The highly competitive environment witnessed rising individualism and increasingly differentiated work-force resulting in weakened commitment towards trade unions. Increased customer awareness dramatically changed public perception towards trade unions, particularly when the unions opposed pro-customer changes. Globalization, market forces and severe competitiveness in terms of price, quality, and customer focus further reduced the role of unions.

Privatization and liberalization that closely succeeded the process of globalization gradually reduced the role of public sector – the main stay of trade unions. The government and political parties were not able to support either the redundant manpower or the concept of protected economies. Lack of political or governmental support further weakened the status of unions. At the same time, global institutions like the World Bank, IMF and WTO were pressurizing the nation states to rationalize their labour laws and undermine the rights of trade unions to facilitate the functioning of MNCs. This overall anti-trade union trend gave a bargaining advantage to the capitalist *viz-a-viz* unions and the market logic forced the state to relent to the capitalist.

3. Demand for Labour Reforms in India

After introduction of LPG model of development in India, the capitalist class started demanding the implementation of neo-liberal reform agenda which included outlawing strikes, weakening union power, individualizing labour relations, diluting labour laws, privatizing public enterprises, freedom to hire and fire workers, enabling laws to introduce technological changes, closing undertakings, removal of law regarding prohibition of contract labour and repealing of legal provisions. The employers argued that these measures will help them to reduce costs and get a competitive advantage. Trade unions had already become apprehensive about the deleterious impact of introducing neo-liberal policies and technological changes. They opposed and boycotted the implementation of various neo-liberal measures announced by the government (Mamkottam, 2000). The strong resistance from trade unions thus obstructed any amendment in section V B of the Industrial Dispute Act. But in practice, the state only winked at downsizing of labour force or the increasing percentage of contract workers. As indicated by the data of Annual Survey of Industries, the proportion of contract workers increased from 19.7 per cent in 1999-00 to 34.6 per cent in 2011-12. 95.93 per cent of these contract workers are in the private sector. As things

stand today the wage share of the organized sector is only 10 per cent while that of the unorganized sector is 90 per cent.

Encouraged by reduced state intervention as well as tacit state approval for market-based economy the employers used various methods to reduce the size of the labour force and weaken the trade unions. These methods were:

- Decentralization of production.
- Shift of production to non-union areas.
- Downsizing or sub-contracting various operations.
- Replacement of regular workers by part time and contract workers to cut wage costs.
- Lockouts to retrench workers.
- Prolonged lockouts as instruments to pressurize labour to accept humiliating conditions of work.
- Use of voluntary or coercive methods to reduce employment.
- Automating certain tasks and functions.
- Employing smaller work forces with diverse, multiple skills.

These measures led to further fragmentation of labour movement and increased the helplessness of unions. They also helped the employers to reduce costs and earn handsome profits. However, no benefit of these profits reached the labour. The capitalist class appropriated all the benefits of growth at the cost of labour class.

4. Reduction of Employment in Public Sector

With the increasing pressure of market forces the state also redefined its labour market and industrial relation policies in public sector. It adopted various methods like freeze on recruitment, longer periods of wage agreement, voluntary retirement schemes for dishoarding surplus workers, rolling up labour welfare schemes etc. Privatization of public sector undertakings by instruments of disinvestment, deregulation and downsizing etc. resulted in a decline in employment, reduction in wages, worsening of working conditions, dilution of collective bargaining etc.

Post-liberalization many states also were quite liberal in proceeding with labour reforms. The labour department of Government of Maharashtra liberally gave permission for closure of factories. Similarly, to provide labour flexibility to employers, the Government of Andhra Pradesh willingly deregulated various provisions of Contract Labour (Regulation and Prohibition) Act.

Weakening political support along with other factors such as rise of independent enterprise unions, unpopularity of unions due to media campaign against militancy of unions, shift from collectivism to individualism amongst educated workforce, trend towards non-unionism etc have been leading to decline in effectiveness of unions. But this is not exactly what the employers wanted.

According to Rao and Patwardhan (2000) majority of employers prefer unionism over non-unionism. Management prefers to have effective and stable unions when unions show inclination towards productive efficiency and advancement of technology (Virmani, 2000). Rao and Patwardhan (2000) have suggested that strong trade unions can ensure accountability and enforcement of contracts. Using good offices of unions, the employers can sell the concepts of quality and productivity to the workers.

In view of employers' preference for unionism over non-unionism and the employees' requirement for a strong union to save their interests, it will be appropriate to have strong trade unions. However, trade unions have to reorient themselves to the LPG induced business scenario. The declining importance of trade unionism can be reversed if trade unions make sincere efforts to revive their status.

5. Important Initiatives for Effecting Change

- Jose (2000) suggests that unions need to secure a niche as effective and efficient providers of services to their members. Venkataratnam (1996) reported that post-reform, unions have been able to successfully bargain and get some employee friendly clauses included in work agreements. Some of these clauses are: giving permission to pregnant women to refuse to work on computer terminals, linking allowances such as children's education and house rent to employees' attendance, voluntary retirement scheme for contract labour and so on.
- Trade unions can also redefine their role by focusing on non-bargainable activities like employee welfare, health, education, social security, gender equality in employment, skill enhancement, recreation and legal assistance etc.
- Trade unions have, by and large, opposed the neo-liberal policies following economic reforms. Nation-wide strikes, bandhs and rallies were organized in different parts of the country. The protests of trade unions did not go well with the aspirations of the government, the industry and the growing middle class to have a new, vibrant and developed India. These protests have been seen as unnecessary and unreasonable. Trade unions have to understand that they cannot wish away globalization. Opposing globalization or using traditional reactive means of protests will not help the working class. Trade unions have to improve their image from reactive agents, power mongers, antagonists of modernization and development and proponents of traditionalism to partners in the growth of the company. Trade unions can sell the concept of productivity, quality, need for advanced technology, accountability etc. to the vast mass of workers and motivate

them to make their optimum contribution to the organization. This will not only enhance the unions' say in the tripartite consultations but also earn respect for the unions among the employers. Using participative approach instead of antagonistic approach will assign more power to unions in organizational decision making.

- Along with their focus on workers in organized sector trade unions should exercise increased focus on the inclusion of workers in unorganized sectors. Anant and Sundram (1998) reported that unlike the formal sector "the unorganized sector has little by way of protective legislation or union representation". Detailed surveys in various industries have found that the existing trade unions do not sufficiently represent the interests of temporary and casual workers (Davala, 1992), especially in labour-intensive industries/older industrial sectors. To increase their acceptability among workers, trade unions need to create an image that they can act on behalf of all employees, whether unionised or not.
- The unions show more sensitivity to the plight of contract/temporary or casual workers in the newer industries. In these industries unions are organized on the enterprise/plant level. These unions provide opportunities to all workers to express and realize their aspirations through unions and have greater control over the unions. This has enhanced the popularity of plant level unions in the newer industries at the cost of regional or central level unions. However, these decentralized enterprise level unions have been sometimes facing considerable employee resistance in generating firm wide agreements. Ever since introduction of reforms these unions have been on the defensive as they have been losing most of their members through voluntary retirements or terminations. If both the central and enterprise level unions work in collaboration they could ensure better working conditions for workers in all industries. While the central trade unions can try to extract the maximum for the workers through collective bargaining, the unions at enterprise level can create awareness among workers about the importance of associating with trade unions, thus preventing a shift from collectivism to individualism.
- Trade unions should develop better relationship with the non-governmental organizations working at the grass root level for improving the lot of unorganized, child and women workers. These NGOs have endeavoured to organize (not necessarily unionize) various informal sector occupations and sites but the established trade union federations resent these interventions as an intrusion into their terrain. Cooperation between NGOs and trade unions could level up working conditions of workers working in this relatively neglected sector. Developing strategic alliances with community bodies, urban and social movements, and environmental groups will also enhance the effectiveness of trade unions.
- The trade unions also need to focus on inclusion of women workers in their fold. Deshpande and Deshpande (1992, 1998) have reported that both male and female employment/participation rates increased after liberalization. However, women workers increasingly took to self-employment and to the informal sector. A large section of Indian women workers is engaged as 'home workers' in several industries. The Self-Employed Women's Association (SEWA) took a lead in drafting an ILO convention on home workers (Mukul, 1998) but failed to get a bill passed in the upper house of the Indian Parliament which would have equalized home workers with other wage earners in terms of health and safety, remuneration, minimum wages and maternity benefits. Even though SEWA has a large membership and is a genuine trade union, being unrecognized, it faced a great difficulty in having a status at National Centre for Labour. The CITU is the only trade union at central level which has tried to organize women workers in the informal sector. It should be a joint effort of all national level trade unions to enrol more and more women workers in formal and informal sectors to increase the number of women in leadership roles within their established set up.
- Instead of seeing liberalization as a hurdle to the growth of trade unionism, it can be seen as an opportunity for development of business. Trade unions can adapt their structure to meet the demands of the competition (Venkataratnam, 1996). Competition in business has forced the capitalist to adopt various measures to cut costs and increase productivity. The heat of competitive business has been felt by public sector units also. Post-reform government as attempted to tie unit level wage increases to productivity increases. Most of the loss-making PSUs were disinvested or privatized. Micro-economic requirement of productivity growth as well as increased competition makes it crucial for trade unions to restructure themselves. Globalization has thrown open global production chains and new forms of organizational structure which is decentralized as well as globally networked. Unions have to adapt their organization to these emerging structural trends. Moreover, unions are supposed to opt for centralization through union mergers at national or international level on the one hand, and decentralization, particularly at the enterprise level, on the other hand. Unions should also bring about a change in their strategy to meet the challenges posed by prevailing economic and social scenario buttressed by the forces of globalization. Unions' failure to change their strategy will make them vulnerable to manoeuvring by the state and the capitalist class.
- Trade unions can ensure direct participation of all categories of employees and improve relations with all levels and type of employee leaders.

- When capitalist class is working in collusion with the state, the trade unions should also avoid multiplicity and get united at apex level. This will help them meet the offensive of the capitalist class. Till now no efforts have been made to foster this unity. The BMS or INTUC or the left unions like CITU and AITUC have been showing more concern for allegiance to their political parties rather than putting up a joint front. Getting freedom from political parties is the key to strengthening unity amongst unions.
- Getting delinked from affiliated political parties will also establish the credibility of trade unions as representatives of workers rather than being puppets of the political parties. Some examples of such attempts can be found in recent times. INTUC, an affiliate of Congress party, has repeatedly announced its independence from the party and has opposed a number of policies introduced by Congress. Another glaring example of such delinkage was seen when CITU's leader Wazibur Rehman and INTUC's leader Arif Ali, along with 3000 employees working at the Kanoria Jute Mill left their respective unions and formed Sangrami Shramik Union (SSU).
- Most of the times trade unions restrict themselves to wage-bargaining and safety concerns. Skill upgradation, retraining, professional growth and technological upgradation should also become important issues for trade unions in India. Unions can also create awareness among workers regarding importance of education in the present-day knowledge-based economy. Improved education of workers can lead to improved loyalty towards unions and also improved bargaining position of the union.
- The trade unions should be more professionally managed to face the organized forces of employers and to fight criticism from various quarters. Some attempts in this direction are being made by central trade union organizations by upgrading the quality of their personnel, leadership and the service rendered. In their effort, trade unions are being assisted by National Research Institutes like Maniben, Kara Institute, Ambedkar Institute of Labour Studies and National Labour Institute etc. International organizations like Friedrich Ebert Stiftung are also lending a helping hand. The focus is on capacity-building activities that include programmes on management, strategic planning, leadership development, networking, information technology, gender issues and labour laws.

6. Conclusion

The trade union movement in India needs to revive its pre-reform status. Before the introduction of 1991 economic reforms trade unions played a prominent role in Indian industry. Post-reforms, both in public and private sector, trade unions experienced

weakening of their position. To meet the pressures generated by liberalization, privatization and globalization the capitalist class introduced various measures for cost reduction and profit maximization which rendered trade unions weak, fragmented and helpless. The government also redefined its labour market and industrial relation policies that resulted in decline in employment, worsening of workers' condition and powerlessness of unions in public sector. However, the weak and powerless unions have been proving to be a bane rather than a boon. The capitalist class needs effective, strong and responsible unions that can ensure productivity, advancement of technology and workers' accountability. Workers also need strong unions to save their interest.

But trade unions will be able to regain their status only if they reorient themselves to the changed demands of the market economy. They have to become partners in the growth of the company; adapt their structure to meet the demands of competition, ensure re-education and retraining of the workers as per needs of the knowledge-based economy and sell the concept of quality, productivity and accountability to vast mass of workers.

To gain a strong foothold amongst workers, and public at large, they have to become, effective service providers, focus more on non-bargaining activities, include vast mass of male and female workers in the unorganized sectors, create awareness among workers about the importance of associating with trade unions and become apolitical. Beyond all these initiatives is the need for professionalizing of trade union movement. The leaders have to be trained in management, strategic planning, leadership development, networking, information technology, gender issues, labour laws etc. Such capacity building will empower the trade unions to meet the challenges posed by the LPG model of development and help them revive their earlier prominence.

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Annexure-I

IMPACT OF LIBERALIZATION AND GLOBALIZATION ON TRADE UNIONS IN INDIA

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