

MODULE I : ECONOMICS OF TRADE UNIONS

1

ECONOMICS OF TRADE UNIONS – I

Unit Structure

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Meaning of Trade Unions
- 1.3 Concepts of Trade Unions
- 1.4 Evolution of Trade Unions
- 1.5 Role of Trade Unions
- 1.6 Approaches to the Origin of Trade Unions
- 1.7 Summary
- 1.8 Questions

1.0 OBJECTIVES

- To know the meaning and concepts of trade unions
- To study of evolution of trade unions
- To study of role of trade unions
- To study of approaches to the origin of trade unions

1.1 INTRODUCTION

Economists who study unions analyze them as cartels that raise wages above competitive levels by restricting the supply of labor to various firms and industries. Many unions have been successful in obtaining higher wages and better working conditions for their members. However, in the process, they have reduced the number of jobs available in unionized companies. The loss of economic welfare occurs because of the basic law of demand i.e. if unions successfully raise the price of labor, employers will purchase less of it. Thus, unions are a major anticompetitive force in labor markets. Their gains come at the expense of consumers, nonunion workers, the jobless, taxpayers and owners of companies.

According to Harvard economists Richard Freeman and James Medoff, “Most, if not all, unions have monopoly power, which they can use to raise wages above competitive levels” (1984, p. 6). Unions’ power to fix high prices for their members’ labor rests on legal privileges and immunities that they get from government, both by statute and by non-enforcement of other laws. The purpose of these legal privileges is to

restrict others from working for lower wages. Unions world over enjoy many legal privileges. Unions are immune from taxation and from MRTTP laws. Companies are legally compelled to bargain with unions. Once the government ratifies a union's position as representing a group of workers, it represents them exclusively, whether or not particular employees want collective representation. In 2002, unions represented about 1.7 million waged and salaried employees who were not union members in the United States. Unions often use funds collected from the workers for political purposes such as political campaigns and voter registration which are not related to collective bargaining or to employee grievances. Unions are relatively immune from payment of tort damages for injuries inflicted in labor disputes, from court injunctions, and from many state laws.

Labor unions cannot prosper in a competitive environment. Like other successful cartels, they depend on government patronage and protection. Worker cartels grew during the two world wars and the Great Depression of the 1930s. In India, labor laws protecting the rights of workers and laws relating to trade union formation and recognition along with laws relating to industrial relations protect and help prosper trade unionism in the country. For instance, the Trade Union Act of 1926 gives the workers the right to form unions. The Industrial Disputes Act 1947 recognizes the trade union as a bargaining agent and the employers have the legal obligation to sit across with the Unions and execute collective wage agreements.

In the United States, most unions in the private sector are in crafts and industries that have few companies or that are concentrated in one region of the country. Both factors: few employers and regionally concentrated employers, make organizing easier. Conversely, the large number of employers and the regional dispersion of employers limit unionization in trade, services, and agriculture. In 2002 unionization rate was 37.5 percent in the government sector whereas it was only 8.5 percent in the private sector. It shows that unions do best in heavily regulated, monopolistic environments. Even within the private sector, the highest unionization rates (23.8 percent) were in transportation (airlines, railroads, trucking, urban transit, etc.) and public utilities (21.8 percent), two heavily regulated industries. In India, unionization or union membership was highest in the transport, storage and communication industry with 40 per cent membership, followed by trade, hotels and restaurants with 36 per cent membership in the year 1997. The primary sector consisting of agriculture, forestry and fishing had only 21 per cent union membership in 1997.

1.2 MEANING OF TRADE UNIONS

Trade union, also called labour union, association of workers in a particular trade, industry, or company created for the purpose of securing improvements in pay, benefits, working conditions, or social and political status through collective bargaining.

A few important definitions of a trade union are as follow:

According to Lester, “A trade union is an association of employees designed primarily to maintain or improve the condition of employment of its members”.

According to Edwin B. Flippo, “A labour union or trade union is an organisation of workers formed to promote, protect and improve through collective action, the social, economic and political interest of its members”.

According to V.V. Giri, “Trade union is such an organisation which is created voluntarily on the basis of collective strength to secure the interests of workers”.

Sydney and Beatrice Webb defined a trade union as – “a continuous association of wage earners for the purpose of maintaining or improving the conditions of their working lives”.

According to G.D.H. Cole, a trade union means “an association of workers in one or more professions-as association carried on mainly for the purpose of protecting and advancing the members’ economic interests in connection with their daily work.”

Dale Yoder defined a trade union as – “a continuing long-term association of employees, formed and maintained for the specific purpose of advancing and protecting the interest of the members in their working relationship”.

According to S.D.Punekar, “a union is a continuous association of persons in the industry – whether employer or independent workers – formed primarily for the purpose of the pursuit of the interests of its members of the trade they represent”.

To summarise, it can be said that a trade union is an organisation of employees formed on a continuous basis for the purpose of securing diverse range of benefits.

An analysis of the above definition reveals that a trade union must be:

1. A combination of workers or employers,
2. Such a combination could be permanent or temporary,
3. Could include federation of two or more unions, and
4. To regulate relations among workmen, between workmen and employers, or among employers themselves.

1.3 CONCEPTS OF TRADE UNIONS

A union is “what it does” or unionism is “what it is”. Trade unions have emerged due to ‘group psychology’-a trade union constituting a common interpretation and set of beliefs concerned with problems confronting the

workers and a generalised programme of amelioration. Trade union is an organising centre. It provides the locus for collecting the forces of the working classes.

Trade unions are the focal points for the functional organisation of the working class towards a change in the structure of society. Trade unions are developed out of the spontaneous attempts on the part of workers to do away with the competition, to strengthen their bargaining position and to raise their working conditions.

A trade union is an association of employees for the primary purpose of effecting their employers' decisions about their better working conditions of employment. The basic objective of a trade union is, therefore, to represent the interest of its members. It seeks to get benefits for them. Trade unions can also be regarded as an institution for overcoming managerial dictatorship to strengthen individual worker and to provide him an opportunity for regulating and improving the conditions under which he has to work.

Trade unions play an important role in preventing the exploitation of employees in the hands of management. Over the years, the relationship between management and workers has changed from master and servant to employer and employee. The hire and fire policy of the management can be dispensed with the intervention of trade unions, who fight for the rights of workers.

Without the formation of trade unions, employees can get the rights at their individual level, because their bargaining position tends to be weak and they stand at the lower ebb in the organisation. With the unionism, they can collectively press for their genuine demands, and improve their position in the society.

1.4 EVOLUTION OF TRADE UNIONS

The British started colonizing the Indian sub-continent in the 1600s and started to set up factories and mills in India just like the Industrial Revolution in Britain. The main reason why the British found it apt to start industrialization in India was that India had an abundance of cheap and poor labour along with natural resources and land for setting up the industries.

The cotton mill was established in 1851 in Bombay and first jute mill was established in 1855 in Bengal.

Just like in Britain, the conditions of labour in India was worse. The exploitative and pitiable working terms such as working hours, wages and expelling policies made the labours join hands and unite and protest. One of the first unrest among labourers can be dated back to the year 1877 when due to sudden reduction in wages the labourers of Empress Mill, Nagpur organized a strike.

Since such unionism was a new phenomenon there existed no law to legalize and regulate these new labour unions. With growing discontent and unrest among the labour class and constant tiff with the employer class, few steps were taken to inquire and resolve the situation.

Factories Commission, 1875: Factories Commission, 1875 was the first commission set up which properly inquired into the conditions of the factories and came to the conclusion that some kind of legal limit was necessary and the Factories Act, 1881 was passed.

Factories Commission, 1885: The Second Commission was set up in 1885 and on the basis of the inquiry and second Factories Act in 1891 was passed.

Royal Commission on Labor, 1892: The Commission led to imposing of limitations on working hours in factories.

Factories Commissions and Factories legislations caused no improvement in the working conditions of the labour class in India. In 1885 all workers of India had also signed a memorandum with their employers to provide them with basic minimum working conditions. However, the situation did not improve.

The initial approach by labourers was humanistic in nature under the background of the setting up of Indian National Congress and non-violence movement initiated by Mahatma Gandhi.

Post World War I period:

When World War I broke out there was the sudden diversion of all resources to cater to war needs and the employers were dependent on the labourers. It then the labourers realized that the employers need them as much as they need their employers. This gave them a “bargaining position”.

Trade unions started to get formed in India but the process was slow due to the leadership of socialist reformers. Yet many Trade unions started to get formulated. The first major trade union formed was the Madras Labour Union in 1918 under the presidentship of Mr B.P. Wadia. This was followed by the formation of the All India Trade Union Congress in 1920.

With the formation of Trade Unions, the labourers started to organize strikes and protests to assert their demands such as lowering of working hours, minimum basic wages,

The Buckingham Mill Case:

The formation of Trade Unions and the organization of strikes and protests by the labourers were not welcomed by the employers. To put an end to the activities of the newly formed trade unions and further to bar formation of Trade Unions the employers sought legal recourse.

One of the most important cases filed was against Mr B.P. Wadia who was the President of the Madras Labour Union that he conspired with workers and went on strike and was restraining trade. The Employers prayed for an injunction to stay the protests and activities done by the Trade Union.

Contentions raised by the Employers:

1. The strike is illegal because it amounts to a restraint of trade under Section 27 of the Indian Contract Act.
2. The strike constituted criminal conspiracy under section 120A of the Indian Penal Code 1860.
3. The strike also constituted civil conspiracy under civil law.

The Hon'ble Madras High Court granted the injunction to stay the strike on three grounds:

1. There was a valid cause of action in favour of employers.
2. There was a breach of law by the labourers.
3. There were losses suffered by the employers due to the actions of the trade union.

It is to be noted here that until this time there was no legislation which gave legal force/backing to trade unions. The Order of the Madras High Court was further blown to the truth that there was no law that legalized trade unionism in India.

The growing need to have pro-labour legislation led to the passing of the Indian Trade Union Act 1926. The word "India" was later dropped and the legislation named Trade Union Act, 1926 came into force.

The Preamble of the "An Act to provide for the registration of Trade Unions and in certain respects to define the law relating to registered Trade Unions".

Post World War I the cost of living increased and there was growing agitation against colonial rule. With the passing of the Trade Union Act emergence of "military trade unionism" was witnessed with a lot of strikes and protests by the Trade Unions. India also joined the International Labour Organization as a founding member.

Period Post 1947:

One major lacuna with the 1926 Act was that though it provided for voluntary registration of Trade Unions it did not provide for compulsory recognition of the Trade Unions by the employers and because it was not compulsory for the employers to recognize the Trade Unions, obviously did not recognize them. This again put a halt to the development of Trade unions.

For example, whenever the members of Trade Unions or their lawyers went to negotiate with the employers, the employers simply refused to talk to them on the ground that they do not recognize such Trade union, though it is registered!

The Act was amended in 1947 which provided for compulsory recognition by the employers of the representative Unions. However, the amended act has not been brought to force yet.

Trade Unionism in India from 1950 to 1970:

Independence of India was beneficial to Trade Unions in India in a huge way as the forefathers adopted the principles of equality for all, justice and freedom including the freedom of expression. The Constitution of India also recognized Freedom of Association as a Fundamental Right.

Planning was also adopted by India by the way of Five- year plans. The focus of the first two five-year plans was on industry and agriculture which led to setting up of large public sector industries. With the setting up of industries, the need for labour grew and trade unionism became active.

However, the trade unions saw their own troubles. Due to a lack in organization and proper leadership there was inter-union tensions and conflicts which was coupled with political interventions. The State took a paternalistic approach whereby it started dictating the unions. Hence, during this period strikes and protests were low as compared to the coming years.

Trade Unionism in India from 1970 to 1990:

From the mid of 1960, the economic situation of India had started to deteriorate mainly because of famines and wars witnessed by India in its preceding years. The rate of inflation rose and prices of food and grains soared. Industries were also affected by the structural changes in the economy. There were more protests, strikes and lockouts organized by the trade unions during this period.

Nationwide Emergency imposed during PM Indira Gandhi's regime from 1975 to 1977 suspended all the Fundamental Rights including the right to form associations and right to strike.

Post-Emergency the government had attempted to bring into force an industrial relations bill which aimed at banning strikes and lockouts in essential industries and services. However, the bill was met with strong opposition from different participants, specifically the trade unions. As a result, the bill was not passed.

The trade unions had achieved a domineering stance by this time. They had ached in their bargaining powers and had become more organized and were able to meet their requirements by negotiations and strikes.

Trade Unionism in India from 1990 to 1999:

ECONOMICS OF TRADE UNIONS – I

In 1991 the Government decided to open the economy by introducing the “New Economic Policy” (NEP). With pressures of liberalization, privatization and globalization cracks and splits were also seen in Trade Unions in India because the Government’s labour-friendly approach changed to be more investor-friendly. Due to globalization, there was massive cutting in the workforce and trade unions were trying hard to save labourers jobs. With the advent of liberalization in 1991, the industrial relations policy began to change. Now, the policy was tilted towards employers. Employers opted for workforce reduction, introduced policies of voluntary retirement schemes and flexibility in the workplace also increased. The age-old policy of protectionism proved inadequate for the Indian industry to remain competitive as the lack of flexibility posed a serious threat to manufacturers because they had to compete in the international market. Thus, globalization brought major changes in industrial relations policy in India. The main characteristics of trade unionism after globalization became the small size of membership, lack of adequate finance, non-fulfilment of welfare schemes, control of political parties and other outside interference in the activities of trade unions.

Trade Unionism in the 21st Century:

With difficulties faced by NEP, the trade unions had to face a barrage of problems but the silver lining is the growth in the number of trade unions, better organization and functioning. As per data of Labour Bureau, there are around 11,556 registered labour unions in India with average membership at 1283 members per union.

In 2001 the Act was amended. Major additions and amendments to the act are the following,

Amendment to Section 4: The proviso to Section 4, added after the 2001 amendment, now prescribes minimum number workers who should be part of the Trade Union at the time of making the application for registration. The proviso reads as,

“Provided that no Trade Union of workmen shall be registered unless at least ten per cent of one hundred of the workmen, whichever is less, engaged or employed in the establishment or industry with which it is connected are the members of such Trade Union on the date of making of an application for registration:

Provided further that no Trade Union of workmen shall be registered unless it has on the date of making application not less than seven persons as its members, who are workmen engaged or employed in the establishment or industry with which it is connected.”

Insertion of Section 9A: Minimum membership requirement was established by inserting Section 9A to the Act. The new Section 9A reads as, “9A. The minimum requirement about membership of a Trade Union.- A registered Trade Union of workmen shall at all times continue to have

not less than ten per cent or one hundred of the workmen, whichever is less, subject to a minimum of seven, engaged or employed in an establishment or industry with which it is connected, as its members.”

Proposed amendments

The Ministry of Labour and Employment has been deliberating on inserting a provision for recognition of trade unions at the central and state level. Contemplation to incorporate such an amend has come in the wake of numerous representations by trade unions. Hence, on 20th July 2018, the Ministry has published a notification in the official gazette proposing the amendment and has invited comments from the stakeholders and participants on the draft amendment.

If passed, a new Section 28A and Sub-section (2A) to Section 29 (2) will be inserted which will provide for compulsory recognition of Trade unions at both federal levels.

Conclusion:

Trade Unionism in India has come a long way. Initially from having no legal backing to illegalizing “strikes” by the unions to granting them registration procedure and compulsory recognition and now having full-fledged legislations and special courts, trade unions in India have attained remarkable status/standing in the labour movement. However, there are still few impediments that the trade unions face such as lack of financial resources and governmental support. Hence, there is still scope for the development of Trade Unionism in India.

1.5 ROLE OF TRADE UNIONS

The new role of trade unions lie in the protection of not only the interest of workers but also taking care of the organisation interest. They need to take up many developmental activities. They have to develop positive work culture, to resolve the conflicting issues by collective bargaining instead of coercive measures.

They need to adopt the role of educator, counsellor, facilitator and motivator instead of coercive bargainer or grievance handler. They must function as participative management and partner to explore the new opportunities provided by liberalisation and globalisation. The quote Dr. N.R. Sheth, (Industrial Journal of Industrial Relations, Oct 2001),

“Unions are at crossroads. They are on divergent path. One wonders they would like to map the new path early. They have to define their social responsibilities in relation to unemployed, contract workers. They may like to explore ways for development of new leadership for new trade unionism appropriate for the global society in the years ahead.”

Trade unions must take lead to become educator and information provider to the workers by explaining them the objectives, the mission and the plans of the organisation. They must provide counselling and vocational

guidance to the workers on their career opportunities, investment of their money, extra-curricular activities, children education etc.

Trade unions should provide friendly advices to the workers on their social problems like absenteeism, taking alcohol, indebtedness etc. The role of trade unions should be redefined as developmental institution rather than protest institution in the organisation. Leaders of trade unions must build human resource management philosophy for the development of employees.

In this regard, it will be appropriate to quote Dr. N.R. Sheth (Indian Journal of Industrial Relations, Oct 2001) –

“HRM-HRD provides a comprehensive leverage to management to feel responsive to the whole spectrum of workers’ interests—psychological, social, economic and organisational. Accordingly, unions are welcome as far as they exist; they should function essentially as partners in the pursuit of progress of the enterprise where their constituents work. The management emphasis is on development of workers as human resources or capital. The key areas are – sense of participation and ownership, training, communication, information, understanding, security, compensation, multi-skilling, reaching out to workers’ families, emotional intelligence, trust-building and the like. Unions should be adequately informed and involved in achieving excellent performance. Bipartite negotiations should lead to achievement of organisational goals. All unions’ leaders have accepted a positive role of unions in HRM-HRD and achievement of performance objectives. The emerging role of trade unions pulls unions progressively closer to the managerial functions of HRM-HRD. There seems to be a broad range of agreement between managers and unions leaders on the direction of change in this regard.”

1.6 APPROACHES TO THE ORIGIN OF TRADE UNIONS

The various approaches/theories of trade unions can be classified into the following five types:

1. Revolutionary Theory:

The revolutionary approach/theory of trade union is developed by Karl Marx. “This theory is also known as “the theory of class war and dialectical materialism”. According to Marx, trade union was the foremost organising centre to provide locus for streamlining the forces of working classes. The trade unions are, for Marx, the instruments to overthrow capitalism. These are, thus, prime instruments of the class struggle between proletarian workers and capitalist businessmen. Marx advocated that the working class must not divert itself from its revolutionary programme, because it is labour struggle only that can abolish capitalism. To Marx, workers’ emancipation involves abolition of capitalism.

2. Evolutionary Theory:

This theory also known as “theory of industrial democracy” was enunciated by Sydney and Beatrice Webbs. To Webbs, trade unionism is an extension of the principle of democracy in the industrial sphere. In other words, trade unionism is not an instrument to overthrow the capitalism, but a means of equalizing the bargaining power of labour and capital. Trade unionism provides a means, by which workers overcome managerial dictatorship, on the one hand, and express their voice in the determination of the conditions under which they have to work, on the other.

3. Theory of Industrial Jurisprudence:

According to S. H. Slitcher, the propounder of the “Theory of Industrial Jurisprudence”, workers individually fail in bargaining with employers for protecting their interests. In his view, trade unionism served as a means for workers to protect them in work. Such an approach of trade unionism, Slitcher termed as, “a system of industrial jurisprudence”.

4. Rebellion Theory:

To Frank Tannenbaum, the propounder of “Rebellion Theory”, trade unionism is a spontaneous outcome in the growth of mechanisation. He believes that the use of machines leads to exploitation of workers. Thus, machine is the cause and labour movement, i.e., trade unionism is the result. In other words, trade unionism is a rebellion approach against mechanisation and automatization of industrial society to protect workers’ interest in the enterprises.

5. The Gandhian Approach:

The Gandhian approach of trade unionism is based on “class collaboration rather than class conflict and struggle”. The idea to take worker’s due share from capitalist by reform and self-consciousness among workers led to the emergence of trade unionism. Thus, the Gandhian approach of trade unionism is not only related to material aspect, but also moral and intellectual aspects.

Gandhi emphasized that the direct aim of a trade unionism is not, in the last degree political. Instead, its direct aim is internal reform and also evolution of internal strength. Also, trade unionism, according to the Gandhian approach is not anticapitalistic as is generally viewed.

1.7 SUMMARY

Trade Unionism in India has come a long way. Initially from having no legal backing to illegalizing “strikes” by the unions to granting them registration procedure and compulsory recognition and now having full-fledged legislations and special courts, trade unions in India have attained remarkable status/standing in the labour movement. However, there are still few impediments that the trade unions face such as lack of financial

resources and governmental support. Hence, there is still scope for the development of Trade Unionism in India.

1.8 QUESTIONS

1. Write note on evolution of trade unions.
2. Give the definition of trade unions and the role of trade unions.
3. Explain the approaches to the origin of trade unions.

munotes.in

ECONOMICS OF TRADE UNIONS – II

Unit Structure

- 2.0 Objectives
- 2.1 Introduction
- 2.2 Bargaining Theory of Wages
- 2.3 Impact of Unions on Productivity
- 2.4 Impact of Unions on Wages
- 2.5 Employment Security and Efficiency
- 2.6 Unorganised Sector
- 2.7 Summary
- 2.8 Questions

2.0 OBJECTIVES

- To appreciate the meaning economics of unions and understand the bargaining theory of wages.
- To understand the impact of unions on productivity and wages.
- To appreciate the relation between employment security and efficiency.

2.1 INTRODUCTION

Economists who study unions analyse them as cartels that raise wages above competitive levels by restricting the supply of labour to various firms and industries. Many unions have been successful in obtaining higher wages and better working conditions for their members. However, in the process, they have reduced the number of jobs available in unionized companies. The loss of economic welfare occurs because of the basic law of demand i.e., if unions successfully raise the price of labour, employers will purchase less of it. Thus, unions are a major anticompetitive force in labour markets. Their gains come at the expense of consumers, non-union workers, the jobless, taxpayers and owners of companies.

According to Harvard economists Richard Freeman and James Madoff, “Most, if not all, unions have monopoly power, which they can use to raise wages above competitive levels” (1984, p. 6). Unions’ power to fix high prices for their members’ labour rests on legal privileges and immunities that they get from government, both by statute and by non-enforcement of other laws. The purpose of these legal privileges is to restrict others from working for lower wages. Union’s world over enjoys many legal privileges. Unions are immune from taxation and from MRTP laws. Companies are legally compelled to bargain with unions. Once the

government ratifies a union's position as representing a group of workers, it represents them exclusively, whether or not particular employees want collective representation. In 2002, unions represented about 1.7 million waged and salaried employees who were not union members in the United States. Unions often use funds collected from the workers for political purposes such as political campaigns and voter registration which are not related to collective bargaining or to employee grievances. Unions are relatively immune from payment of tort damages for injuries inflicted in labour disputes, from court injunctions, and from many state laws.

Labour unions cannot prosper in a competitive environment. Like other successful cartels, they depend on government patronage and protection. Worker cartels grew during the two world wars and the Great Depression of the 1930s. In India, labour laws protecting the rights of workers and laws relating to trade union formation and recognition along with laws relating to industrial relations protect and help prosper trade unionism in the country. For instance, the Trade Union Act of 1926 gives the workers the right to form unions. The Industrial Disputes Act 1947 recognizes the trade union as a bargaining agent and the employers have the legal obligation to sit across with the Unions and execute collective wage agreements.

In the United States, most unions in the private sector are in crafts and industries that have few companies or that are concentrated in one region of the country. Both factors: few employers and regionally concentrated employers, make organizing easier. Conversely, the large number of employers and the regional dispersion of employer's limit unionization in trade, services, and agriculture. In 2002 unionization rate was 37.5 percent in the government sector whereas it was only 8.5 percent in the private sector. It shows that unions do best in heavily regulated, monopolistic environments. Even within the private sector, the highest unionization rates (23.8 percent) were in transportation (airlines, railroads, trucking, urban transit, etc.) and public utilities (21.8 percent), two heavily regulated industries. In India, unionization or union membership was highest in the transport, storage and communication industry with 40 per cent membership, followed by trade, hotels and restaurants with 36 per cent membership in the year 1997. The primary sector consisting of agriculture, forestry and fishing had only 21 per cent union membership in 1997.

The Economic Consequences of Unions: In 2002, in the United States, full-time non-union workers had usual weekly earnings of \$587, 21 percent lower than the \$740 earned by union members. H. Gregg Lewis's 1985 survey of two hundred economic studies concluded that unions caused their members' wages to be, on average, 14 to 15 percent higher than wages of similarly skilled non-union workers. Other economists such as Harvard's Freeman and Madoff, and Peter Linneman and Michael Wachter of the University of Pennsylvania claimed that the union premium was 20 to 30 percent or higher during the 1980s. In a recent National Bureau of Economic Analysis study, David Blanchflower and Alex Bryson found a union wage differential of 18 percent, a relatively stable premium from 1973 through 1995.

The wage premium varies by industry and stage of the business cycle. Unions representing garment workers, textile workers, white-collar government workers, and teachers seem to have little impact on wages. But wages of unionized mine workers, building trades people, airline pilots, merchant seamen, postal workers, rail workers, and auto and steel workers exceed wages of similarly skilled non-union employees by 25 percent or more. During the job boom of the late 1990s, the union premium eroded, following a historical pattern. Union wage agreements tend to be relatively rigid for three years, so gains lag behind the more responsive and flexible non-union sector during a boom. The reverse happens during an employment slump like that of the early 2000s because non-union wage growth slumps as hiring weakens, while union wage gains go up.

The wage advantage enjoyed by unionized workers is due to two factors. First, monopoly unions raise wages above competitive levels. Second, non-union wages fall because workers displaced from jobs by high union wages move into the non-union sector and bid down wages there. Thus, some of the gains to union members come at the expense of those who must shift to lower-paying or less desirable jobs or go unemployed.

The monopoly success of private-sector unions, however, has brought their decline. The silent, steady forces of the marketplace continually undermine them. Linneman and Wachter, along with economist William Carter, found that the rising union wage premium was responsible for up to 64 percent of the decline in unions' share of employment in the last twenty years. The average union wage premium for railroad workers over similarly skilled non-railroad workers, for example, increased from 32 percent to 50 percent between 1973 and 1987; at the same time, employment on railroads declined from 520,000 to 249,000. By 2002, railroad employment had slipped to 216,000, down 13 percent since 1987, while total nonfarm employment grew 26 percent during the same period. Increased wage premiums also caused declines in union employment in construction, manufacturing, and communications. The silent, steady forces of the marketplace continually undermine labour cartels.

In recent decades, union representation of workers has declined in all private industries in the United States. A major reason is that employees do not like unions. According to a Louis Harris poll commissioned by the AFLCIO in 1984, only one in three U.S. employees would vote for union representation in a secret ballot election. The Harris poll found, as have other surveys, that non-union employees are more satisfied than union workers with job security, recognition of job performance, and participation in decisions that affect their jobs. And the U.S. economy's evolution toward smaller companies, the South and West, higher-technology products, and more professional and technical personnel continues to erode union membership.

In the United States, union membership in the private sector peaked at 17 million in 1970 and had fallen by nearly half to 8.8 million by 2002.

2.2 BARGAINING THEORY OF WAGES

The bargaining theory of wages was developed by Prof. John Davidson in 1893. The theory holds that wages are determined by the relative bargaining power of employers and workers. If the bargaining power of workers is greater than that of the employers, the workers will get a better deal in terms of wages and working conditions and vice versa. The theory was put forward by Thornton, Davidson, Maurice Dobb, Sydney Webb and Beatrice Webb. The theory gained currency after 1933. The theory was supported by JM Keynes who advocated greater transfer of national income from the rich to the workers to boost aggregate demand in the economy and avert economic crisis. The writings of Adam Smith also contained some of the ideas of the bargaining theory. Adam Smith stated that the employers have the advantage in disputes over wage rates because they can combine much more easily.

The bargaining theory of wages is based on the following assumptions:

1. Wages, hours and working conditions are determined by the relative bargaining strength of the workers and employers.
2. Without organization and concerted action, there will be a tendency toward undesirable conditions for workers.
3. No adequate safeguard is found in the operation of the factors at work in the organized trade.
4. There is a flexible, changeable situation and that by means of organized effort positive improvement can be secured in wages, hours and other important details of labour contract and in their administration

Advocates of the theory like Davidson and Dobb and Sydney and Beatrice Webb maintain that the wage rates will be settled between the upper and lower limits. Employers want to pay less and would not beyond a certain limit and take into consideration factors like the productivity of labour, investment in capital equipment, the cost of borrowing money, competition of the firms and the possibility of substituting machinery or land for labour in production. The workers will take into consideration their standard of living, self-esteem, opinion of others, working conditions in other industries, trade union policies etc. The actual determination of wages will fall between these two limits and it will depend upon the relative bargaining strength of the two parties. The theory states that wages increase by pressure and the workers will be able to get a higher share in the national income at the cost of non-wage income earners. The upper limit of wages will be the marginal productivity of the labour and the lower will be the amount sufficient to maintain the labour in his present standard of living. The theory suggests that workers have weak bargaining power unless combined. The bargaining theory also suggests that if the bargaining power of workers can be strengthened, the monopolists can be made to part with their extraordinary profits both in

the labour and product markets to the labour and that under favourable circumstances wages higher than the marginal productivity can be exacted out of monopoly profits.

The bargaining theory of wages is applicable under the conditions of imperfect competition. It also explains the differential wage rate. However, the theory has been criticized on the basis of the fact that it is not a complete theory as it has no long run postulates. It is believed that collective bargaining will neither bring justice nor economic gain to the workers. It will further harm the employment prospects of the workers and will promote irresponsible behaviour on the part of workers. Bargaining based wage settlements have its social costs in terms of strikes and lockouts. Collective bargaining may create differences in wages where equalization is necessary or may bring equalization by coercion where differentials are necessary.

2.3 IMPACT OF UNIONS ON PRODUCTIVITY

Understanding of unions' effects on productivity is critical to the assessment of labour unions, performance and labour law. Productivity means output for given levels of inputs. A firm that is more productive than another can produce more output using the same combination of inputs or, equivalently, produce the same output using fewer inputs. Increase in productivity attributable to union, mean a real shift in the marginal product schedule, and not just a movement up the labour demand curve (implying a higher capital-labour ratio) in response to a higher wage. If collective bargaining in the workplace were systematically to increase productivity and to do so to such an extent that it fully offset compensation increases, then a strong argument could be made for policies that facilitate union organizing. Productivity increases, it was argued, are affected through the exercise of collective voice along with an appropriate institutional response from management. According to this view, unions lower turnover and establish in workplaces more efficient governance structures that are characterized by public goods, complementarities in production, and long-term contractual relations. The thesis that unions significantly increase productivity has not held up well. Subsequent studies were as likely to find that unions had negative as opposed to positive effects upon productivity. A large enhancement of productivity because of unionization is inconsistent with evidence on profitability and employment. Attention has focused on the dynamic effect of unionization and the negative effects of unions on growth in productivity, sales, and employment. Effects upon productivity tend to be largest in industries where the union wage premium is most pronounced. This pattern is what critics of the production function test predict that union density coefficients in fact reflect a wage rather than a productivity effect. These results also support a "shock effect" interpretation of unionization, whereby management must respond to an increase in labour costs by organizing more efficiently, reducing slack, and increasing measured productivity. Positive effects by unions upon productivity are typically largest where competitive pressure exists and these positive

effects are largely restricted to the private, for-profit, sectors. Notably absent are positive effects of unions upon productivity in public school construction, public libraries, government bureaus, schools, law enforcement and hospitals. This interpretation of the productivity studies has an interesting twist: the evidence suggests that a relatively competitive, cost-conscious economic environment is a necessary condition for a positive effect of unions upon productivity, and that the managerial response should be stronger, the larger the union wage premium or the greater the pressure on profits. Yet in such competitive environments that there should be relatively little managerial slack and the least scope for union organizing and wage gains. Therefore, the possibility of a sizable effect by unions upon productivity across the whole economy appears rather limited.

Evidence for other countries is far more limited. British studies, although few in number, show a negative relationship between union density and productivity levels. Evidence for Canada based on an aggregate manufacturing time-series data for the period from 1926 to 1978, suggests initially positive union "shock" effects on productivity, although slower productivity growth due to unionization offsets the positive effects within 5 to 8 years. German evidence is particularly difficult to sort out owing to the widespread presence both of unions with national or centralized bargaining and of mandatory works councils in union and sometimes in non-union settings. Brunello (1992) finds that unions, except those working for small suppliers facing competitive pressure, tend to have negative effects on productivity (and profits) in Japan. Although international evidence is limited, that which exists is broadly supportive of our interpretation of the American evidence. (Ref: Unionization and Economic Performance: Evidence on Productivity, Profits, Investment, and Growth by Barry T. Hirsch Professor of Economics, Florida State University).

2.4 IMPACT OF UNIONS ON WAGES

The study of the impact of unions on the economic performance of firms and the competitiveness of the economy is important in the context of Government policy and the design of labour law. It provides the rationale for either strengthening or weakening labour legislation governing bargaining rights and the organizing of unions. Professor Barry T. Hirsch has conducted a study to research into the effects of unionization on productivity, profitability, investment, and employment growth. Barry's study is based on United States, Canada, Japan and Britain. He concludes that the effects of unions upon productivity and productivity growth are small. They do not offset the cost increase resulting from higher union wages. The evidence presented in his study clearly indicates that unionization leads to lower profitability. The impact of unions on profitability at the level of the industry or the firm is such that unionized firms have profits that are 10 percent to 20 percent lower than the profits of non-union firms. Further, the evidence from Britain also suggests that closed-shop unions have a stronger negative impact on profitability.

Recent research also shows that union monopolies reduce investment in physical capital and in research & development and other forms of innovative activity.

In a study conducted by Professor Hirsch of 500 publicly traded American manufacturing firms, the capital investment of an average unionized firm was 6 percent lower than that of a comparable non-union firm. Hirsch also found that the average unionized firm made 15 percent lower annual expenditure on R&D. A Canadian study using aggregate data also finds that unions reduce investment in physical capital by a significant margin.

The wage rates are higher in unionized firms. Given higher wages and lower levels of profitability and investment in unionized firms, the employment growth is lower. Studies from Canada, the United States, and Britain on the effects of unionization upon employment show the negative impact of unionization upon employment growth. In the case of Canada, a study conducted in 1993 by Professor Richard Long confirms the international evidence. This study examined the performance of 510 manufacturing firms during the period from 1980 to 1985 and found that the median growth rate of non-union firms during this period was 27 percent while the growth rate of unionized firms was zero. After making adjustments in his analysis to account for the fact that unionized firms tend to be larger than non-unionized firms and found in declining industries, he concluded that unionized manufacturing firms grew 3.7 percent slower than comparable non-unionized firms; and unionized firms in the non-manufacturing sector grew 3.9 percent slower than their non-union counterparts. In sum, the evidence from research indicates that unions tend to increase wages but not productivity, reduce profitability, reduce investment in physical capital and R&D, and, most importantly, lower the rate of employment growth.

2.5 EMPLOYMENT SECURITY AND EFFICIENCY

Employment security and efficiency are inter-related. The question is whether they are positively related or negatively related. A positive relationship between employment security and efficiency implies that if the level of employment security is high, efficiency of the workers will also be high. A negative relationship between the two would imply that when employment security goes up, efficiency of the employees goes down. A point to note in the context of India, one may like to say that the efficiency levels of public sector employees who enjoy high levels of employment security is low compared to the employees in the organized private sector who enjoys relatively lower levels of employment security. The efficiency levels of employees working in the unorganized sector where employment security depends on the pleasure of the employer, efficiency levels may be much higher than their public sector or even organized private sector counterparts. However, the issue to be considered is whether employment security alone can influence employee efficiency or there are a host of other factors which also influence employee efficiency?

Employee efficiency may be defined as the amount of physical output per person hour. However, output is not the function of employee alone. There are a number of other factors which influence efficiency or output. These are: working conditions, capital endowment, quality of raw materials, managerial system etc.

On an average, employee efficiency in India is considered to be lower than their counterparts in Europe, United States and Japan. However, with increasing capital endowment in organized industries such as cotton textiles has contributed to the improvement in efficiency of Indian labour. As against the cotton textile industry, the coal mining industry experienced a decline in employee efficiency in the middle of the twentieth century. The reason for such decline cannot be found the inherent character of Indian labour but in the circumstances in which workers work in Indian industries. The ability of the employees depends upon factors such as diet, housing, climate, hours of work, training, re-training, working conditions etc. The willingness to work depends upon the behaviour of the employer, prospects of vertical and horizontal mobility and the drive and initiative of employees.

The factors that are responsible for the poor efficiency of industrial labour in India can be stated as follows:

1. Climatic conditions are not congenial to greater efficiency and productivity.
2. Indian labour is not completely urbanized and therefore prone to internal migration.
3. Low wages and low standard of living. For instance, only seven per cent of the labour force in India works in the organized sector and enjoy employment security and other benefits.
4. The quality of capital and raw materials is poor and hence efficiency is also low.
5. The quality of human resources in India is also poor on account of low levels of education and training.
6. Working hours are long in the unorganized sector and adequate compensation is not given to the workers.

The efficiency of labour in India can be improved if the causes of low efficiency are eliminated.

2.6 UNORGANISED SECTOR

The Indian labour market is divided into two segments or sectors. These are known as Organized and Unorganized sectors. The organized sector of the labour market is very small and in percentage terms is about 7% of the total employment in the country. Manufacturing, electricity, transport and financial services are largely in the organized sector. In the unorganized

sector, the agricultural sector is the largest sector with sixty-five per cent of the population directly depending upon it. Apart from agriculture, the other industries in the unorganized sector are mining, manufacturing, construction, trade, transport and community, social and personal services.

Unorganized Labour:

The unorganized sector provides employment to 97% of the labour force. Unorganized labour by definition constitutes those workers who are not able to organize themselves and pursue common objectives due to reasons such as casual nature of employment, ignorance and illiteracy, small and scattered establishments and superior strength of the employer. It includes construction labour, casual labour, labour employed in small scale industries, handloom and power loom workers, beedi and cigar workers, workers in shops and commercial establishments, sweepers and helpers, tannery workers, tribal labour and other unprotected forms of labour. Contract labour is also a part of the unorganized labour force.

Some of the specific problems of unorganized labour can be stated as follows:

1. Absence of legislation that will guarantee a minimum of protection and welfare to all workers in the unorganized sector.
2. The workers are not given a regular and official identity card. Identity card gives legal identity and recognition to workers.
3. There is no legal protection of employment of unorganized workers. They are therefore exploited in different ways. Arbitrary dismissals, denial of minimum wages, delay in payment of wages, absence of a fixed payment day, absence of compensation to workers injured at the work place, absence of welfare facilities etc.
4. The unorganized workers are not covered by social security legislation. They are precluded from enjoying the benefits of provident fund, pension, medical care, child care and maternity benefits.

In order to extend legislative protection to the unorganized workers, the National Commission on Labour 2002 has recommended an umbrella legislation which would guarantee minimum protection and welfare to all workers in the unorganized sector.

2.7 SUMMARY

1. Economists who study unions analyse them as cartels that raise wages above competitive levels by restricting the supply of labour to various firms and industries. Unions are a major anticompetitive force in labour markets. Their gains come at the expense of consumers, non-union workers, jobless, taxpayers and owners of companies.
2. The bargaining theory of wages is based on the following assumptions:

- a. Wages, hours and working conditions are determined by the relative bargaining strength of the workers and employers.
 - b. Without organization and concerted action, there will be a tendency toward undesirable conditions for workers.
 - c. No adequate safeguard is found in the operation of the factors at work in the organized trade.
 - d. There is a flexible, changeable situation and that by means of organized effort positive improvement can be secured in wages, hours and other important details of labour contract and in their administration.
3. The study on the impact of unions on productivity clearly indicates that unionization leads to lower profitability. The impact of unions on profitability at the level of the industry or the firm is such that unionized firms have profits that are 10 percent to 20 percent lower than the profits of non-union firms. Recent research also shows that union monopolies reduce investment in physical capital and in research & development and other forms of innovative activity.
 4. A positive relationship between employment security and efficiency implies that if the level of employment security is high, efficiency of the workers will also be high. A negative relationship between the two would imply that when employment security goes up, efficiency of the employees goes down.

2.8 QUESTIONS

1. Explain the bargaining theory of wages.
2. Discuss on the impact of unions on productivity and wages.
3. Write a note on employment security and efficiency.
4. Write a note on 'Unorganised Sector'.

INDUSTRIAL RELATIONS – I

Unit Structure

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Definition of Industrial Relations
- 3.3 Scope of Industrial Relations
- 3.4 Approaches to Industrial Relations
 - 3.4.1 System Approaches
 - 3.4.2 Class Conflict Approaches
- 3.5 Summary
- 3.6 Questions

3.0 OBJECTIVES

- To study the definition and scope of industrial relations.
- To study the various approaches to the industrial relations.

3.1 INTRODUCTION

Trade unionism is the outcome of the factory system and the capitalist order of the society. Modern industrialization in India started from 1850 onwards when the first cotton and jute mills were set up along with the development of road and rail ways. However, trade unionism in India took its birth only in the last quarter of the 19th century. The year 1875 is a landmark in the history of trade union movement in India because the factory workers for the first time united together for securing better working conditions.

3.2 DEFINITION OF INDUSTRIAL RELATIONS

According to Dale Yoder, “industrial relations describe relationships between management and employees or among employees and their organizations that characterize or grow out of employment.”

The International Institute of labour Studies has defined it as “social relations in production.” A very idealistic definition of industrial relations is given by Mead and Metcalfe. According to Mead and Metcalf, “industrial relations are the composite result of the attitudes and approaches of employers and employees towards each other with regard to planning, supervision, direction and coordination of the activities of an

organization with a minimum of human efforts and frictions with an animating spirit of co-operation and with proper regard for the genuine well-being of all members of the organization.”

According to Professor Clegg, industrial relations refer to “the rules governing employment together with the ways in which the rules are made and changed and their interpretation and administration.” The essence of industrial relations can be found in employer-employee relations as defined by the parties involved. The employer is represented by the management and the employees are represented by their trade unions. Hence industrial relations also refer to management-union relations. The most important party involved in industrial relations is the State who defines and provides the framework in which the system of industrial relations operates.

3.3 SCOPE OF INDUSTRIAL RELATIONS

The study of definitions of industrial relations clearly delimits the scope of the subject and it includes the following aspects:

1. Labour relations i.e., relations between union and management.
2. Employer-employee relations i.e., relations between management and workers.
3. Group relations i.e., relations between various groups of workmen.
4. Community or public relations i.e., relations between industry and society.

3.4 APPROACHES TO INDUSTRIAL RELATIONS

Industrial relation is a multi-disciplinary and inter-disciplinary subject. It is rooted in social sciences and hence it has political, social, economic and psychological dimensions. It is also related to other social sciences such as history, social anthropology, law and management. Industrial relations as an interdisciplinary discipline draw from all the social sciences and come into being as an independent applied discipline. Economics provide an economic interpretation of the issues involved in industrial relations through its specialized discipline called labour Economics. Similarly, sociology explains the social background of the workers and the impact of shared values, mores and norms on human behaviour through Industrial Sociology. Industrial psychology provides measuring tools and concepts in dealing with matters such as recruitment, placement, training, fatigue, morale etc. labour laws and their interpretations and amendments contribute to the growth of industrial jurisprudence. Quantitative methods and statistical techniques help in understanding the exact state of industrial relations in a country, state or a city.

Due to the multi-disciplinary nature of the subject, a number of social scientists have put forward their explanations of industrial relations which are now known as theories or approaches to industrial relations. Some of

the important theories and approaches to industrial relations are explained below.

3.4.1 System Approaches to Industrial Relations:

The System approach to industrial relations was put forward by John Dunlop. This approach focuses on the participants in the industrial relations process, environmental forces and the output. It also studies the causes of these inter-relations among different aspects of industrial relations. The system approach is illustrated in Fig. 3.1. The basic elements of the system approach are:

1. Participants in the System:

There are three participants. They are: workers and their organizations, management and their representatives and specialized government agencies like labour courts. These participants interact within the social and economic framework. Their interaction involves three significant strata which Dunlop called as the 'Sub-systems of the Industrial Relation System'.

2. Ideological Basis:

The relations among the sub-systems are regulated by their ideological lineages. According to Dunlop, an ideology is a set of ideas and beliefs commonly held by the actors that helps to build or integrate the system together as an entity.

3. The Environment or the Context:

The context or the environment is the ground in which participants interact. Dunlop has identified three types of environments that are relevant to industrial relations. These are: the technological characteristics of the workshop, the market or economic constraints and the locus and balance of power existing in a society. These three types of environments or components are known as the subsystems. These subsystems can be called as the technological subsystem, the economic subsystem and the political subsystem.

- a) The Technological Sub-system. Industrial relations depend upon the choice and availability of technology. Thus, industrial relations would be different under labour- and capital-intensive technologies. Changes in technology increase employer's expectations about the skills of the workers. The work processes and methods with modern techniques reduce manual work and workers acquire greater control over their work and higher production can be achieved.
- b) The Economic Subsystem. Market or economic limitations also influence industrial relations because the need for labour is closely associated with the demand for the products. As competition increases, market shares of firms become uncertain and this in turn influences industrial relations.

- c) **The Political Subsystem.** The locus and balance of power in a society in the form of power centres i.e., workers' organizations, the employers and the government also influence the relationship between labour and management. In the initial stages, workers and employers demonstrate their strength to further their interests. The regulatory role of the government is therefore an important part in shaping the pattern of industrial relations. A conflict emerges strongly when the parties are less mature, are power conscious and therefore aggressive. However, the conflict tends to recede from the scene when the parties become more mature, responsible and discreet in the use of power and learn to accommodate themselves with each other.

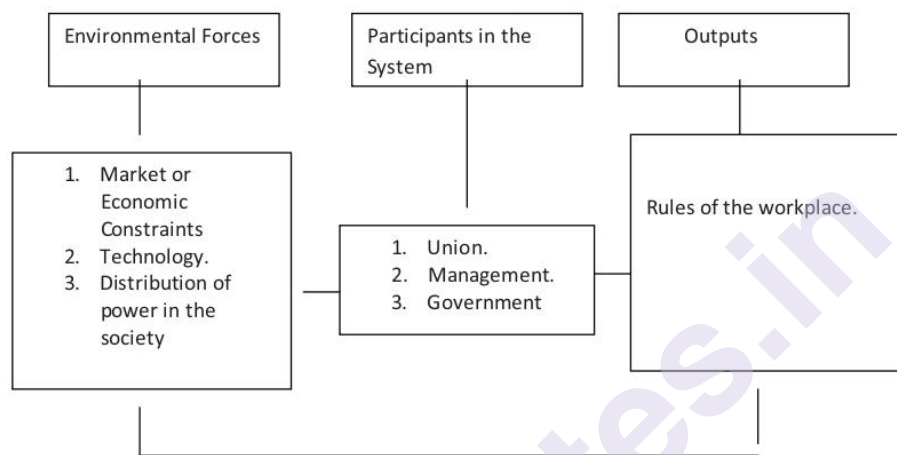


Fig. 3.1: Dunlop's Approach to Industrial Relations

The actors in these sub-systems act react and interact. Their activities influence others and are influenced in turn by others. Their interactions take place under the influence of various types of factors and within certain environments. For example, economic factors like inflation have a major impact on industrial relations. Every inflationary situation leads to higher incidences of industrial unrest and every recessionary situation usually leads to a decline of industrial action. This potentially disruptive issue is dealt with by devising rules for its automatic adjustment. For instance, in the United States, inflation compensation is subject to collective bargaining. In India, dearness allowance is settled by linking it with the Consumer Price Index. Further industrial relations would be different in a labour-intensive industry as compared to a capital-intensive industry. The proximity of actors to centres of power would also influence the process. The economic, social and technological factors operating on the three actors make them devise rules or legislation whenever these factors affect their relationship.

Limitations of the Dunlop's System Approach:

Dunlop has not paid any attention to behavioural variables like motivation, perceptions and attitudes and their tendency to concentrate on the rule making institutions and the settlement of conflict. However, Dunlop's model does take into account the complexity of the industrial relations process and is flexible to be adapted for use in any country or any

situation. While rules are not the only thing in industrial relations, they provide the broad guidelines of a system and do help to explain the basic characteristics. They do not prevent the integration of perceptions and behavioural elements into an understanding of the system. Hence this model provides a very useful framework of analysis of the Indian industrial relations system. Finally, Dunlop's model is not normative in nature but objective enough to explain the causes and consequences of the various processes involved in industrial relations.

3.4.2 Class Conflict Approaches to Industrial Relations:

According to Karl Marx (1818-1883), industrial relations between the workers and the capitalist are contradictory by nature. The contradiction in relations is the result of contradictory objectives of the classes. Marx believed that capitalists aim at profit maximization and workers aim at maximization of wages. The two objectives cannot be reconciled because industrial relation is a zero-sum game in which one has to lose so that the other gains. Thus, the capitalists as the owners of the means of production are in a strong position to gain profits at the cost of wages. This contradictory and unholy relation can be put to an end only by destroying the class of capitalists and a classless society is established. A classless society can be established only through a class struggle. The trade union is the main instrument of class struggle between the workers (proletariat) and the capitalists (bourgeoisie). The seeds of self-destruction are ingrained in capitalism and they manifest in three important self-destructive tendencies. These tendencies are:

a) Concentration of wealth and income in the hands of a few big capitalists:

The working class or have-nots can only sell their labour power and receive subsistence wages. The capitalist's classes are the owners of the means of production and are habitually exploiting the workers by extracting surplus value.

b) Competition amongst the capitalists results in competitive technology and rising organic composition of capital:

Since labour is paid only the subsistence wages, there is no possibility of further wage reduction and the capitalist class therefore has to compete amongst themselves. This leads to fall in labour power. Since labour power is the only source of surplus value or profits, falling labour power leads to falling surplus value on the one hand and rising industrial reserve army on the other hand. Increasing pauperization of the workers due to rising unemployment and progressively shrinking class of the capitalists along with over production weakens the capitalists' class further. Thus, sowing the seeds of destruction of the capitalist class.

c) Competitive Elimination of Fellow Capitalists:

Competition eliminates fellow capitalists, and those who are eliminated joins the ranks of the industrial reserve army and the workers having

realized the cause of their misery, unites together to overthrow the capitalist system to make way for socialism.

Marx believed that industrial capitalism gave birth to trade unionism because for the first time in the economic history of the world, a class of faceless people called workers was working together in factories. The working conditions were dehumanizing, wages were often paid below the subsistence rate and the workers as a class were entirely alienated from the process of work, from the product of work and finally from the society. The workers therefore begin to unite or form Trade Unions against the capitalists' class. Marx believed that the trade unions should not limit their activity to improving wages and working conditions. They should use their organized power to liberate the workers and destroy the capitalist system. In order to become a class for itself from being a class in itself, the workers need to change their economic relations and this is possible only through a political struggle. He exhorted the workers of the world to unite and overthrow the capitalist system through a revolution. He believed that working class will be successful in this struggle to establish socialism wherein the means of production will be owned by the State and the State will be entirely represented by only one class of people called the working class since there would be no other class but the working class.

The conflict between the capitalists and the workers represented by trade unions is inherent under the capitalist system. According to Marx, trade unionism is only one of the forms of working-class struggle which emerges during industrial capitalism or factory system. The trade unions need to be guided to the path of a revolutionary transformation of the society leading to socialism.

3.5 SUMMARY

1. Industrial relations include the following aspects:
 - a) Labor relations i.e. relations between union and management.
 - b) Employer-employee relations i.e. relations between management and workers.
 - c) Group relations i.e. relations between various groups of workmen.
 - d) Community or public relations i.e. relations between industry and society.
2. The System approach to industrial relations was put forward by John Dunlop. It focuses on the participants in the industrial relations process, environmental forces and the output and also studies the causes of these inter-relations among different aspects of industrial relations.
3. According to Karl Marx (1818-1883), industrial relations between the workers and the capitalist are contradictory by nature. The contradiction in relations is the result of contradictory objectives of

the classes. Marx believed that capitalists aim at profit maximization and workers aim at maximization of wages. The two objectives cannot be reconciled because industrial relation is a zero-sum game in which one has to lose so that the other gains.

4. Trade unionism is the outcome of the factory system and the capitalist order of the society. Modern industrialization in India started from 1850 onwards when the first cotton and jute mills were set up along with the development of road and rail ways. The year 1875 is a landmark in the history of trade union movement in India because the factory workers for the first time united together for securing better working conditions.
5. The Indian labour market is divided into Organized and Unorganized sectors. The organized sector of the labour market is very small and in percentage terms is about 7% of the total employment in the country. Manufacturing, electricity, transport and financial services are largely in the organized sector. In the unorganized sector, apart from agriculture, the other industries in the unorganized sector are mining, manufacturing, construction, trade, transport and community, social and personal services.
6. The sociological roots of industrial problems can be traced to sociological factors like value system, customs, norms, symbols, attitude and perception of both labour and management that affect the industrial relations in different ways. These factors determine the behaviour of workers. The social consequences of industrialization like organization, social mobility, migration generates many social evils like family disintegration, stress and strain, delinquency, personal and social disorganization do influence workers efficiency and productivity which in turn influence industrial relations system of an industry.

3.6 QUESTIONS

1. Critically examine the system's approach to industrial relations.
2. Analyse the class conflict approach to industrial relations.
3. Compare and contrast the problems of organized and unorganized labour in India.
4. Critically examine the sociological approach to labour market analysis.
5. Give the definition industrial relations and discuss the scope of industrial relations.

INDUSTRIAL RELATIONS – II

Unit Structure

- 4.0 Objectives
- 4.1 Taylorism
- 4.2 Fordism
- 4.3 Post-Fordism
- 4.4 Neo-Fordism
- 4.5 Pluralism
- 4.6 Human Relations School and Organisational Behaviour Approach
- 4.7 Summary
- 4.8 Questions

4.0 OBJECTIVES

- To study the concept of Taylorism.
- To study the concepts of Fordism, Post-Fordism and Neo-Fordism.
- To study the human relations school and organisational behaviour approach.

4.1 TAYLORISM

Scientific management or Taylorism, was a theory of management that analyzed and synthesized workflows. Its main objective was improving economic efficiency, especially labor productivity. It was one of the earliest attempts to apply science to the engineering of processes and to management. Its development began with Frederick Winslow Taylor in the 1880s and 1890s within the manufacturing industries. Its peak of influence came in the 1910s. By the 1920s, it was still influential but had begun an era of competition and syncretism with opposing or complementary ideas. Although scientific management as a distinct theory or school of thought was obsolete by the 1930s, most of its themes are still important parts of industrial engineering and management today. These include analysis, synthesis, logic, rationality, empiricism, work ethic, efficiency and elimination of waste, standardization of best practices, disdain for tradition preserved merely for its own sake or merely to protect the social status of particular workers with particular skill sets, the transformation of craft production into mass production, and knowledge transfer between workers and from workers into tools, processes, and documentation.

The core ideas of scientific management were developed by Taylor in the 1880s and 1890s, and were first published in his monographs A Piece Rate

System (1895), Shop Management (1903) and The Principles of Scientific Management (1911). While working as a lathe operator and foreman at Midvale Steel, Taylor noticed the natural differences in productivity between workers, which were driven by various causes, including differences in talent, intelligence, or motivations. He was one of the first people to try to apply science to this application, that is, understanding why and how these differences existed and how best practices could be analysed and synthesized, then propagated to the other workers via standardization of process steps. He believed that decisions based upon tradition and rules of thumb should be replaced by precise procedures developed after careful study of an individual at work, including via time and motion studies, which would tend to discover or synthesize the "one best way" to do any given task. The goal and promise were both an increase in productivity and reduction of effort.

In management literature, the greatest use of the term "scientific management" is with reference to the work of Taylor and his disciples ("classical", implying "no longer current, but still respected for its seminal value") in contrast to newer, improved versions of efficiency-seeking methods. In political and sociological terms, Taylorism can be seen as the division of labour pushed to its logical extreme, with a consequent de-skilling of the worker and dehumanization of the workers and the workplace. Taylorism is often mentioned along with Fordism, because it was closely associated with mass production methods in factories, which was its earliest application. Today, task-oriented optimization of work tasks is all pervasive in industry.

Scientific management was one of the first attempts to systematically treat management and process improvement as a scientific problem. It was probably the first to do so in a "bottom-up" way, which is a concept that remains useful even today, in concert with other concepts. Two corollaries of this primacy are that (1) scientific management became famous and (2) it was merely the first version of a long-developing way of thinking, and many versions have come since. Nevertheless, common elements unite them. With the advancement of statistical methods, quality assurance and quality control could begin in the 1920s and 1930s. During the 1940s and 1950s, the body of knowledge for doing scientific management evolved into operations management, operations research, and management cybernetics. In the 1980s total quality management became widely popular, and in the 1990s "re-engineering" went from a simple word to a mystique (a kind of evolution that, unfortunately, draws bad managers to jump on the bandwagon without understanding what the bandwagon is). Today's Six Sigma and lean manufacturing could be seen as new kinds of scientific management, although their evolutionary distance from the original is so great that the comparison might be misleading. In particular, Shigeo Shingo, one of the originators of the Toyota Production System, believed that this system and Japanese management culture in general should be seen as a kind of scientific management.

Peter Drucker saw Frederick Taylor as the creator of knowledge management, because the aim of scientific management was to produce

knowledge about how to improve work processes. Although the typical application of scientific management was manufacturing, Taylor himself advocated scientific management for all sorts of work, including the management of universities and government. For example, Taylor believed scientific management could be extended to "the work of our salesmen". Shortly after his death, his acolyte Harlow S. Person began to lecture corporate audiences on the possibility of using Taylorism for "sales engineering" [Person was talking about engineering the processes that salespeople use—not about sales engineering in the way that we use that term today]. This was a watershed insight in the history of corporate marketing.

Today's militaries employ all of the major goals and tactics of scientific management, if not under that name. Of the key points, all but wage incentives for increased output are used by modern military organizations. Wage incentives rather appear in the form of skill bonuses for enlistments. Scientific management has had an important influence in sports, where stop watches and motion studies rule the day. (Taylor himself enjoyed sports, especially tennis and golf. He and a partner won a national championship in doubles tennis. He invented improved tennis racquets and improved golf clubs, although other players liked to tease him for his unorthodox designs, and they did not catch on as replacements for the mainstream implements.)

Scientific Management and its relationship to mechanization, automation, and off-shoring:

Scientific management evolved in an era when mechanization and automation were still in their embryonic stages. Two important corollaries flow from this fact: (1) The ideas and methods of scientific management were exactly what was needed to be added to the American system of manufacturing to extend the transformation from craft work (with humans as the only possible agents) to mechanization and automation; but also, (2) Taylor himself could not have known this, and his goals did not include the extensive removal of humans from the production process. During his lifetime, the very idea would have seemed like science fiction, because not only did the technological bridge to such a world not yet look plausible, but most people had not even considered that it could happen.

In between craft production (with skilled workers) and full automation lies a natural middle ground of an engineered system of extensive mechanization and partial automation mixed with semiskilled and unskilled workers in carefully designed algorithmic workflows. Building and improving such systems requires knowledge transfer, which may seem simple on the surface but requires substantial engineering to succeed. Although Taylor's original inspiration for scientific management was simply to replace inferior work methods with smarter ones, the same process engineering that he pioneered also tends to build the skill into the equipment and processes, removing most need for skill in the workers. This engineering was the essence not only of scientific management but also of most industrial engineering since then. It is also the essence of

(successful instances of) off-shoring. The common theme in all these cases is that businesses engineer their way out of their need for large concentrations of skilled workers, and the high-wage environments that sustain them.

Effects of Scientific Management on labor relations in market economies:

Taylor's view of workers was complex. Anyone who manages a large team of workers sees from experience that Taylor was correct that some workers could not be relied upon for talent or intelligence. Today enterprises still find that talent is a scarce resource. But he failed to leave room in his system for the workers who did have talent or intelligence. Some of them would be duly utilized during the early phases (the studying and designing), but what about smart workers in years afterwards who would start out among the ranks of the drones? What opportunities would they have for career advancement or socioeconomic advancement? He also failed to properly consider the fate of the drone-ish workers themselves. Maybe they did lack the ability for higher-level jobs, but what about keeping them satisfied or placated in their existing roles?

Taylorism took some steps toward addressing their needs (for example, Taylor advocated frequent breaks and good pay), but Taylor nevertheless had a condescending view of less intelligent workers, whom he sometimes compared to draft animals. And perhaps Taylor was so immersed in the vast work immediately in front of him (getting the world to understand and to implement scientific management's earliest phases) that he failed to strategize about the next steps (sustainability of the system after the early phases).

The human relations school of management evolved in the 1930s. Some scholars, such as Harry Braverman, insisted that human relations did not replace Taylorism but rather that both approaches were complementary - Taylorism determining the actual organization of the work process, and human relations helping to adapt the workers to the new procedures. Today's efficiency-seeking methods, such as lean manufacturing, include respect for workers and fulfilment of their needs as inherent parts of the theory. (Workers slogging their way through workdays in the business world do encounter flawed implementations of these methods that make jobs unpleasant; but these implementations generally lack managerial competence in matching theory to execution.) Clearly a syncretism has occurred since Taylor's day, although its implementation has been uneven, as lean management in capable hands has produced good results for both managers and workers, but in incompetent hands has damaged enterprises.

Implementations of scientific management usually failed to account for several inherent challenges:

1. Individuals are different from each other: the most efficient way of working for one person may be inefficient for another.

2. The economic interests of workers and management are rarely identical, so that both the measurement processes and the retraining required by Taylor's methods are frequently resented and sometimes sabotaged by the workforce.

Taylor himself, in fact, recognized these challenges and had some good ideas for meeting them. Nevertheless, his own implementations of his system (e.g., Watertown Arsenal, Link-Belt Corporation, Midvale, and Bethlehem) were never really very successful. Many managers who later followed Taylor did even worse jobs of implementation. Typically, they were less analytically talented managers who had latched onto scientific management as the latest fad for cutting the unit cost of production. Like bad managers even today, these were the people who used the big words without any deep understanding of what they meant. Taylor knew that scientific management could not work unless the workers benefited from the profit increases that it generated. Taylor had developed a method for generating the increases, for the dual purposes of owner/manager profit and worker profit, realizing that the methods relied on both of those results in order to work correctly. But many owners and managers seized upon the methods thinking that the profits could be reserved solely or mostly for themselves and the system could endure indefinitely merely through force of authority. Workers are necessarily human: they have personal needs and interpersonal friction, and they face very real difficulties introduced when jobs become so efficient that they have no time to relax, and so rigid that they have no permission to innovate.

4.2 FORDISM

Fordism refers to the system of mass production and consumption characteristic of highly developed economies during the 1940s to 1960s. Fordism means mass consumption combined with mass production to produce sustained economic growth. The period from 1970s to 1990s has been a period of slower growth and increasing income inequality. During this period, the system of organization of production and consumption has undergone a second transformation. This new system is referred to as the "flexible system of production" (FSP) or the "Japanese management system." On the production side, FSP is characterized by dramatic reductions in information costs and overheads, Total Quality Management (TQM), just-in-time inventory control, and leaderless work groups and on the consumption side, by the globalization of consumer goods markets, faster product life cycles, and far greater product/market segmentation and differentiation.

Henry Ford was once a popular symbol of the transformation from an agricultural to an industrial, mass production, mass consumption economy. The first of these transformations was from craft production to mass production. This helped to create the market, based on economies of scale and scope, and gave rise to giant organizations built upon functional specialization and minute divisions of labour. Economies of scale were produced by spreading fixed expenses, especially investments in plant and

equipment and the organization of production lines, over larger volumes of output, thereby reducing unit costs. Economies of scope were produced by exploiting the division of labour - sequentially combining specialized functional units, especially overheads such as reporting, accounting, personnel, purchasing, or quality assurance, in various ways so that it was less costly to produce several products than a single specialized one. It also created a variety of public policies, institutions, and governance mechanisms intended to mitigate the failures of the market, and to reform modern industrial arrangements and practices.

Ford's main contributions to mass production/consumption were in the area of process engineering. The distinctive feature of his system was standardization - standardized components, standardized manufacturing processes, and a simple, easy to manufacture and repair standard product. Standardization required nearly perfect interchangeability of parts. To achieve interchangeability, Ford exploited advances in machine tools and gauging systems. These innovations made possible the moving, or continuous, assembly line, in which each assembler performed a single, repetitive task. Ford was also one of the first to realize the potential of the electric motor to reconfigure work flow. Machines that were previously arrayed about a central power source could now be placed on the assembly line, thereby dramatically increasing throughput. The moving assembly line was first implemented at Ford's Model-T Plant at Highland Park, Michigan, in 1914, increasing labour productivity tenfold and permitting price cuts from \$780 in 1910 to \$360 in 1914. Hence, the term 'Fordism' mean "to standardize a product and manufacture it by mass means at a price so low that the common man can afford to buy it."

Under mass production, not only were parts interchangeable, so too were assemblers. Assembly line work is unpleasant in a mass production environment. It is physically demanding, requires high levels of concentration, and can be excruciatingly boring. As a consequence, Ford experienced very high labour turnover, 380 percent in 1913. (Even today, double-digit absenteeism is common in mass-production assembly plants, necessitating a buffer stock of utility workers, who fill in for the assemblers that fail to report at the start of each shift). facts, Ford dealt with labour turnover by doubling pay to \$5 a day; that other manufacturer's emulated Ford's wage policies along with his production methods; and that eventually all employers were forced to bring wages into line with those offered unskilled labour in manufacturing. In other words: premium pay for putting up with what Gramsci described as mass production's "monotonous, degrading, and life draining work process."

Regardless of the means, unskilled assembly workers eventually reaped substantial gains from increased industrial productivity - a forty percent reduction in working hours and a twenty-five-fold increase in wages. In the English-speaking world, unions enforced artificial scarcity to win supra-competitive wages for their members, sometimes on their own, sometimes in cooperation with other unions, and sometimes in collusion with specific firms. In the social-market economies of Northern Europe, workers did even better. Coordinated wage setting between national

associations of employers and national labour organizations, usually led by blue-collar unions, achieved both high wages and considerable income equality, almost without strikes.

However, the ability of unskilled manufacturing employees to gain and hold supra-competitive wages ultimately depended upon their political power. By the 1950s, the rise of mass production had made them the largest single group in every developed country. Already organized by their employers, they were easily mobilized on behalf of their own interests. In every developed country, labour unions emerged as the best-organized and often the most powerful political force. Their preferences were reflected not only in labour laws, but in public policy generally. They were the architects and chief supporters of the post-war Keynesian welfare state, with its goals of full employment, social security, and income parity. Consequently, some even referred to the welfare state as the Fordist state.

Despite gains to unskilled industrial workers, Ford's massproduction system was criticized. Frederick Taylor, who coined the term Fordism directed his criticism at the deskilling of assembly line workers, likening Ford's assemblers to trained gorillas. Italian Marxist, Antonio Gramsci observed in *Americanism e Fordism* (written in 1929-32, but published in 1949), that "Taylor expresses the real purpose of American society, replacing in the worker the old psycho-physical nexus of qualified professional work, which demanded active participation, intelligence, fantasy, and initiative, with automatic and mechanical attitudes. This is not a new thing, it is rather the most recent, the most intense, the most brutal phase of a long process that began with industrialism itself. This phase will itself be superseded by the creation of a new psycho-physical nexus, both different from its predecessors and superior. As a consequence, a part of the old working class will be eliminated from the world of work, and perhaps from the world."

4.3 POST-FORDISM

Post-Fordism (Flexibilism) is the name given to the dominant system of economic production, consumption and associated socio-economic phenomena, in most industrialized countries since the late 20th century. It is contrasted with Fordism, the system formulated in Henry Ford's automotive factories, in which workers work on a production line, performing specialized tasks repetitively.

Post-Fordism is characterized by the following attributes:

1. Small-batch production.
2. Economies of scope.
3. Specialized products and jobs.
4. New information technologies.

5. Emphasis on types of consumers in contrast to previous emphasis on social class.
6. The rise of the service and the white-collar worker.
7. The feminization of the work force.

4.3.1 Theories of post-Fordism:

Post-Fordism can be applied in a wider context to describe a whole system of modern social processes. Because Post-Fordism describes the world as it is today, various thinkers have different views on its form and implications. As the theory continues to evolve, it is commonly divided into three schools of thought: Flexible Specialization, Neo-Schumpeterian, and the Regulation School.

1. Flexible Specialization:

Proponents of the Flexible Specialization approach (also known as the neo-Smithian approach) to post-Fordism believe that fundamental changes in the international economy, especially in the early 1970s, forced firms to switch from mass production to a new tactic known as Flexible Specialization. Factors such as the oil shocks of 1973, increased competition from foreign markets (especially Southeast Asia) due to globalization, the end of the post-World War II boom, and increasing privatization made the old system of mass producing identical, cheap goods through division of labour uncompetitive.

Instead of producing generic goods, firms now found it more profitable to produce diverse product lines targeted at different groups of consumers, appealing to their sense of taste and fashion. Instead of investing huge amounts of money on the mass production of a single product, firms now needed to build intelligent systems of labour and machines that were flexible and could quickly respond to the whims of the market. The technology originally associated with flexible production was the numerical controller, which was developed in the United States in the 1950s; however, the CNC, developed in Japan, later replaced it. The development of the computer was very important to the technology of flexible specialization. Not only could the computer change characteristics of the goods being produced, but it could also analyse data to order supplies and produce goods in accordance with current demand. These types of technology made adjustments simple and inexpensive, making smaller specialized production runs economically feasible. Flexibility and skill in the labour was also important. The workforce was now divided into a skill-flexible core and a time-flexible periphery. Flexibility and variety in the skills and knowledge of the core workers and the machines used for production allowed for the specialized production of goods. Modern just in time manufacturing is one example of a flexible approach to production.

Likewise, the production structure began to change on the sector level. Instead of a single firm manning the assembly line from raw materials to

finished product, the production process became fragmented as individual firms specialized on their areas of expertise. As evidence for this theory of specialization, proponents claim that Marshallian "industrial districts," or clusters of integrated firms, have developed in places like Silicon Valley, Jutland, Smaland, and several parts of Italy.

2. Neo-Schumpeterianism:

The Neo-Schumpeterian approach to post-Fordism is based upon the theory of Kondratiev Waves (also known as Long Waves). The theory holds that a "techno-economic paradigm" characterizes each long wave. Fordism was the techno-economic paradigm of the fourth Kondratiev Wave, and post-Fordism is thus the technoeconomic paradigm of the fifth, which is dominated by Information and Communication Technology (ICT). Notable NeoSchumpeterian thinkers comprise Carlota Perez and Christopher Freeman, as well as Michael Storper and Richard Walker.

Regulation School The Regulation approach (also called the neo-Marxist or French Regulation School), was designed to address the paradox of how capitalism has both a tendency towards crisis, change and instability as well as an ability to stabilize institutions, rules and norms. The theory is based on two key concepts. "Regimes of Accumulation" refer to systems of production and consumption, such as Fordism and post-Fordism. "Modes of Regulation" refer to the written and unwritten laws of society which control the Regime of Accumulation and determine its form.

According to Regulation theory, every Regime of Accumulation will reach a crisis point at which the Mode of Regulation will no longer support it, and society will be forced to find new rules and norms, forming a new Mode of Regulation. This will begin a new Regime of Accumulation, which will eventually reach a crisis, and so forth. Proponents of Regulation theory include Michel Aglietta, Robert Boyer, Bob Jessop, and Alain Lipietz.

4.3.2 Changes from Fordism to post-Fordism:

Post-Fordism brought on new ways of looking at consumption and production. The saturation of key markets brought on a turn against mass consumption and a pursuit of higher living standards. This shift brought a change in how the market was viewed from a production standpoint. Rather than being viewed as a mass market to be served by mass production, the consumers began to be viewed as different groups pursuing different goals who could be better served with small batches of specialized goods. Mass markets became less important while markets for luxury, custom, or positional good became more significant. Production became less homogeneous and standardized and more diverse and differentiated as organizations and economies of scale were replaced with organizations and economies of scope.

The changes in production with the shift from Fordism to post-Fordism were accompanied by changes in the economy, politics, and prominent ideologies. In the economic sphere, postFordism brought the decline of

regulation and production by the nation-state and the rise of global markets and corporations. Mass marketing was replaced by flexible specialization and organizations began to emphasize communication more than command. The workforce changed with an increase in internal marketing, franchising, and subcontracting and a rise in part-time, temporary, self-employed, and home workers. Politically, class-based political parties declined and social movements based on region, gender, or race increased. Mass unions began to vanish and were instead replaced by localized plant-based bargaining. Cultural and ideological changes included the rise in individualist modes of thought and behaviour and a culture of entrepreneurialism. Following the shift in production and acknowledging the need for more knowledge-based workers, education became less standardized and more specialized. Prominent ideologies that arose included fragmentation and pluralism in values, post-modern eclecticism, and populist approaches to culture. Italy and Japan are the known examples of post-Fordism.

4.3.3 Criticisms:

The main criticism of post-Fordism asserts that post-Fordism mistakes the nature of the Fordist revolution and that Fordism was not in crisis, but was simply evolving and will continue to evolve. Other critics believe that post-Fordism does exist, but coexists with Fordism. The automobile industry has combined Fordist and postFordist strategies, using both mass production and flexible specialization. Ford introduced flexibility into mass production, so that Fordism could continue to evolve. Those who advocate postFordism, however, note that criticism that focuses primarily on flexible specialization ignores post-Fordist changes in other areas of life and that flexible specialization cannot be looked at alone when examining post-Fordism. Another criticism is that postFordism relies too heavily on the examples of the Third Italy and Japan. Some believe that Japan is neither Fordist nor post-Fordist and that vertical disintegration and mass production go hand in hand. Others argue that the new, smaller firms in Italy didn't develop autonomously, but are a product of the vertical disintegration of the large Fordist firms who contracted lower valueadded work to smaller enterprises. Other criticisms argue that flexible specialization is not happening on any great scale, and smaller firms have always existed alongside mass production. The term "post-fordism" is gradually giving way in the literature to a series of alternative terms such as the "knowledge economy", "cognitive capitalism", the "cognitive-cultural economy," and so on.

4.4 NEO-FORDISM

A range of factors discussed above including increasing negative implications of boring work environments, and lack of choice and flexibility have caused global transition from 'specialisation' to 'flexibilisation', also known as "Neo-Fordism" framework. According to the latter framework "the 'flexible' worker lacks a job for life, but instead moves and retrain to meet altered market demands". Moreover, the level

of flexibility of post-Fordist workers relate to working hours, salaries and benefits received, standards of health and safety etc.

Moreover, social and economic model known as ‘post-Fordism’ or ‘Neo-Fordism’ has emerged during the technological revolution in 1970’s and 1980’s.

Significant technological changes resulting in the development of computer-aided design (CAD), computer-aided manufacturing (CAM), computer-integrated manufacturing (CIM), computer numerical control (CNC) and others in 1970’s have altered manufacturing processes with negative implications to Fordism.

All of these have given rise to the emergence of alternative frameworks and systems to Fordism that include total quality management (TQM), lean manufacturing, just-in-time (JIT). Importantly, “the post-Fordist regime of accumulation replaces the Fordist one with an emphasis on quality-competitive production for shifting and differentiated markets using qualified and highly skilled flexible labour, and is supported by a post-Fordist mode of regulation in which there is reduction state intervention on labour markets, a shift from responsibility to welfare provision from the state to the employers or private individuals, and a more flexible and varied approach to employment relations”.

In other words, global market environment in the second half of the twentieth century and the beginning of the twenty first century became highly uncertain and competitive with increasing numbers of businesses finding additional sources of competitive advantages through technological breakthroughs and greater integration of information technology in various organisational processes.

Therefore, post-Fordist era has emerged with fundamentally alternative values and principles to Fordism to enable businesses to meet the requirements of new global business landscape realities.

4.5 PLURALISM

In pluralism the organization is perceived as being made up of powerful and divergent sub-groups - management and trade unions. This approach sees conflicts of interest and disagreements between managers and workers over the distribution of profits as normal and inescapable. Consequently, the role of management would lean less towards enforcing and controlling and more toward persuasion and co-ordination. Trade unions are deemed as legitimate representatives of employees. Conflict is dealt by collective bargaining and is viewed not necessarily as a bad thing and if managed could in fact be channeled towards evolution and positive change. Realistic managers should accept conflict to occur. There is a greater propensity for conflict rather than harmony. They should anticipate and resolve this by securing agreed procedures for settling disputes. The implications of this approach include:

1. The firm should have industrial relations and personnel specialists who advise managers and provide specialist services in respect of staffing and matters relating to union consultation and negotiation.
2. Independent external arbitrators should be used to assist in the resolution of disputes.
3. Union recognition should be encouraged and union representatives given scope to carry out their representative duties.

Kerr is one of the advocates of pluralism. He says that the social environment is an important factor in industrial conflicts. Organized workers are more likely to strike as compared to unorganized groups. When industrial jobs become more pleasant and employees get more integrated into the wider society, strikes will be less frequent. Ross and Hartman's comparison of strikes across countries reveals the declining incidence of strikes on account of greater industrialization and development of appropriate institutional framework to settle industrial conflicts. According to Ross and Hartman, there is a decline in strikes across the world even while union membership is growing.

Pluralistic theories on capital-labor relations came into existence in the sixties and seventies when England experienced a resurgence of industrial conflicts. Flanders and Fox were the British exponents of pluralism. According to Flanders, conflict is inherent in the industrial system and collective bargaining is the method to resolve industrial disputes. Fox distinguishes between two aspects of relationship between capital and labor. The market relationship is concerned with the terms and conditions of hiring labor. This relationship is economic in character and is based on contracts executed between the parties. The second aspect is about the relationship between management and labour, the nature of their interactions, negotiations between union and management, distribution of power in the organization and participation of union in joint decision making.

4.6 HUMAN RELATIONS SCHOOL AND ORGANISATIONAL BEHAVIOUR APPROACH

The roots of human relations approach to capital labour relations can be traced to the Hawthorne Studies at the Western Electric Company in Chicago during the First World War period. The rise of democratic leadership during and after the two great wars had the greatest impact in terms of popularity of the human relations approach. It was believed that a more satisfied employee group could be achieved through human relations approach and this can lead to improvement in productivity. The human relations approach in the modern times covers almost all areas of capital labour relations and includes safety, production control, cost control, company organization, company policies, job evaluation, incentive payment, employee motivation and attitudes, group dynamics, communications, counselling and democratic leadership. The relations between labour and capital as embodied in the management or enterprise

is one of human relations. The establishment and maintenance of industrial peace is an important task before a developing country like India.

According to Dale Yoder and others, human relation approach is a device for three-way communication and employees' participation in decision making process. Thus, greater attention is paid to human aspect of the employee than technical and economic aspects. According to Keith Davies, human relations are "the integration of people into a work situation that motivates them to work together productively, co-operatively and with economic, psychological and social satisfactions." The goals of human relations are to get people to produce, to cooperate through mutuality of interest and to gain satisfaction from their relationships. The human relations school was founded by Elton Mayo and later propagated by Roethlisberger, Whitehead and Whyte. This approach focuses on certain policies and techniques to improve employee morale, efficiency and job satisfaction. It encourages the small work group to exercise considerable control over its environment. Industrial relations problems arise due to improper management of human resources. These problems can be solved by managing the dynamics of human behaviour at the individual and group level. Human resource management policies related to leadership and motivation has a deep impact on the behaviour of workers at the work place. For example, a manager using autocratic style designs a close supervision system and feels that display of authority would drive people to work. But this style leads to dissatisfaction and hatred among people. However, under a democratic style of leadership, desired organizational behaviour can be cultivated if employees' needs and wants are properly satisfied. The manager working with a democratic style positively motivates people. No leadership style is complete in itself. Different situations demand different styles appropriate to the occasion. In order to maintain good human relations in general and industrial relations in particular, the study of human needs is of great importance. There are four basic needs. These are: physiological, safety, social and egoistic needs. The physiological needs include food, water, clothing shelter, sex etc. These needs are important for the preservation and efficiency of human race. The safety and security needs include physical security, financial and job security. The social needs include need for companionship, belonging and affection. The egoistic needs are higher order needs and relates to one's desire for self-esteem. These needs are interdependent and overlapping i.e. more than one need or a combination of needs at different levels may sought to be satisfied by individuals. It is therefore necessary for the management to design a suitable motivational strategy to provide an environment for their optimum need satisfaction required for maintaining good human relations in the organization. Human Relations Management techniques are greatly useful in maintaining harmonious industrial relations. The workers are likely to achieve greater job satisfaction, get involved in the work and integrate their objectives with the objectives of the organization.

Psychological Approach to Capital- Labor Relations:

According to the psychological approach to industrial relations, the problems of industrial relations are deeply rooted in the perception and the attitude of focal participants. Mason Harie studied the influence of individual's perception on his behavior. He studied the behavior of two different groups namely, union leaders and executives. Both the groups were asked to rate a photograph of a middle aged person. The Union leaders rated the person in the photograph as manager whereas the executives the rated the person as Union leader. Mason Harie made the following conclusions from his study: 1. The general impression about a person is radically different when he is seen as a representative of management from that of the person as a representative of labor. 2. The management and labor see each other as less appreciative of each other's position. 3. The management and labor see each other as less dependable. 4. The management and labor see each other as deficient in thinking regarding emotional characteristics and interpersonal relations.

4.7 SUMMARY

1. Scientific management or Taylorism, was a theory of management that analyzed and synthesized workflows. Its main objective was improving economic efficiency, especially labor productivity. It was one of the earliest attempts to apply science to the engineering of processes and to management. Its development began with Frederick Winslow Taylor in the 1880s and 1890s within the manufacturing industries.
2. Fordism means mass consumption combined with mass production to produce sustained economic growth. The period from 1970s to 1990s has been a period of slower growth and increasing income inequality.
3. Henry Ford was once a popular symbol of the transformation from an agricultural to an industrial, mass production, mass consumption economy. The first of these transformations was from craft production to mass production.
4. Proponents of the Flexible Specialization approach (also known as the neo-Smithian approach) to post-Fordism believe that fundamental changes in the international economy, especially in the early 1970s, forced firms to switch from mass production to a new tactic known as Flexible Specialization.
5. The Neo-Schumpeterian approach to post-Fordism is based upon the theory of Kondratiev Waves (also known as Long Waves). The theory holds that a "techno-economic paradigm" characterizes each long wave. Fordism was the techno-economic paradigm of the fourth Kondratiev Wave, and post-Fordism is thus the techno-economic paradigm of the fifth, which is dominated by Information and Communication Technology (ICT).

6. According to Regulation theory, every Regime of Accumulation will reach a crisis point at which the Mode of Regulation will no longer support it, and society will be forced to find new rules and norms, forming a new Mode of Regulation. This will begin a new Regime of Accumulation, which will eventually reach a crisis, and so forth. Proponents of Regulation theory include Michel Aglietta, Robert Boyer, Bob Jessop, and Alain Lipietz.
7. The implications of this approach include:
 - a. The firm should have industrial relations and personnel specialists who advise managers and provide specialist services in respect of staffing and matters relating to union consultation and negotiation.
 - b. Independent external arbitrators should be used to assist in the resolution of disputes.
 - c. Union recognition should be encouraged and union representatives given scope to carry out their representative duties.
8. The human relations approach in the modern times covers almost all areas of capital labor relations and includes safety, production control, cost control, company organization, company policies, job evaluation, incentive payment, employee motivation and attitudes, group dynamics, communications, counseling and democratic leadership. The relations between labor and capital as embodied in the management or enterprise is one of human relations.

4.8 QUESTIONS

1. Write note on
 - 1) Taylorism.
 - 2) Fordism
 - 3) Post - Fordism
 - 4) Neo – Fordism
 - 5) Pluralism
2. Explain human relations school and organizational behavior approach.

MODULE 3: INDUSTRIAL RELATIONS IN INDIA

5

INDUSTRIAL RELATIONS IN INDIA – I

Unit Structure

5.0 Objectives

5.1 Trade Unions and Workers: Industrial Sociology of Workers in India

5.2 History of Trade Unions

5.3 Growth of Trade Unions

5.4 Structure of Trade Unions

5.5 Trade Unions and Contract Labour

5.6 Employer's Organisations: Role of Managerial Class in Industrial Relations

5.7 Summary

5.8 Questions

5.0 OBJECTIVES

- To study the history of trade unions.
- To study the growth of trade unions.
- To study the structure of trade unions.
- To study the independent and white-collar unions in India.

5.1 TRADE UNIONS AND WORKERS: INDUSTRIAL SOCIOLOGY OF WORKERS IN INDIA

The industry is a microcosmic social world and the workshop is a community made up of various individuals and groups with differing personalities, educational background, family background, emotions, likes and dislikes and a number of personal factors such as attitudes and behaviour. These differences create problems of conflict and competition among the members of an industrial society. The sociological roots of industrial problems can be traced to sociological factors like value system, customs, norms, symbols, attitude and perception of both labour and management that affect the industrial relations in different ways. These factors determine the behaviour of workers. The social consequences of industrialization like organization, social mobility, migration generates many social evils like family disintegration, stress and strain, delinquency, personal and social disorganization do influence workers efficiency and

productivity which in turn influence industrial relations system of an industry. Industrialization gets momentum; a set of new industrial and social patterns emerges and, in its wake, new relationships, institutions, behavioural patterns and techniques of handling human resources develops. These influences determine industrial relations in more than one way.

Social change influences both labour and management and therefore industrial relations. For instance, modern management has become professional and there is a greater reliance on the use of behaviour techniques in dealing with human behaviour. Decision making has become decentralized; ideas about authority, power and control have undergone big changes. The profile of industrial worker has changed. He is no more a migrant but settled urban worker. A process of industrial acculturation of the working class has set in social mobility and a mixed industrial workforce has emerged.

The role of state and political parties has been redefined in the light of these changes. These complex changes have had a deep impact on industrial relations whereby they have become more practical than ideological. The concepts of haves and havenots have gone with the wind and now industrial relations are determined by the balance of power. Conflict and collaboration have become issue based and not ideology based.

5.2 HISTORY OF TRADE UNIONS

The historical development of trade unionism in India can be studied under various time periods. Each time period has a dominant characteristic and hence it is known by it. These time periods are as follows:

1. Social Welfare Period (1875-1918).
2. Early Indian Trade Union Period (1918-1924).
3. The Period of Militant Trade Unionism (1924-1935).
4. The Period of Intensive Trade Union Activity (1935-1939).
5. The Period of Polarization of Trade Union Movement (1939- 1946).
6. The Post Independent Period (1947 onwards).

1. Social Welfare Period (1875-1918):

In 1875, Mr. SS Bangalee started an agitation in Bombay to protect against the inhuman working condition in factories. The first factory commission was appointed in Bombay in 1875 and the first factory Act was passed in 1881. Mr. NM Lokhande, a factory worker, who became a union leader, organized agitations and made representations to the second factory commission appointed in 1884. Mr. Lokhande organized a mass meeting of 10,000 workers in April 1890 in Bombay demanding reduced hours of work, weekly rest days, mid-day recess and compensation of

injuries. In response, the Bombay Mill Owners Association granted a weekly holiday to mill workers. Subsequently, Mr. Lokhande started the Bombay Mill-hands Association of which he was the elected president. The first working class newspaper was also started.

After 1890, a large number of labor associations came into existence. The Amalgamated Society of Railway Servants of India was set up in 1897, the Printers Union in 1907, the Kamgaar Hitwardha Sabha in 1910 and the Social Service League was also set up in 1910. All these associations cannot be considered as trade unions. They were actually labor welfare associations. The working class had not realized the evils of modern factory system. There was no solid, stable and well organized union to make use of the right to strike effectively and as a result there was not a single strike during this period. The labor movement in India during this period was wholly unorganized and social in character. They lacked definite aims and constitutions. Mr. Lokhande himself was more of a philanthropic promoter of labor legislation and of workers welfare than a pioneer of labor struggle. Dr. Punekar has therefore characterized this period as the Social Welfare Period of Indian Trade Union Movement.

2. Early Indian Trade Union Period (1918-1924):

The labor movement truly began with the end of the First World War. Economic and political conditions contributed to the new awakening. Mr. BP Wadia formed the first industrial union in 1918 known as the Madras Labor Union. Between 1919 and 1923, a number of unions came into existence. In Ahmedabad, craft unions like spinners and weavers unions were set up which federated into the industrial union known as the Textile Labor Association of Ahmedabad. The All India Trade Union Congress was formed in 1920. The AITUC gave status to the labor movement and provided a platform for debate and discussions. A large number of strikes were organized during this period in Madras and other states. In 1920, about 200 strikes were declared all over the country. In 1922, there were about 278 strikes involving more than four lac workers.

The Political and Economic conditions were favorable to the growth of trade unionism during this period. Economic boom, inflation and constant wages created discontentment and fostered class consciousness amongst the suffering workers and motivated them for collective action. Further, the setting up of the International Labor Organization in 1919 and the Russian revolution helped tremendously the labor movement in India. However, the unions formed during this period were not stable and permanent. Most of the unions got dissolved once the immediate objectives were achieved. Nonetheless, some very good and stable trade unions were formed during this period. The Indian workers were awakened and foundations were laid down for further development. Dr. Punekar has described this period as the Early Indian Trade Period.

3. The Period of Militant Trade Unionism (1924-1935):

This period saw the signs of militant tendencies and revolutionary trade unionism in the labor movement in the country. During this period, the

communists controlled the labor movement and conducted some of the most violent strikes in India. In 1929, the All India Trade Union Congress was split. The moderate section under the leadership of Mr. NM Joshi, Mr. VV Giri and others set up a separate organization known as the National Trade Union Federation for co-ordinating the activities of non-Communist trade unions. In 1928-29, a large number of strikes were organized in Bombay, Kanpur, Sholapur and Jamshedpur. The Royal Commission on Labor was appointed in 1929 who submitted the report in March 1931. In 1931, at the Calcutta session of the trade union congress, another split took place and the extreme left wing under the leadership of Mr. SV Deshpande and BT Ranadive set up the All India Red Trade Union Congress. In 1934, a conference of All India Textile Workers was held to protect against wage cuts and retrenchment and a country-wide general strike was organized. The Government of India declared the communist party as an unlawful association. The Indian Trade Union Act was passed in 1926 which provided for voluntary registration of trade unions. During this period, the difference in thinking of the trade union leaders came into the open and trade unions came to be formed along the lines of political ideologies. Thus the Indian trade union movement took its ideological roots during this period.

4. The Period of Intensive Trade Union Activity (1935-1939):

In 1935, a new Constitution of India was adopted under which labor representatives could get themselves elected through labor constituencies. As a result, efforts for trade union activity got intensified. In 1935, the Red Trade Union Congress was merged with AITUC. In 1938, the National Trade Union Federation affiliated itself with AITUC. These two major events brought about a period of trade union unity and the revival of trade union activity. The number of trade unions increased from 101 in 1935 to 169 in 1939. The reasons for revival were not far too many. Popular ministries in the provinces promised to implement the election manifesto which talked about giving greater rights to the workers. A provision was made for labor seats in the legislatures through registered trade union constituencies. Employers realized the inevitability of trade unions and changed their attitude towards labor unions. However, during this period, the number of strikes went up to 399 in 1939. The Digboi Oil Field Strike of 1939 was the most notable one because the Viceroy had to intervene to bring about settlement.

5. The Period of Polarization of Trade Union Movement (1939- 1946):

By the beginning of the Second World War, trade unionism has consolidated in India. War brought boom to economic activities and trade unions made considerable progress during this period. In 1940, the National Trade Union Federation dissolved itself and merged with AITUC. However, on account of new differences, AITUC was again weakened by Dr. Aftaab Ali, the president of Seamen's Association, Calcutta by dis-affiliating from AITUC and Mr. MN Roy formed the Indian Federation of Labor in 1941. The Hindustan Mazdoor Sevak Sangh was working to organize labor throughout the country on Gandhian

principles. The Sangh, however, acted as an advisory body and not as a federation of trade unions. The splitting and weakening of AITUC in 1941 was on account of the ideological differences amongst its constituents. While AITUC was neutral to the war effort of British India, its constituent led by Mr. MN Roy gave all out support to the British war effort.

6. The Post Independent Period (1947 onwards):

This period is also known as the period of political pluralism. After the war, the political climate was uncertain which led to confusion within the trade union movement. The process of polarizing on the basis of political ideologies and program began during this period. There were strong differences between the communists and the congress men. The congress men felt a need to develop a trade union movement on Gandhian lines so that it suits with the aims and programs of their Government. After the war, there was recession and rationalization in the Indian industry. As a result, there was wide spread labor unrest in numerous industries and services. Consequently, the Indian Trade Union movement became a vigorous force and socialism became the guiding philosophy of the movement. The Government of India had recognized INTUC, AITUC, UTUC and HMS for representation at national and international conferences. The BMS affiliated to the BJP was formed in the year 1955 and with the emergence of the Samyukta Socialist Party; the Hind Mazdoor Panchayat was formed in 1965. When the communists divided themselves into CPI and CPM, AITUC came under the CPI and the CPM formed a new all India labor organization known as the Center of Indian Trade Unions (CITU) in the year 1970. The split in the UTUC led to the formation of a new organization known as UTUC (Lenin-Sarani).

The National Federation of Indian Trade Union Congress (NFITUC), the National Labor Organisation (NLO) and the Trade Union Coordination Center (TUCC) which came into existence in the last quarter of the 20th century. Thus there are ten central trade union organizations recognized by the Government of India. Other all India federations such as the All India Bank Employees Association, National Federation of Post and Telegraph Workers etc have also come into existence. However, a large number of small unions prefer to operate as separate units and therefore are independent of the central leadership. Further, the central leadership of trade unions is in the hands of politicians and not the working class. Notwithstanding the above, there has been considerable improvement in the socio-economic conditions of labor in the country.

The New Industrial Policy of 1991 was a major departure from the earlier policies. Accordingly, the objective was to make India the largest free market economy of the world by the turn of the 20th century and this objective was to be achieved through liberalization, privatization and globalization. Both liberalization and privatization resulted in the rationalization of a number of firms in the private as well as public sector, privatization of public sector firms and closure of unviable units. The Government also tried to amend the labor laws to make it more industry friendly. The Industrial Disputes Act, 1947 and the Indian Trade Union

Act 1926 were sought to be amended in a manner detrimental to the interests of labor. In response to the new policy, the central trade unions, particularly the communist unions launched wide spread agitation in the form of morchas, bandhs and strikes and were successful in stopping anti-labor legislation in the country.

5.3 GROWTH OF TRADE UNIONS

The trade-union is a phenomenon of the modern industrialized society. It is a group of workers engaged in a particular trade for the purposes of securing better wages, shorter hours of work and improved conditions of labour. In the modern capitalistic society the worker is a hired employee with little attachment to the factory or office other than to his wages.

The early trade unions were small organisations of working men seeking some means of mitigating their weakness against the employer. They had, however, to face the hostility of Government. Both in England and on the Continent the workers were prevented from exercising the right of uniting for self defense.

Thus, in 1729 the Irish Parliament passed a statute whereby combinations of any trade were prohibited. The British Act of 1799 was a very strong measure penalizing the workers unions. ‘The operatives’ combinations”, wrote Weber, “were regarded as being in the nature of a mutiny against their employers and masters; destructive of the discipline necessary to the expansion of trade; and interfering with the right of the employer to do what he liked with his own capital” However, little by little the truth began to dawn on many minds that the workers had a right to unite in order to be capable of defending themselves against the capitalists and their pressure upon the Government.

Thus in modern times the trade unions are not merely tolerated but also recognized as essential in the economic structure of the country. Their size and number have greatly increased and now they play a significant role in the determination of wages, working hours and conditions.

5.4 STRUCTURE OF TRADE UNIONS

There are various structural types of unions have emerged over a period of time. These are: craft unions, industrial unions, general unions, occupational unions, and national unions/federations. Here, the main features of each of these types of unions are outlined.

5.4.1 Craft Unions:

A craft union is an organisation of workers engaged in a particular craft or a trade or in a single or related trades/crafts. Such organisations link together those workers who have similar skills, craft training and specialisation. Craft unions are found amongst non-manual employees and professional workers.

Examples are: Crane Drivers' Association in a steel plant, Air India's Pilots' Association, stenographers' associations etc. The logic behind the formation of such unions is that the skilled workers belonging to the same craft face similar problems.

A craft union may cover all workers engaged in that craft in a particular plant / unit of an industry or in different plants of a particular industry located in a particular area or in different industries located in a particular area. Again, craft unions may cover all workers engaged in that craft irrespective of the industry in which they are employed. Thus, stenographers though working in different industries may form a union of stenographers only.

One of the advantages of the craft unions is that they provide firm basis for solidarity of trade unions. Skilled craft unions have a greater ability to organise than unskilled workers, because they have stronger individual bargaining power and the organisational skills to operate a successful, business-like organisation.

The natural bonds of common interest, friendship and mutual respect among the members of a craft ensure intensive solidarity. Craft unions have been the hardiest, surviving even in the most difficult times. Historically speaking, it was these unions that lent stability to the trade union movement.

The craft unions, however, have some weaknesses. The main weakness is that when several small unions of craft type are organised in a plant, and each signing its own agreements with the employer, which may expire at different times, not only does the joint action become difficult for the whole lot of unions operating in the plant, but also the employer may play one union against the other taking advantage of the multi-union situation.

Another source of weakness for the craft union flows from the gradual extinction of craft distinctions due to the rapidly advancing technology, which leads to the displacement of the traditional crafts.

Yet another point of weakness of the craft unions is that the members of these unions (skilled workers) have the tendency of being self-centred, and as such, they do not provide any support and guidance needed by the bulk of unskilled workers. Needless to say, such tendency of the members of the craft unions undermines labour solidarity.

5.4.2 Industrial Unions:

An industrial union is an organisation of workers which links all categories of workers in any one industry regardless of the differences in craft, skill, grade, position, or sex. The membership of an industrial union is normally large. Industrial unions may be formed at the plant level (e.g. Tata Workers' Union in TISCO), regional level (Bihar Sugar Workers' Federation), and national level (Colliery Mazdoor Sabha of India).

One of the advantages of an industrial union is that the union in a particular industry can cover the interests of all categories of workers in a single agreement with the employer (s). Another point of strength of the industrial unions is that by attempting to organise different categories of workers- skilled, semi-skilled, and unskilled- into homogeneous organic groups, they create a feeling of solidarity among the workers, and thus contribute significantly to the trade union movement.

A major weakness of the industrial unions is that these unions, crowded with the unskilled workers are, evidently, unable to meet the specific needs and protect the interests of the skilled workers whose number is small.

5.4.3 General Unions:

A general union is one whose membership covers workers employed in many industries, employments and crafts. The Jamshedpur Labour Union is an example of this type of union. The membership of this union covers workers belonging to the steel industry and the engineering industries such as cable, tube, locomotive, tinplate etc. located in Jamshedpur.

The general unions are ideal from the solidarity point of view. However, it requires a very high degree of consciousness among the workers representing various industries to form this type of unions.

5.4.4 Occupational Unions:

Cobble (1991) has coined the term occupational unionism in her book on unionism in her book on unions of waitresses in the American context. Later, in 1993, Wial (1993) used this term in his paper on emerging organisational structure of unionism in low-wage services in USA.

An occupational union is essentially a craft union minus the skilled workers.

Wail describes an occupational union as one in which low wage workers are organised geographically along loose lines. For example, in USA, Justice for Janitors, a programme of the Service Employees International Union, organises all janitors (working in building services industry) in a geographical area into a single local union. It then seeks to persuade all the employees in the area to have a uniform set of economic terms of employment for janitors. A similar strategy is utilised Hotel and Restaurant Employees Union for hotel workers, and 'District 1199' of the Health care Employees Union in nursing homes. This form of unionism may be especially appropriate where there are grounds for solidarity such as race and ethnicity that are capable of taking the place of the bonds of craft. (Wheeler: 2000, p. 109).

Trade Union Federations As trade unions realise that in the competitive business environment most of their problems cannot be tackled on their own, they formed large unions and trade union federations at the industrial, national and international levels. All India Port and Dock

Workers' Federation is an industrial federation operating at the national level. UP Chini Mazdoor Federation is an example of industrial federation operating at the regional level. The British Trade Union Congress and the AFL-CIO (American Federation of Labour and Congress of Industrial Organisations), AITUC, INTUC, HMS, UTUC and CITU are the examples of national level centres of trade unions.

The World Federation of Trade Unions (WFTU) and the International Confederation of Free Trade Unions (ICFTU) are examples of international level federations.

The federations are loose associations. As such, the individual unions that federate themselves possess the real power and enjoy maximum autonomy. While the federations formulate policies and provide guidance to the unions that are under their fold, it is the local units that implement the policies. The local units, due to their direct and day-to-day contact with the real rank-and-file workers, enjoy more power as compared to the federations. Another reason for their being influential is that it is these units that are the main sources of providing funds to the federations.

5.5 TRADE UNIONS AND CONTRACT LABOUR

Contract labor is not recorded on the payroll. It is not directly paid by the employer. The principal employer is not directly responsible for the payment of wages or any other matter arising out of employment of contract labor. The benefit of contract labor to the principal employer is in terms of cheap labor and avoidance of other attendant costs that may arise out of regular employment such as provision of welfare facilities, paid leave, social security, bonus, administrative costs, installation of plant and machinery which otherwise is provided by the contractor etc. Contract labor can be divided into two categories, namely; persons employed in job contracts and labor contracts. Big firms offer job contracts or certain operations, for example, loading and unloading of material to contractors. In this case, the contractor employs his own labor and also pays them.

In case of labor contracts, the contractor supplies only labor to the principal employer for employment in various categories of work. The contractor is responsible for payment of wages as determined by him to the workers. Contract labor is employed as unskilled and skilled labor. Unskilled labor include categories such as loaders, cleaners, sweepers, helpers etc and skilled labor include categories such as turners, fitters, electricians, gas cutters, carpenters, blacksmiths etc. Contract labor is generally found in industries such as engineering, textile, carpet weaving, building constructions, irrigation projects, road construction etc. Out of these, mining and building industries are found to be the major employers of contract labor.

Contract labor was one of the most exploited forms of labor. Both the contractor as well as the principal employer did not bother about contract labor. The Government of India therefore passed the Contract Labor Act to prevent the exploitation of contract labor. The Contract Labor

(Regulation and Abolition) Act, 1970 provides for the regulation of the conditions of work, health and safety, wages and other amenities for the welfare of contract labor. A contractor is required to provide canteens, rest rooms, latrines, urinals, drinking water, washing facilities and first aid boxes for the use of contract labor. If a contractor fails to provide the amenities or to make payment of wages, the principal employer will be liable to provide the amenities or to make payment of wages to the contract labor and the principal employer can recover such expenses from the contractor.

The objective of the Act is to prohibit the employment of contract labor and wherever it is not possible to prohibit, conditions of work of contract labor is sought to be improved. The Act is applicable to every establishment employing twenty or more workmen as contract labor and to every contractor employing twenty or more workmen. The Act further empowers the Central and State governments to apply the provisions of the Act to any establishment or contractor employing less than twenty workmen. The Central Government has prohibited employment of contract labor in categories of work in coal, iron ore, limestone, dolomite, manganese, chromite, magnesite, gypsum, mica and fire clay mines, building industry, and railways. Contract labor is prohibited in the Central Food Corporation of India godowns and Port Trust.

5.6 EMPLOYER'S ORGANISATIONS: ROLE OF MANAGERIAL CLASS IN INDUSTRIAL RELATIONS

The Indian Trade Union Movement gathered momentum only in the 1920s. Until then there was no serious threat from the workers to the employers and hence there were no employers' associations. In 1919, the International Labor Organization was formed to advance and protect the interests of labor around the world. Labor legislation under the influence of ILO gathered momentum only in the 1920s and world over the member countries of ILO legislated on the conventions and recommendations made by ILO in connection with industrial relations and labor welfare. Thus a strong need for establishing employers' associations was felt only in the 1920s.

5.6.1 Employers' Associations before and after Independence:

A beginning was made in the 1930s when the first two employers' associations were formed in the year 1933 by English industrialists to protect their interests. These were the All India Organization of Industrial Employers established and headquartered in Delhi and the Employers' Federation of India established and headquartered in Bombay. This was followed by the establishment of an indigenous association called the All India Manufacturers' Organization in 1941 in Bombay, representing the medium scale industry.

The AIOIE and the EFI merged together to form the Council of Indian Employers in 1956 so that they could effectively represent their stand point on various issues to the government of India. Associations like the

Indian Jute Mills Association and the Employers' Federation of India were registered under the Indian Trade Union Act 1926. The Associated Chambers of Commerce and Industry (ASSOCHAM) set up in 1920 and The Federation of Indian Chambers of Commerce and Industry (FICCI) set up in 1927 were later registered under the Indian Companies Act 1956. While the FICCI represented Indian business interests, the ASSOCHAM represented English business interests. Both FICCI and ASSOCHAM are headquartered in Delhi. There are employers' associations which are also registered under the Societies Registration Act 1960. The chief executives of the public sector enterprises formed an association called the Standing Conference of Public Enterprises (SCOPE) and became a member of the Council of Indian Employers. The CIE is a member of the International Organization of Employers, located at Brussels. The small scale industries have an association of their own. It is known as the Federation of Associations of Small Industries in India (FASII). The FASII was set up in 1959 and is located in Delhi.

Employers' Associations in India are operating at three different levels and in three different capacities. The three levels are local, regional and national. There are also industry level employers' associations in the cotton and jute textile industry and also in the engineering, cement, and paper and sugar industries.

5.6.2 Objectives of Employers' Associations:

The general objectives of employers' associations as stated by Mr. Naval Tata are as follows:

1. To represent employers' view points in a unified manner to the government.
2. To establish industrial harmony and develop stable and healthy industrial relations.
3. To promote collective bargaining at different levels and establish industrial democracy.
4. To represent employers at national and international forums such as the State and national level labor conferences and commissions and the ILO.

5.6.3 Assessment of Employers' Associations:

The contribution of employers' association in the field of industrial relations is found to be limited. The employers' federations at the central level do not participate in collective bargaining. The Chambers of Commerce also do not participate in this process. It is only the industry level associations that are actively involved in collective bargaining.

Employers' associations are formed by employers to promote their own economic interests. They are also called nonprofit organizations because no part of their income can be distributed to its members. The National Labor Commission feels that the employers' associations should also

pursue some social objectives along with the persuasion of their economic interests. According to the NLC, the social responsibilities of employers' associations are as follows:

1. Their policies and programs should be consistent with the social objectives of the community and the country.
2. The needs of the a developing economy, the requirements of planned growth, maintenance of industrial peace, promotion of national integration, obtaining cooperation from workers unions to improve productivity and maintaining high standards of quality and prices in the international market should be uppermost in the minds of employers' associations.

Employers' associations in India are not entirely united and integrated. They should therefore integrate themselves to present a unified view to the government and to themselves.

5.7 SUMMARY

1. Industrial relations includes the following aspects:
 - a) Labor relations i.e. relations between union and management.
 - b) Employer-employee relations i.e. relations between management and workers.
 - c) Group relations i.e. relations between various groups of workmen.
 - d) Community or public relations i.e. relations between industry and society.
2. The System approach to industrial relations was put forward by John Dunlop. It focuses on the participants in the industrial relations process, environmental forces and the output and also studies the causes of these inter-relations among different aspects of industrial relations.
3. According to Karl Marx (1818-1883), industrial relations between the workers and the capitalist are contradictory by nature. The contradiction in relations is the result of contradictory objectives of the classes. Marx believed that capitalists aim at profit maximization and workers aim at maximization of wages. The two objectives cannot be reconciled because industrial relation is a zero-sum game in which one has to lose so that the other gains.
4. Trade unionism is the outcome of the factory system and the capitalist order of the society. Modern industrialization in India started from 1850 onwards when the first cotton and jute mills were set up along with the development of road and rail ways. The year 1875 is a landmark in the history of trade union movement in India because the factory workers for the first time united together for securing better working conditions.

5. The Indian labor market is divided into Organized and Unorganized sectors. The organized sector of the labor market is very small and in percentage terms is about 7% of the total employment in the country. Manufacturing, electricity, transport and financial services are largely in the organized sector. In the unorganized sector, apart from agriculture, the other industries in the unorganized sector are mining, manufacturing, construction, trade, transport and community, social and personal services.
6. The sociological roots of industrial problems can be traced to sociological factors like value system, customs, norms, symbols, attitude and perception of both labor and management that affect the industrial relations in different ways. These factors determine the behavior of workers. The social consequences of industrialization like organization, social mobility, migration generates many social evils like family disintegration, stress and strain, delinquency, personal and social disorganization do influence workers efficiency and productivity which in turn influence industrial relations system of an industry.

5.8 QUESTIONS

1. Critically examine the system's approach to industrial relations.
2. Analyze the class conflict approach to industrial relations.
3. Trace the history of trade union movement in India.
4. Explain objectives and assessment of Employer's Association.
5. Write note on contract labour.

INDUSTRIAL RELATIONS IN INDIA – II

Unit Structure

- 6.0 Objectives
- 6.1 Meaning of Industrial Conflict
- 6.2 Forms of Conflict
- 6.3 Strikes
- 6.4 Lockouts
- 6.5 Absenteeism
- 6.6 Employee Turnover
- 6.7 Causes of Industrial Disputes
- 6.8 Consequences of Industrial Disputes
- 6.9 Trends in Industrial Disputes
- 6.10 Summary
- 6.11 Questions

6.0 OBJECTIVES

- To know the Meaning and forms of Industrial Conflict.
- To study the concepts of strikes, lockouts, conflict, absenteeism and employee turnover.
- To study the causes and consequences of industrial disputes.
- to analyze the trends in industrial disputes.

6.1 MEANING OF INDUSTRIAL CONFLICT

Industrial conflict A term which refers to all expressions of dissatisfaction within the employment relationship, especially those pertaining to the employment contract, and the effort bargain. The many different kinds of industrial conflict may be divided into two broad classes—informal and formal.

6.2 FORMS OF CONFLICT

There are two forms of conflict as formal industrial conflict and informal industrial conflict.

6.2.1 Formal Industrial Conflict:

Formal industrial conflict is reserved for organized expressions of conflict articulated through a trade-union or other worker representative. Its supposed purpose is strategic or instrumental rather than (or as well as) expressive and may often involve workers who, by themselves, have no

feelings or personal involvement regarding the issues at stake in the dispute. Its characteristic form is the organized strike: that is, a withdrawal of labour such as to constitute a temporary breach of contract, using the collective strength of the workforce to avoid sanctions and achieve adjustments to pay or conditions of work. Strikes may be reinforced by other types of formal sanction such as the go-slow and work to rule. They may be confined to those directly affected or may take the form of sympathy strikes by workers in related jobs and industries. Strikes are deemed to be official if they have been called at the behest of the union leadership and in accordance with the law and with procedural collective-bargaining agreements. The term unofficial or 'wildcat' is applied to strikes waged through unrecognized leaders such as shop stewards, or by a non-recognized union, or in some other way which breaches established collective-bargaining laws and procedures. Obviously, there is not a clear distinction in practice between wildcat strikes and some of the more collective forms of unofficial conflict.

6.2.2 Informal Industrial Conflict:

Informal industrial conflict is so labelled because it is not based on any systematic organization, results directly from a sense of grievance, and supposedly is wholly expressive in nature. Many forms of industrial sabotage which appear irrational would constitute industrial conflict in this sense, as would purely individualized and even unconscious forms of protest, including absenteeism, frequent job-changing, negligence, and even accidents at work. Industrial sociologists have also regarded spontaneous walk-outs and strikes as examples of informal industrial conflict, as well as the constant opposition to management expressed in workgroup norms regulating output, restrictive practices, secrecy, or other guarded treatment of superiors. The idea of informal industrial conflict thus draws attention to the roots of behaviour which may appear incomprehensible from the point of view of management. Used too widely, however, it loses its vigour.

6.3 STRIKES

6.3.1 Definition and Meaning of strikes:

According to Peterson, "Strike is a temporary cessation of work by a group of employees in order to express their grievance or to enforce a demand concerning changes in work conditions."

Section 2(q) of the Industrial Disputes Act 1947, defines a strike as "a cessation of work by a body of persons employed in any industry acting in combination or a concerted refusal under a common understanding of a number of persons who are or have been so employed to continue to work or to accept employment." According to this definition, a strike has three important elements. They are: a group of workers, stoppage of work or refusal to do work and collective or concerted action.

Stoppage of work should be the result of concerted action on the part of workmen for realizing a demand. Such a stoppage even for a few hours will qualify to be a strike. The stoppage of work or concerted refusal to work must be in defiance of the authority of the employers. The purpose of the collective action should be to stop working or to refuse to perform normal duties.

6.3.2 Types of Strikes:

Strikes can be broadly classified into two. They are:

- 1) Primary strikes, and
- 2) Secondary strikes.

Primary strikes are generally aimed against the employer with whom the dispute exists. They may take the form of stay-away strike, stay-in, sit-down, pen-down or tools-down strike, go-slow and work-to-rule, token or protest strike, lighting or catcall strike, picketing or boycott.

Secondary strikes are strikes in which the pressure is applied not against the primary employer but against some third person who has good trade relations with him who are severed and the primary employer incurs a loss. Such strikes are popular in the USA but not in India because in India the third person does not have any locus standi so far as the dispute of workers with their employer is concerned.

6.4 LOCKOUTS

The term 'lockout' refers to the action of an employer in temporarily closing down or shutting down the undertaking or refusing to provide its employees with work with the intention of forcing them either to accept the demands made by them or to withdraw the demands made by them on him. Under the Industrial Disputes Act, 1947, a "Lockout" means the closing of a place of business or employment or the suspension of work or the refusal by an employer to continue to employ any number of persons employed by him. A lockout can thus be described as follows:

1. A lockout is the closure of an industrial undertaking because of the existence of or apprehension of an industrial dispute, violence and damage to property.
2. It is the suspension of employment in so far as the employer refuses to give work to the workmen until they yield to his demand or withdraw the demands made on him or because of closing down of a place of employment and the suspension of the work.
3. A lockout is an antithesis of a strike. Just as the employees by going on a strike force the employer to accept their demands, the employer lock them out of his premises and not allow them to return to work unless the workers withdraw their demands or accept his demands.

4. A lockout is used to coerce or force workmen to come to terms. The lockout involves an overact on the part of the employer and an element of ill-will. In the absence of this overact or ill-will, the temporary suspension of work would not amount to a lockout and the workmen cannot claim wages for the period of closure.

The following cannot be considered as lockout:

1. Prohibiting an individual employee is not a lockout.
2. Termination of employment by retrenchment does not amount to a lockout.
3. Termination of services of more than one person at the same time would not be a lockout.
4. Declaration of a lockout by an employer merely on the ground that the workmen have refrained from attending to work is not a lockout.

Similar to a strike, lockout also leads to loss of production and suspension of the payment of wages to the workers.

6.5 ABSENTEEISM

“Persistent absences from a job or commitment without having a valid reason for them is called absenteeism.”

6.5.1 There are two forms of Absenteeism:

1. Innocent:

If employees have authentic reasons to take leaves of absence.

For example, them or their family members getting sick, babysitter cancelling at the last moment, etc.

2. Culpable:

If the reason for the unplanned absence from work is not authentic.

For example, employees lying about being sick or just wanting to stay home.

6.5.2 Absenteeism Calculation:

Use the absenteeism formula to calculate the percentage of absenteeism for the firm:

$$\text{Absenteeism Rate} = (\text{Average \# of Employees X Missed Workdays}) / (\text{Average \# of Employees X Total Workdays}) * 100$$

Use the absenteeism formula to calculate the percentage of absenteeism for an employee:

Absenteeism Rate = ((# of unexcused absences)/total period) x 100 = % of Absenteeism

6.5.3 Causes of Absenteeism:

1. Babysitting or taking care of elders:

If employees have children or elders at home that need to be taken care of and usual arrangements haven't worked out, or if the dependent is injured or sick, they might have to stay home.

2. Tiredness or pressure:

Excessive workload, presentations/meetings that put pressure on employees, and being undervalued can discourage employees and make them not want to come to work.

For example, caregivers cancelling or unexpected school holidays.

3. Intimidation and persecution:

Intimidating circumstances like harassment and persecution in the workplace are likely to make employees avert the situation and not want to show up to work.

4. Depression:

When employees turn to alcohol or substances as self-medication for their unhappiness and depression, it can give rise to substance abuse.

5. Sickness:

Doctors' appointments, sicknesses, and injuries can compel a person to not show up to work. These are the most reported reasons for absences but are sometimes not the real reason.

6. Employees can get into accidents both outside and at work:

Persistent injuries like backaches and neck aches, in addition to extreme injuries, are the most commonly reported reasons for absences. They usually call in sick in such cases.

7. Disconnection:

Disengaged employees that do not have the motivation to attend work and are not devoted to their company, jobs, or colleagues are likely to skip work.

8. Partial shifts:

Both workplace morale and productivity are negatively influenced by practices like longer breaks, leaving early and late arrivals, which are also considered to be absenteeism.

9. Job seeking:

Absenteeism can occur when employees are looking for a job, visiting head-hunters, attending job interviews, or working on resumes.

10. Transportation setbacks:

Being late to work due to delayed transportation means or because employees stay far.

11. Poor work ethic:

Not committing to your company or your work, finishing projects later than the deadlines, coming in to work late, etc., are all forms of poor work ethics.

6.6 EMPLOYEE TURNOVER

6.6.1 Introduction:

Employee turnover refers to the shifting of workforce in and out of an organization and hence it is also referred to as the interfirm mobility of labor. Employee turnover may be defined as “the rate of change in the working staff of a concern during a definite period”. Employee turnover measures the extent to which existing employees leave and new employees enter into services of an organization in a given period. Employee turnover is also defined as the measurement of inarticulate labor unrest because strikes are articulated expressions of labor unrest. Employee turnover measures the morale of the employees and their efficiency. The higher is the rate of turnover the lower is the morale and efficiency. These two aspects are central to the success of a organization and hence needs to be seriously addressed.

Statistically, employee turnover is expressed as the ratio of yearly or monthly separations to the average number of full time employees for that period. It is assumed that the total number of jobs available in a concern are constant. Employee turnover is measured in the following ways:

1. According to the total replacements formula, employee turnover is expressed by the formula:

$$T = \frac{R}{W} \times 100$$

where R is total replacements and W is average working force.

2. According to total avoidable separations like quits, discharges etc, employee turnover is expressed as:

$$T = \frac{S - U}{W} \times 100$$

where S stands for separations, U stands for unavoidable separations (retirements, deaths etc) and W is the average work force.

3. According to total accession plus separations, employee turnover is expressed by the formula:

$$T = A + S \div \frac{(P1 + P2)}{2} \times \frac{365}{M}$$

Where A stands for accession, S for separation, P1 and P2 for total number of employees at the beginning and at the end of the month respectively and M stands for the number of days in the month for which the figures were obtained.

4. Normally, employee turnover is computed in terms of percentage of the number of terminations of employment to the number employed during the period for which measurement is desired. Thus, employee turnover is:

$$T = \frac{S}{F} \times 100$$

Where T represents turnover, S stands for total separation during the period and F for average labor force during the period.

6.6.2 Causes of Employee Turnover:

Retirement, resignation, lay-offs and dismissals are the common causes of employee turnover. Out of these, retirement is the inevitable cause. However, both resignation and dismissals can be reduced by implementing employee retention policies in the organization. Unavoidable turnover which is also called Natural Turnover arises because of factors like death, retirement, lay-offs and frictional unemployment. Employees may be laid off due to reduction in work on account of recession, seasonal variation and competition. Resignations and dismissals are found to be the main causes of turnover. Resignation may be due to dissatisfaction about the working conditions, poor wages, bad health, sickness, family circumstances etc. Dismissals may occur due to participation in strikes, misconduct, insubordination, disciplinary action in cases of inefficiency etc. The badli system in the textile industry was found to be an important cause of employee turnover. Employee turnover is also high amongst the highly paid managerial staff because of the belief that the more you shift from one organization to the other, the higher you will be on the growth ladder. Employee turnover is high amongst new employees, unattractive jobs, less skilled workers and young persons.

6.6.3 Consequences of Employee Turnover:

Employee turnover lowers the efficiency of employees and they are not in a position to enjoy the benefits of loyalty. Employee solidarity is adversely affected by high turnover. The employers also lose on account of turnover. The productivity of employees during the learning period is low which

means the cost of learning is borne by the employer. Once the employee becomes sufficiently skilled in his work and he or she leaves the employment, it is clearly a loss to the employer. However, if employee turnover is equally high across the industry, loss of skilled staff may be made good by acquiring skilled staff coming from other firms in the industry. However, acquisition of new employees is always at a higher cost. High employee turnover, however, prevents optimum utilization of resources in the country.

6.6.4 Remedies to Reduce Employee Turnover:

In order to reduce employee turnover across the industry, a scientific study of the problem needs to be made to assess the extent of turnover across the industries and across the plants within industries. The recruitment or placement policy of the firm should be scientific enough to place the right person in the right place at the right time. There is a great likelihood of a misfit to leave the firm in a short period of time. Recruitment, placement and training policies of the firms must be correct to reduce the problem of employee turnover. Job specifications and man specifications should be matched before selection and placement is done. Finally, enlightened employee supervision, good working conditions, better standard of wages, a good system of career advancement, good separation benefits and an empathetic management can definitely reduce the problem of employee turnover.

6.7 CAUSES OF INDUSTRIAL DISPUTES

The causes of industrial disputes are as follows –

1. Economic Causes:

- a) Demand for increase in wages on account of increase in all India Consumer Price Index for Industrial Workers. The demand for increase in wages may be raised for all categories of factory workers.
- b) Demand for higher gratuity and other retirement benefits.
- c) Demand for higher bonus.
- d) Demand for certain allowances such as house rent allowance, medical allowance, night shift allowance, conveyance allowance.
- e) Demand for paid holidays
- f) Reduction of working hours
- g) Better working conditions, etc.

2. Political Causes:

Trade union in India are controlled by various political parties. In many cases, their leadership vests in the hands of persons who are more

interested in achieving their political interests rather than the interests of labourers.

3. Personnel Causes:

Sometimes, industrial disputes arise because of personnel problems like discissal, retrenchment, layoff, transfer, promotion etc.

4. Indiscipline:

Industrial disputes also take place because of indiscipline and violence on the part of the workforce. Lock-outs are resorted to by the managements to curb indiscipline and violence.

6.8 CONSEQUENCES OF INDUSTRIAL DISPUTES

Consequences of industrial disputes are often far-reaching as they disturb the economic, social and political life of a country. Industrial disputes create turmoil between the management and the labour and are in fact symptoms of poor industrial relations. An organisation being in the grip of symptoms of poor industrial relations. An organisation being in the grip of tense industrial relations finds it impossible to introduce any innovation or effect any productivity improvement exclusively through the various industrial engineering techniques. Poor industrial relations within an organisation are not only harmful for it, but are also against the interests of the society as a whole. The adverse effects of industrial conflicts may be enumerated as follows:

1. Disturbance of industrial peace
2. Resistance to change
3. Frustration among employees
4. Intensification of social tension
5. Adverse effect on the economy

In general, industrial disputes are harmful, undesirable and even dangerous. They create unrest in industry and create tension among the employers and the employees.

6.9 TRENDS IN INDUSTRIAL DISPUTES

Table No. 6.1

Trends in Intensity of Industrial Disputes, 2001-2011

Sr. No.	Year	Disputes	Workers Involved	Man-days Los (000)
1.	2001	674	987778	23767

2.	2002	579	1079434	26586
3.	2003	552	1815945	30256
4.	2004	447	2072221	23866
5.	2005	456	2913601	29665
6.	2006	430	1810348	20324
7.	2007	389	724574	27167
8.	2008	421	1579298	17434
9.	2009	392	1625505	13365
10.	2010	425	1059664	17912
11.	2011	91	48156	321

Above table should be the trends in industrial disputes.

6.11 QUESTIONS

1. Explain the forms of conflict.
2. Explain the meaning and types of strikes.
3. Give note on Lockouts.
4. Give note on Absenteeism.
5. Write note on Employee Turnover.
6. Explain the causes and consequences of industrial disputes.

MODULE 4: ROLE OF THE STATE IN INDUSTRIAL RELATIONS IN INDIA

7

ROLE OF THE STATE IN INDUSTRIAL RELATIONS IN INDIA – I

Unit Structure

7.0 Objectives

7.1 Introduction

7.2 Labour Policy in India: Pre and Post-Reform Scenario

7.3 Impact of Globalisation

7.4 Tripartism

7.5 Labour Legislation Affecting Industrial Relations: Statutory and Non-Statutory Measures to Settle Industrial Disputes

7.6 Summary

7.7 Questions

7.0 OBJECTIVES

- To know the pre and post reform scenario of labour policy in India.
- To know the concept of Tripartism.
- To know the statutory and Non- Statutory measures to settle industrial disputes.

7.1 INTRODUCTION

The role of state and industrial relations restructures the general framework of global industrial relations, using a comparative approach (European Union, France, Spain, Germany, Italy, Japan, China, USA, Brazil, South Africa and India). It is an important to consider the challenges and future prospects and to propose a new agenda for the state. The new era of industrial relations, which has reached a stage where the nature of work has been slowly changing in the recent decades, seems to have been systematically examined and analysed, as “lingering renewals” have been noticed after the economic crisis. The state’s intervention in the essential economic structures of 2008 has been revived. In the terms of globalization, industrial relations are evolving in a new direction due to the internationalization of the economy and increasing competitive pressures.

Industrial relation is a study area that examines the relationship between the workplace administration and the organization’s staff and provides a

tool for resolving various industrial disputes. This idea was developed by the Industrial Revolution in the late nineteenth century. Industry can be seen as an economic activity, that is, the production, manufacture or processing of goods or services or administration by a group of people. Relationship refers to the relationship and communication between the business and the employer in the workplace.

7.2 LABOUR POLICY IN INDIA: PRE AND POST-REFORM SCENARIO

Labour, along with land, capital and industry, is a component of production, and the labour market is a market where workers compete for jobs and workers compete for workers. In the neo-conservative framework, it is assumed that capital and labour can change for each other directly and easily. However, it should be understood that labour as an input for production is very different from the capital in the production process. The labour force belongs to the poor and it sells its labour force to meet its basic minimum needs through productive employment. But when this labour force is replaced by capital, it results in a change in the form of unemployment or employment (i.e., change from wage employment to self-employment). Therefore, it can be said that even if the economy is on the path of high growth (i.e., due to over-deployment of capital), if no 'meaningful' provision is made to the labour force of that nation, then no objective of high economic growth will be achieved. Given that the labour force has a direct impact on the lives of workers, the issue of labour market reforms is a very sensitive issue as a whole, which in a way will affect the economy as a whole.

Labour market reform seeks to change labour market organizations and product relations that are characterized by various laws, rules and regulations that have a direct and indirect effect on labour demand, labour supply, wages, and so on. These laws and regulations are intended to protect the rights of workers and their social security and to prevent exploitation of workers by employers. In the recent years, the issue of labour market reform has been at the centre of policy discussions in India, with a flurry of arguments from both quarters.

(1) Amendments to the Apprenticeship Act, 1961:

This Act was amended in December, 2014 to give more response to industry and youth. The Apprentice Incentive Scheme was launched to encourage learner candidates working in Micro, Small and Medium Enterprises (MSMEs) in the field of architecture. Given the large employment potential in the micro, small and medium enterprises sector, this step could increase the productivity of the workers and increase efficiency while ensuring massive job creation.

(2) Shram Suvidha Portal:

This is an integrated labour portal scheme launched for timely resolution of grievances and creation of conducive environment for industrial

development. Key features of this portal include: (i) Special Labour Identification Number (LIN) to facilitate online registration; (ii) self-certification to help industries file self-certified and simplified single online returns instead of 16 separate returns; (iii) Transparent labour inspection scheme to reduce corruption. According to the risk-based criteria, the inspection will be done through computerized system and the inspection reports are uploaded by the labour inspector within 72 hours.

(3) Employees State Insurance Corporation under Project Panchadeep (ESIC):

Its objective is to digitize internal and external processes to ensure efficiency in services, especially to employers and insured persons.

(4) Digitization of information under Universal Account Number (UAN) and Employees Provident Fund (EPF):

Digitization of EPF member information and allocation of Universal Account Number (UAN) to each member to facilitate accessibility of member accounts. UAN is linked with bank account, Aadhar card and other KYC details to promote financial inclusion. Direct access to EPF accounts allows members to access and integrate into previous accounts.

(5) National Health Insurance Scheme (NHIS):

This is a scheme for unorganized workers under the Unorganized Workers Social Security Act, 2008. It is a smart card-based cashless health insurance plan with maternity benefits and cover of Rs 30,000. It is proposed to extend the National Health Insurance Scheme (NHIS) for all unorganized workers in unorganized sector below the poverty line (BPL) families on a family floater basis in phases every year.

(6) The National Vocational Training-Management Information System (NCVT-MIS)

Portal has been developed to streamline the evaluation / certification of Industrial Training Institute (ITI), Apprentice Scheme and all NCVT training courses.

(7) Under Employees Provident Fund (EPF):

Digitization of complete information of 42.3 million EPF members and allocation of Universal Account Number (UAN) to each member, which facilitates accessibility of member accounts. UAN is linked with bank account, Aadhar card and other KYC details to promote financial inclusion. Direct access to EPF accounts will allow members to access and integrate into previous accounts. Online pensioners can view their account and distribution details online. The statutory salary limit under the Employees Provident Fund and Various Provisions (EPF & MP) Act is Rs. Was extended to. 15,000 per month and minimum pension of Rs. 1,000 has been started.

(8) For Unorganized Workers:

The National Health Insurance Scheme (NHIS) is a scheme under the Unorganized Workers Social Security Act, 2008. This is a smart card-based cashless health insurance plan, which includes maternity benefits. It is proposed to extend RSBY to all unorganized workers in unorganized sector below poverty line (BPL) households on a family floater basis at Rs 30,000 per family in phases.

(9) National Career Services Portal:

The government is bound to provide free employment services to its citizens. This is changing with the launch of the National Career Services (NCS) portal in July 2015. NCS is envisioned as a digital portal that will provide job seekers and employers with a nationwide online platform for dynamic, efficient and job matching.

(10) Payment of Bonus (Amendment) Act, 2015:

The law passed in December 2015, the eligibility for bonus payment of the Payment of Bonus Act, 1965 is Rs. 10,000 to Rs. 21,000 per month. This decision will not only increase the bonus pay of the employees but also make them more eligible for it.

(11) National Child Labour Project (NCLP) Scheme:

In 2015, the Government of India launched the National Child Labour Project (NCLP) scheme under which children aged 9-14 years are discharged / enrolled in NCLP special training. Centres, where they were introduced to the mainstream education system, including bridge education, vocational training, lunch, scholarships, health care, etc. Children in the age group of 5-8 years are directly connected to the formal education system in close coordination with Sarva Shiksha Abhiyan (SSA). The government has also proposed an amendment to the Child Labour (Prevention and Regulation) Act, 1986, which seeks to impose a complete ban on the employment of children under 14 years of age and to add an age restriction on the age of children under the right to free and compulsory education. The amendment also includes provisions for harsher penalties for employers.

7.3 IMPACT OF GLOBALISATION

One of the goals of liberalization is to make Indian industries globally competitive. In this direction, the Government of India has pursued three types of reforms: one, abolishing the complex network of industrial controls, industrial licensing and licensing systems; Two, the liberalization of foreign trade and currency transactions and three, the establishment of a number of measures to facilitate the flow of foreign direct investment (FDI). These measures were introduced in 1991 and the liberalization process is still ongoing. It was argued that removing barriers to entry and licensing would force Indian enterprises to face international competition and improve their efficiency and productivity and introduce new processes

and products. Trade reforms aimed at bringing Indian industries to the forefront of the global market will force them to produce high quality goods. By removing import restrictions and currency transactions, they will be able to import better quality materials, components and technologies. FDI inflows will increase technology and productivity and improve the productivity of Indian enterprises.

Globalization directly and indirectly affects industrial relations systems and also the factors around them. For example, the internationalization of markets, the free movement of capital and workers, increasing competition, and the importance of markets all affect global industrial relations systems. While this accelerates economic interdependence between countries, it can lead to convergence in global industrial relations. As more organizations begin to take their business globally, work standards and pay scales begin to level, and organizations will have to make changes to their recruitment strategies to prepare for work culture differences. Developing countries are considering hiring more workers from developing countries to bridge the gap between supply and demand. Lack of workers could jeopardize their economic growth, international competitiveness and productivity performance.

Positive Outcomes:

Licensing, removal of government restrictions on industries and liberalization of foreign investment have reduced the time and money spent in the formal process of obtaining government approval. This has shifted the focus of the industry to the actual business of production thus reducing the cost of the project. Exports have increased and trade has increased. Policies in the field of foreign investment have attracted the inflow of foreign capital, especially in areas such as electrical equipment, services and telecommunications. Indian industry and financial institutions have invested abroad. Many Indian companies have joint ventures with foreign companies. They are becoming internationally competitive. India is expanding its export orientation by establishing SEZ (Special Economic Zone) and realizing its international presence through mergers and acquisitions. Increasing competition and the flow of foreign knowledge have made industrial workers more efficient and skilled. Industrial productivity has increased, which is reflected in higher industrial wages. The incidence of industrial diseases has decreased. In this competitive environment, goods produced by Indian industries are sold at competitive prices, providing high quality satisfaction to Indian consumers. The small business sector is getting stronger with the provision of priority loans, microfinance and other types of loans. Some SSEs have grown into mid-level functions.

Negative Impact:

Some sectors were already well established while open to foreign investment, which led to MNCs dominating and exploiting their resources

and hindering their own research and development efforts. The use of foreign technology cannot be adapted to the Indian situation. Sometimes multinational corporations deliberately use less sophisticated technology in their subsidiaries. There is a lot of competition in the market which puts a lot of pressure on domestic enterprises to increase productivity and improve product quality. Rising urban industrial wages are much higher than rural laborers, leading to income inequality. There is an uncontrolled growth of consumerism and there are plenty of alternatives to the problem that abounds as consumers. Businesses are driven solely by private profits. Globalization has in fact increased the intensity of capital in production and has adversely affected employment as workers have been replaced by machinery. Globalization poses risks to domestic enterprises such as price fluctuations, profit volatility and uncertainty of supply and demand.

7.4 TRIPARTISM

During the period 1957 to 1965, the Government felt the necessity to consolidate labor policy. Tripartism in the field of labor got consolidated during this period. Labor legislations were enacted during the second and third five year plans and the Three Codes were adopted. These three codes were concerned with the code of discipline for managements and unions.

The Second Five Year Plan (1956 – 61) emphasized on the increased association of labor with management. It stated that the representative union should have sole right of taking up with management, matters of disputes in connection with wages, allowances and other terms and conditions of service. It placed a restriction on the number of outsiders as office bearers of unions and called for protection of office bearers against victimization. In response to the workers' demand for voluntary arbitration, the Second plan called for the use of voluntary arbitration in settlement of disputes. The Central Government amended the Industrial Disputes Act to include Section 10A which provided for reference of disputes to voluntary arbitration and de-linked the Arbitration Act, 1940 from voluntary arbitration. The Employees' Provident Fund Act was extended to cover industries and commercial establishments having 10,000 workers or more. The Employees' State Insurance Act was proposed to be extended to workers' families. Joint Management Councils were introduced to ensure workers' participation in management of the industry.

The Third Five Year Plan (1961 -66) included the following aspects of labor policy:

1. Revival and improvement of the Three Codes introduced in 1958.
2. Emphasis on voluntary arbitration to replace adjudication.
3. Emphasis on Workers' Participation in Management.
4. Active implementation of workers' education programs.

5. Enlarging the coverage of the ESI scheme to 3 million workers' families by extending the coverage of the Act to establishments employing 20 from the earlier 150.

These policy aspects gave workers a sense of equality and status and gave a realistic tone to the slogan of 'Equal Partners in the creation of Wealth'. A National Safety Council was set up in 1966. A Bonus Commission was set up to regularize the payment of bonus.

Tripartism became a norm in the field of Labor with India becoming a member of the International Labor Organization in 1919. Industrial relations policies and principles in India have been shaped by tripartite consultations at the national and industry levels. Tripartism was institutionalized because of the realization that decisions in labor policy could not be imposed without participation of the two main parties concerned. The Government, the Labor Organizations and the Industrial Organizations are the three pillars of tripartism. At present, there are 44 tripartite committees at the national level. Several tripartite meetings are held from time to time, such as the sickness in the National Textile Corporation, the National Renewal Fund and labor rationalization. At the State levels, tripartite meetings are held on specific issues from time to time.

7.5 LABOUR LEGISLATION AFFECTING INDUSTRIAL RELATIONS: STATUTORY AND NON-STATUTORY MEASURES TO SETTLE INDUSTRIAL DISPUTES

Important legislations influencing industrial relations in India are the Trade Unions Act 1926, the Industrial Disputes Act 1947, the Industrial Employment (Standing Orders) Act 1946, the Factories Act 1948 and the Workmen's Compensation Act 1923.

1. The Trade unions Act, 1926:

The Trade Unions Act was passed in 1926 and came into effect from 01st June, 1927. The Act was amended in 1970 so that it becomes applicable to Jammu and Kashmir also and this amendment came into force from 01st September, 1971. All trade union activities in India are governed by this Act. It was originally enacted to protect the union leaders. The Act was amended in 1929 to provide registration of trade unions. The Act provides for the formation, procedure, registration including conditions of registration, advantages of registration and the immunities available to the union leaders from both civil and criminal laws while involving themselves in the union activities of a registered trade union. The Indian Trade Union Act of 1926 defines trade union as "Any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relation between workmen and workmen, between workmen and employers or between employers and employers or for imposing restrictive conditions on the conduct of any trade or business and includes any federation of two or more trade unions". It is an association of wage earners, formed for the purpose of collective action for the

defense of its professional interest bound by the Trade Union Act. Combination stands for the union of any type of people which need not necessarily be workmen whereas 'association' stands for a union of workmen. A trade union is an association of workmen. A trade dispute has been defined as "any dispute between employers and workmen or between workmen and workmen or between employers and employers which is connected with the employment or nonemployment or the terms of employment or the conditions of labor, of any person" [Section 2(g)].

2. Industrial Disputes Act 1947:

The Industrial Disputes Act 1947 is the basic legislation concerning industrial adjudication in India. The Act provides a basic legal framework for dealing with industrial disputes and their settlement. It aims at improving the service conditions of the industrial workforce and peace and harmony in the industrial sector. Minimizing conflict between management and workmen and ensuring social justice come under the purview of this Act. Comprehensive provisions have been made both for the settlement of disputes and prevention of disputes in certain industries. The Act which came into force on 01st April, 1947 introduced the principle of compulsory conciliation and adjudication of industrial disputes in certain cases and created two new institutions namely: Works Committee and Tribunal.

The Act defines industrial disputes as "any dispute or difference between employers and employers or between employers and workmen or between workmen and workmen which is connected with the employment or non-employment or the terms of employment or with the conditions of labor of any person [Section 2(K)]. Where any employer discharges, dismisses, retrenches or otherwise terminates the services of an individual workman, any dispute or difference between that workman and his employer connected with or arising out of, such discharge, dismissal, retrenchment or termination is deemed to be an industrial dispute notwithstanding that no other workman nor any union of workmen is a party to the dispute [Section 2(k), 2A].

Industry under the Act is defined as "any systematic activity carried on by co-operation between an employer and his workmen (whether such workmen are employed by such employer directly or by or through any agency including a contractor) for the production, supply or distribution of goods or services with a view to satisfy human wants or wishes (not being wants or wishes which are merely spiritual or religious in nature) whether or not (a) any capital has been invested for the purpose of carrying on such activity or (b) such activity is carried on with a motive to make any gain or profit and includes (i) any activity of the Dock Labor Board established under the Dock Workers Act, 1948 and (ii) any activity relating to the promotion of sales or business or both carried on by an establishment but does not include amongst other things any agricultural operation except integrated agricultural operations, hospital or dispensaries, educational, scientific, research or training institutions, khadi or village industries, any domestic service.

The authorities for prevention or settlement of disputes under the Act include (1) Grievance Settlement Authority, (2) Works Committee (3) Conciliation Officer, (4) Board of Conciliation, (5) Court of Inquiry, (6) Labor Court, (7) Tribunal, (8) National Tribunal and (9) Arbitrator. The Labor Court, Tribunal and National Tribunal are authorities for adjudication of industrial disputes whereas Conciliation Officer and Board of conciliation are conciliation authorities. Cases of voluntary arbitration are referred to Arbitrator. Grievance Settlement Authority is intended to deal mainly with individual disputes. Works Committee is a machinery for the prevention of industrial disputes.

3. Workmen's Compensation Act, 1923:

The first step in the direction of social insurance was taken by the Government of India in 1923 by passing the Workmen's Compensation Act. The Act imposes an obligation on employers to pay compensation to workers for accidents arising out of and in the course of employment, resulting in death or total or partial disablement for a period exceeding three days. The Act is applicable to all categories of workers employed for the purpose of employer's trade or business. No compensation is payable if the injury not resulting in death is caused by the fault of the worker e.g., due to influence of drinks, drugs, willful disobedience of an order etc. Compensation is payable in the case of workers who contract occupational diseases. Compensation is payable for death, permanent total disablement, partial disablement and temporary disablement. The Act is administered by the State Governments through Commissioners for Workmen's Compensation. The Act does not apply in areas where the Employees' State Insurance Act operates. Employees drawing a salary of Rs.4000/- or less per month are eligible for compensation. The minimum amount of compensation is Rs.80, 000 for death and Rs.60,000/- for permanent total disablement. For funeral expenses Rs.2500/- is paid.

4. Industrial Employment (Standing Orders) Act, 1946:

The Act applies to every industrial establishment employing 100 or more workmen but the Central and State governments can apply the provisions of the Act to any industrial establishment employing less than 100 workmen. However, a two months' prior notice by notification in the official gazette is necessary. The Act does not apply to (i) industries covered by relevant sections relating to standing orders (Chapter VII) under the Bombay Industrial Relations Act, 1946 and (ii) industrial establishments except those under the control of the central government to which the Madhya Pradesh Industrial Employment (Standing Orders) Act, 1961 applies.

The appropriate government is the central government in respect of industrial establishments under the control of the central government or a railway administration or in a major port, mine or oil field and state government in all other cases [Section 2(b)]. The employer of every industrial establishment covered under the Act is required to submit to the Certifying Officer five copies of the draft standing orders proposed by him

for adoption in his industrial establishment. The draft should make provision for every matter set out in the Schedule and where model standing orders have been prescribed it should be in conformity with the model. The Schedule of the Act includes the following:

1. Classification of workmen (permanent, temporary, apprentice, probationers or badlis). Manner of intimating workmen periods and hours of work, holidays, pay-days and wage rates.
2. Shift working, attendance and late coming. Conditions of, procedure in applying or and the authority which may grant leave and holidays. Requirement to enter premises by certain gates and liability to search.
3. Closing and re-opening of sections of the industrial establishment and temporary stoppage of work and the rights and liabilities of the employer and workmen arising there from.
4. Termination of employment and the notice thereof to be given by the employer and workmen.
5. Suspension or dismissal for misconduct and acts or omissions which constitute misconduct.
6. Means of redress for workmen against unfair treatment or wrongful exactions by the employer or his agents or servants and any other matter which may be prescribed. The certifying officer is required to forward a copy of the draft standing orders to the trade union of workmen, if any, or where there is no trade union to the workmen in the prescribed manner together with a notice in the prescribed form for raising objections. After making the required modifications, the certifying officer will certify the draft standing orders and send copies of the same to the employer and the trade union or the representatives of workmen within seven days of certification [Section 5].

5. The Factories Act, 1948:

The Factories Act, 1948 regulates service and working conditions of workers in India. Under the Act, a factory has been defined to include all industrial establishments employing ten or more workmen where power is used and twenty or more workmen in all other types of industrial establishments. The Act deals with the basic minimum facilities relating to health, safety and welfare of workers. A worker is one who is employed in the establishment and engaged in the manufacturing process directly or through some agency for wages or otherwise. The concept of employment involves employer, employee and a contract of employment. The employer is one who employs or engages the services of another person while employee is the one who works for another and the employment is the contract of service between the employer and the employee subject to the control and supervision of the employer.

The Factories Act 1948 prescribes the procedure for approval, licensing and registration of factories. The Factories Act, 1948 is generally

applicable to all factories as defined under the Act. Chapter 5 of the Factories Act deals with labor welfare. Sections 11 to 20 of the Act deals with the health of the workers. Sections 21 to 41 deal with the safety of the workers and Sections 42 to 50 deals with the welfare of the workers. Provisions pertaining to health, safety and welfare are as follows:

1. Sections 11 to 20 Dealing with Health of the Workers.
2. Sections 21 to 41 Dealing with Safety of the Workers.
3. Sections 42 to 50 Dealing with Welfare of the Workers.

7.6 SUMMARY

1. Employers' Associations in India are operating at three different levels and in three different capacities. The three levels are local, regional and national. There are also industry level 219 employers' associations in the cotton and jute textile industry and also in the engineering, cement, and paper and sugar industries.
2. Section 2(q) of the Industrial Disputes Act 1947, defines a strike as "a cessation of work by a body of persons employed in any industry acting in combination or a concerted refusal under a common understanding of a number of persons who are or have been so employed to continue to work or to accept employment."
3. Under the Industrial Disputes Act, 1947, a "Lockout" means the closing of a place of business or employment or the suspension of work or the refusal by an employer to continue to employ any number of persons employed by him.
4. An employer intending to close down an industrial establishment under Section 25K of the Industrial Disputes Act 1947, has to apply to the appropriate government at least 90 days before the date on which the intended closure is to become effective for prior permission to close down his undertaking. The application must state clearly the reasons for intended closure of the undertaking. A copy of the application is also to be served simultaneously on the representatives of the workers concerned. Permission for closure is not necessary in case of undertakings set up for the construction of buildings, bridges, roads, canals, dams or other construction work.
5. In addition to wages paid to the employees, the employer also pays a part of the profits to the workers on a yearly basis. While Bonus is paid on a yearly basis as a matter of statutory requirement under the Payment of Bonus Act 1965, profit sharing between the employers and the employees is a matter of proactive and enlightened management. Profit sharing is based on an agreement between the employer and the employees.
6. Worker's participation in management has to be at the following three levels: a. At the shop level b. At the departmental level c. At the top-

level Workers participation influences the decision-making authority at these three levels with regard to policy formulation and execution. Further, participation results in the voluntary acceptance of the responsibilities by workers. 220

7. Important legislations influencing industrial relations in India are the Trade Unions Act 1926, the Industrial Disputes Act 1947, the Industrial Employment (Standing Orders) Act 1946, the Factories Act 1948 and the Workmen's Compensation Act 1923.

7.7 QUESTIONS

1. Comment on the role of Employers' organizations in Labour Management relations.
2. Describe the role of Tripartism in Industrial Relations in India.
3. Describe labour legislation affecting industrial relations.
4. Explain the pre and post reform scenario of labour policy in India.

ROLE OF THE STATE IN INDUSTRIAL RELATIONS IN INDIA – II

Unit Structure

- 8.0 Objectives
- 8.1 Workers Participation in Management
- 8.2 Voluntary Retirement Schemes
- 8.3 Social Security Measures
- 8.4 Unemployment Insurance
- 8.5 Occupational Safety and Health Management Systems
- 8.6 India and ILO
- 8.7 Summary
- 8.8 Questions

8.0 OBJECTIVES

- To know the workers participation in management.
- To study the Voluntary Retirement Schemes.
- To study the social security measures.
- To know about unemployment insurance.
- To study functions of ILO.

8.1 WORKERS PARTICIPATION IN MANAGEMENT

8.1.1 Meaning:

The special advisory committee set up by the Government of Jamaica defined workers participation in management as “the extension of individual’s human rights at the work place”. It further stated that the procedures, rules and styles of management should bring recognition, treatment and attention to the worker as a human being and not as a mere statistical unit of production.

Workers participation in management seeks to bridge the gap between managerial and operative functions by authorizing the workers to take part in managerial functions. Workers participation in management has to be at the following three levels:

1. At the shop level.
2. At the departmental level.

3. At the top level.

Workers participation influences the decision making authority at these three levels with regard to policy formulation and execution. Further, participation results in the voluntary acceptance of the responsibilities by workers.

8.1.2 Structure:

The scheme of workers participation in management consists of committees, councils and the appointment of Worker Directors. The committees and councils are joint bodies in which the management representation is either absent or proportionately less than that of the workers. The elected representatives of the workers are the members of the committees and councils. The arrangement of worker Directors provides that the association of workers should send their representatives on the Board of Directors.

8.1.3 Objectives:

The following are the objectives of the scheme of workers participation in management:

1. Promote increased productivity for the greater benefit of the enterprise, employees and the community.
2. To create a better understanding between the worker and their role in the working of the industry and the process of production.
3. To satisfy the workers need of self expression leading to industrial peace, better relations and increased co-operation.

The basic objective of the scheme of workers participation in management is to bring about a change in the attitudes of the parties so that mutual suspicion is replaced by mutual trust, antagonism by understanding and stable industrial peace is established. Thus the most significant objective is to improve industrial relations.

8.1.4 Evolution of Workers' Participation In Management In India:

The scheme of workers participation in management in India was sponsored by the Government of India. The demand for participation in management never came from the trade unions. Section 3 of the Industrial Disputes Act, 1947 empowered the central and state governments to order employers of industrial establishments employing 100 or more workmen to constitute Works Committees. In 1947, according to the Industrial Truce Resolution adopted at the Industries Conference, Unit Production Committees were recommended to be set up in industrial establishments for promoting the efficiency of workers and improving production. Under the industrial policy resolution of 1948, the Government of India accepted the need for establishing bipartite production committees. In 1958, the scheme for Joint Management Councils was introduced. In 1977, WPM was established in commercial and service organizations in the public

sector. In 1976, Article 43 A was inserted in the Indian Constitution under the Directive Principles of State Policy. Article 43 A of the DPSP states that “the State shall take steps by suitable legislation or any other way to secure the participation of workers in the management of undertakings, establishments or other organizations engaged in any industry.” In 1983, a new scheme of Employees’ Participation in Management for public sector undertakings was introduced. In 1990, a comprehensive bill in respect of WPM was introduced in the parliament. The bill is yet to be passed.

The following are the main schemes of WPM implemented in India:

1. Works Committee, 1947.
2. Joint Management Councils, 1958.
3. Board Level Participation, 1970.
4. Shop Councils and Joint Councils under old 20 point program, 1975.
5. Unit Councils and Joint Councils in Commercial and Service organizations in the public sector, 1977.
6. Institutions of Employees’ Participation in Management for Public Sector Undertakings, 1983.
7. Joint Councils in Government services, 1956 and
8. Institutions in some private sector enterprises.

8.2 VOLUNTARY RETIREMENT SCHEMES

Under this scheme, the employee is offered to retire voluntarily by the industry before the date of retirement. Voluntary retirement schemes are adopted to reduce the number of employees. Workers, officers of industry associations, officers of co-operative societies etc. can take voluntary retirement. Both public and private sector enterprises can offer voluntary retirement scheme. This scheme is also known as "Golden Handshake". By voluntary retirement, the strength of the employees is reduced, thus reducing the overall cost of the enterprise. There are many rules and regulations under voluntary retirement. One of the most basic rules is that a retiring employee cannot apply to another industry related to the same industry.

8.2.1 Objectives:

The main objective of the scheme is to reduce the number of employees in the industry who are unable to pay their salaries due to financial constraints. The company can reduce costs by proposing voluntary retirement. Under this scheme, many benefits are also offered to the employees, such as rehabilitation facilities to the employees, advice on managing funds etc. which will automatically improve their income.

8.2.2 Features:

1. Under the scheme, employees are offered voluntary retirement from the service. This retirement occurs before the date of retirement.
2. Voluntary retirement is not a form of forced retirement. Leaving or retaining a job is entirely in the hands of the employees.
3. The voluntary retirement scheme is applicable only to those employees who have completed 10 years of service or have completed 40 years of age.
4. The scheme is offered by both public and private sector enterprises.
5. This scheme is also known as "Golden Handshake".
6. Through voluntary retirement of employees, the number of enterprises is reduced to reduce costs.
7. A person retiring voluntarily is not allowed to apply in another industry related to the same industry.
8. Various benefits like rehabilitation facilities, counselling etc. are provided by the industry to the person retiring voluntarily.
9. Retired employees are also compensated which is tax free up to a certain amount.
10. Provident funds and allowances are paid to the employees at the time of retirement.

8.2.3 Compensation:

- i) Compensation under voluntary retirement scheme is calculated on the last drawn salary of the employee.
- ii) The payment made by the industry is equal to 3 months' salary of each full year of service of the employee or the salary of the employee at the time of retirement is multiplied by the service of the month remaining before the original date.
- iii) In the case of Public Sector Banks, the compensation is calculated on the basis of 45 days salary for each year of service or salary for the remainder period whichever is less.

8.2.4 Advantages:

- i) The employee's 45 days salary for each completed service or the monthly salary at the time of retirement whichever is less is multiplied by the month remaining before the normal date of service.
- ii) The employee also receives provident fund and gratitude payments.
- iii) Compensation received at the time of voluntary retirement is tax free up to the prescribed amount.

- iv) Employees also offer benefit packages to employees opting for voluntary retirement.

8.2.5 Eligibility:

- i) The age of the applicant should be at least 40 years.
- ii) The applicant should have been working in the industry for at least 10 years.
- iii) With the exception of directors of co-operatives or co-operative societies, only employees of co-operative societies can avail the benefits of this scheme.

8.3 SOCIAL SECURITY MEASURES

Social security measures have a twofold significance for every developing country. First, social security is an important step towards the goal of a Welfare State in which the living and working conditions of the people are improved and are protected against the uncertainties of the future. Second, social security is important in strengthening the industrialization process. It enables workers to become more efficient and reduces wastage on account of industrial disputes. Person-days lost on account of sickness and disability is also reduced. Lack of social security hinders production and prevents the formation of a stable and efficient labor force. Social security is therefore a wise investment which gives good dividends in the long run.

In India, the Central Government had taken the following social security measures to provide protection to industrial workers:

1. Workmen's Compensation Act, 1923
2. Employees' State Insurance Act, 1948
3. Coal Mines Bonus Scheme and Provident Fund Act, 1948
4. Dock Workers (Regulation and Employment) Act, 1948
5. Plantation Labor Act, 1951
6. Employees' Provident Fund Act, 1952
7. Assam Tea Plantation Act, 1955
8. Maternity Benefit Act, 1961
9. Seamen's Provident Fund Act, 1966
10. Employees' Family Pension Scheme, 1971
11. Survivorship Pension Scheme
12. Old Age Pension Scheme
13. Payment of Gratuity Act, 1972

14. Employees' Deposit Linked Insurance Scheme, 1976

1. Workmen's Compensation Act, 1923:

The first step in the direction of social insurance was taken by the Government of India in 1923 by passing the Workmen's Compensation Act. The Act imposes an obligation on employers to pay compensation to workers for accidents arising out of and in the course of employment, resulting in death or total or partial disablement for a period exceeding three days. The Act is applicable to all categories of workers employed for the purpose of employer's trade or business. No compensation is payable if the injury not resulting in death is caused by the fault of the worker e.g., due to influence of drinks, drugs, willful disobedience of an order etc. Compensation is payable in the case of workers who contract occupational diseases. Compensation is payable for death, permanent total disablement, partial disablement and temporary disablement. The Act is administered by the State Governments through Commissioners for Workmen's Compensation. The Act does not apply in areas where the Employees' State Insurance Act operates. Employees drawing a salary of Rs.4000/- or less per month are eligible for compensation. The minimum amount of compensation is Rs.80,000 for death and Rs.60,000/- for permanent total disablement. For funeral expenses Rs.2500/- is paid.

2. Employees' State Insurance Act, 1948:

The Employees' State Insurance Act, 1948 is yet another step in the direction of social insurance in India. The Act provides certain benefits to employees in case of sickness, maternity and employment injury and applies to all factories run with power and employing more than 10 persons or factories run without power but employing more than 20 persons. The Act does not apply to seasonal factories and covers workers whose wages do not exceed Rs.4000/- per month. The Act is administered by the Employees' State Insurance Corporation. The Scheme of Insurance is financed by the Employees' State Insurance Fund raised through contribution from employers and employees and grants, donations and gifts from the Central and State Governments, local authorities or any other individual or body. The employers contribute four per cent of the wages payable to the employees covered and the employees contribute at the rate of 1.5 per cent of their wages. The State Governments contribute a minimum of 12.5 per cent of expenditure on medical care.

3. Coal Mines Bonus Scheme and Provident Fund Act, 1948:

The Act is applicable to all coal mines in the country except Jammu and Kashmir. There are four coal mines bonus schemes operating in the States having coal mines. The schemes provide an incentive to the workers to be more regular in attendance and thereby provide a stable labor force in the coal mining industry. In order to reduce absenteeism, provision for payment of quarterly bonus is made for those workers who put in specified days of attendance in a quarter and not take part in illegal strikes.

The scheme applies to all employees in the coal mines whose monthly basic earnings do not exceed Rs.730. Bonus is not payable to workers employed by or through a contractor on construction of roads and buildings. The schemes (other than the Assam Schemes) require the payment of a quarterly bonus at 10% of basic earnings in the quarter provided certain conditions relating to minimum attendance are fulfilled. The bonus is payable within two months of the quarter. The responsibility of the administration of the scheme is on the Chief Labor Commissioner.

4. Dock Workers (Regulation and Employment) Act, 1948:

The safety, health and welfare of the dock workers are covered by the Indian Dock Workers Regulation, 1948. The Act is in operation in the major ports of Bombay, Calcutta, Madras, Vishakhapatnam, Cochin, Mormugao and Kandla. The workers are broadly divided into monthly and reserve pool workers. The monthly workers are regular workers and enjoy security of employment. The other category of workers are registered in a pool and employed through the Dock Labor Boards. The Dock Workers are provided at least eight holidays with pay in a year. They are employed by rotation to ensure equal opportunities of employment for all the pool workers. The workers enjoy benefits of provident fund and gratuity. Separate housing schemes have been drawn up for them. They are also given medical facilities and certain concessions in the matter of their children's education. Canteen and fair price shops are also provided for them.

5. Plantation Labor Act, 1951:

Labor in plantation is entitled to medical health, maternity and other benefits under the Plantation Labor Act, 1951. The Act provides for setting up garden, hospital, group hospitals and dispensaries for treatment of plantation workers and their families. Sick leave of 14 days to plantation workers is given provided sickness is certified. During the period of leave, the workers are paid @ 66% of their daily average earnings. Benefits such as medical, health and maternity are provided to plantation workers under the Act.

6. Employees' Provident Fund Act, 1952:

The Act provides for setting up of compulsory provident funds for employees in factories and other establishments. The purpose of the Act is to provide Social Security to employees after separation or retirement or for his dependents in case of early death. The rate of contribution payable by the employers and the employees under the Act is 8.33 % of pay. This rate was revised to 10% by the Central Government in respect of establishments employing 50 or more persons. Under the Scheme, employers are required to maintain a contribution card for each employee and these cards are subject to inspection by the EPF commissioner. Each employee is entitled to interest on the amount deposited in the fund. In case of death of a member, amount standing to his credit is to be paid to his nominees. The Scheme provides for financial assistance by allowing

partial withdrawals to subscribers in situations like illness, invalidation etc and to provide funds to enable them to discharge their social responsibilities like marriage of sister/brother/daughter/son or higher education of children or construction of house.

7. Assam Tea Plantation Act, 1955:

The Act covers all categories of employees in tea plantations in Assam. The employees' contribution is 8% of the wages with a matching contribution by the employers. A group insurance scheme was introduced for the provident fund members in 1963. Under the scheme a blanket policy was taken by the Board for all provident fund members of the age group 18-40. Male members are covered for Rs.500, women for Rs.250 and staff for Rs.1000 each. Insurance premium is deducted from the provident fund of the members by the Board of Trustees. Under a national agreement, Rs.135 is payable as bonus to each worker employed in plantation in Assam since 1956. A pension fund scheme was introduced in 1967. The scheme provides for payment of pension benefits to plantation workers in addition to the Provident Fund. Pension is paid from the accumulated undisbursed interest amount of the Provident Fund.

8. Maternity Benefit Act, 1961:

In order to remove the differences relating to maternity provisions under the various maternity benefit Acts of the Central and State Governments, the Central Government passed a new Act called the Maternity Benefit Act of 1961. The Act is applicable to those establishments where the Employees' State Insurance Act is not applicable. The 1995 amendment to the Act provided six weeks leave with wages to women employees in cases of medical termination of pregnancy, two weeks leave with wages to women employees who undergo tubectomy operation and leave with wages for a maximum period of one month in case of illness arising out of medical termination of pregnancy or tubectomy. The Maternity Benefit (Amendment) Act 1995 came into force on 01st February, 1996.

9. Seamen's Provident Fund Act, 1966:

The problems of seamen working on board of the ships for small periods re of a special nature and hence the Seamen's Provident Fund act was passed in 1966. Every seaman engaged or employed as a member of the crew of a ship under the Merchant Shipping Act of 1958 but excluding certain categories of officers and other employees were covered by the scheme. Every employer covered under the Act is required to contribute to the fund for the period from July 1964 to July 1968 @ 6% of the wages paid and thereafter @ 8% in respect of each seaman employed by him. A matching contribution should be made by the seaman.

Since the provident fund measure is not considered adequate for the contingencies of death or invalidity, the National Commission of Labor, 1969 recommended conversion of a part of Provident Fund into retirement-cum-family pension. Accordingly, the Government of India introduced the Family Pension Scheme in 1971 which covered all workers

covered by the Coal Mines Provident Fund Act 1948, Employees Provident Fund Act 1952 and Assam Tea Plantation Act 1955.

10. Employees' Family Pension Scheme, 1971:

The Employees Provident Fund Act, 1952 was amended to provide for introduction of Employees Family Pension Scheme in 1971. The scheme provides long term protection to the family of the workers who dies prematurely in service. It is applicable compulsorily to all the member of employees Provident Fund Scheme. The benefits available under the scheme were family pension, life assurance benefits and retirement cum-withdrawal benefits. The Scheme was further amended in 1995 and renamed as "The Employees Pension Scheme 1995". The new scheme is aimed at providing economic support during old age and survivorship coverage to the member and his family. Employer's contribution of 8.33% is credited to the Pension Fund. The Central Government's contribution is 1.16% of the wages of the employees. The scheme is compulsory for all persons who were members of the Family Pension Scheme, 1971 and also for those who became members of the Employees' Provident Fund from 16 November 1995 that is the date of the introduction of the new scheme.

11. Old Age Pension Scheme

The States of UP, Kerala, Andhra Pradesh, Bihar, Tamil Nadu, Punjab, West Bengal and Rajasthan have introduced Old Age Pension schemes. The objective is to help needy persons who have no source of income. These schemes have statutory backing and provide pension to destitute aged 60 and above with no income or source of income or relative to support them. The amount of old age pension is however very small and negligible.

12. Old Age Pension Scheme in the Public Sector:

The industrial employees of the States and the Central Government are entitled to non-contributory pension as a part of their service conditions. Under the Central Government's family pension scheme 1964, an employee who retires in the normal course gets a pension which is recurring till death and also lump sum in the form of gratuity. In the event of his death, his dependents become entitled to family pension and gratuity.

13. Payment of Gratuity Act, 1972:

The Act is applicable in the entire country. It applies to every factory, mine, oilfield, plantation, port and railway company, shop or establishment and other establishments in a State in which ten or more persons are employed. The Act covers all employees who are employed to do any skilled, semi-skilled or unskilled, manual, supervisory, technical or clerical work. The Act does not apply to such a person who holds a post under the Central or State Government and is governed by any other Act or by any rules providing for payment of gratuity. The Act was amended in the year 1994 to remove the wage ceiling of Rs.3500/-.

An employee covered under the Act is entitled to gratuity on the termination of his employment on his superannuation, retirement, resignation, death or disablement.

14. Employees' Deposit Linked Insurance Scheme, 1976:

The Labor Provident Fund Laws (Amendment) Ordinance 1976 was put into force to introduce a new social security scheme known as the Deposit-Linked Insurance Scheme to provide insurance cover to the members of the Coal Mines Provident Fund and the Employees' Provident Fund without payment of any premium by such members. The Ordinance provides that in case of death of an employee who subscribes to provident fund covered under the Employees' Provident Fund Act 1952, the employee entitled to receive his provident fund money would also be entitled to an additional payment equivalent to the 'average balance' with provident fund of the dead person during the preceding twelve months. The benefit amount payable shall be Rs.15000 plus 25% of the amount in excess of Rs.15000 subject to a ceiling of Rs.25000. The minimum average balance required to be eligible is Rs.500/- during the last 12 months over during the period of his membership, whichever is less. The employers and the Central Government are required to contribute at the rate of 0.5 and 0.25% respectively of the wage bill of the employees every month. The Government also introduced a pension scheme for the benefit of provident fund subscribers.

Conclusion:

A scheme of unemployment insurance and a scheme of Comprehensive Integrated Social Security are under the consideration of the Government of India. All existing measures of social security can therefore be considered as piecemeal efforts. Further, the existing schemes of social security covers only organized workers which constitute only a small fraction of the workforce in India. A scheme of unemployment insurance for those who are involuntarily unemployed must come in force to provide meaningful social security to the workers in India. A comprehensive scheme of integrated social security is required to cover all categories of population in the country.

8.4 UNEMPLOYMENT INSURANCE

Unemployment has always been a major problem in India, leading to major problems such as rising crime rates and suicide rates. According to a report by the Centre for Monitoring Indian Economy (CMIE), as of March 2018, 31 million people in India are unemployed. Unemployment in India has not improved. In such a scenario, many experts have questioned the existence and viability of unemployment insurance.

Under unemployment insurance, the insured gets benefits if they lose their job without any guilt. This insurance is provided primarily by the government and not by insurance companies, and benefits may be available for a limited period. There are other eligibility criteria that can

help them get an insurance claim for unemployment. In the situations such as self-employment or voluntary unemployment, the person is not eligible for any claim.

The majority of the Indian population is unaware of this, but the Indian government provides benefits to the unemployed. India's labour laws are designed to ensure the welfare of the country's working population. Many benefits are provided to employees under the Labour Act and insurance benefits are provided under the Employees State Insurance Act, 1948. Awareness of these benefits is very low, and therefore the majority of unemployed citizens in India cannot avail these benefits. Rajiv Gandhi Shramik Kalyan Yojana (RGSKY) is an insurance scheme provided by the Government of India to the unemployed.

8.4.1 Rajiv Gandhi Shramik Kalyan Yojana (RGSKY)

The RGSKY scheme was launched by the Central Government on April 1, 2005. All employees are entitled to these benefits under the Employees State Insurance (ESI) Act. Employees are paid benefits if they become unemployed involuntarily. This may be due to workplace injury and increased disability due to business closure. The benefits of the scheme and other terms and conditions are revised from time to time. This is a policy designed for the benefit of Indian youth in the view of the rising unemployment in the country.

8.4.2 Features of RGSKY

- Individuals with three years of experience under ESI Act are eligible for benefits under RGSKY.
- Allowances are provided for a maximum period of 1 year.
- Insurance claims are made within 6 months of becoming unemployed.
- Medical benefits are provided to the insured and his / her family during these 24 months.
- Allowance provision stops as soon as the beneficiary starts work.
- Unemployment insurance cannot be provided by a private insurance company due to rising unemployment rates. The government needs to take initiative in this regard. Although the policy was introduced in 2005, it did not reach the general public, where public awareness is most needed.

8.5 OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT SYSTEMS

Occupational hazards are a risk associated with employment. More than 1.8 lac workers die every year due to occupational accidents and diseases and 110 million workers are affected by employment related injuries.

Prevention is always better than cure. Occupational health is a preventive measure taken to prevent and pre-empt all possible accidents and diseases that workers may otherwise go through in employment. The International Labor Organization vide its recommendations has influenced governments across the world to enact legislation on occupational health services. In 1981, the ILO adopted a convention and recommendation on occupational safety and health and the working environment which defines a national policy and action to be developed at the level of the industrial units.

The objectives of occupational safety are as follows:

1. Ensure protection to workers against health hazards arising out of work and the work environment.
2. Ensure the physical, psychological and mental welfare of the workers.

The functions of occupational health services are as follows:

1. Identification of occupational hazards and diseases and suggest preventive as well as controlling measures.
2. To ensure safe exposure limits to hazardous work processes by rotating the workers periodically so that no single worker is exposed to his or her own detriment.
3. To impart health education to all workers.

Occupational health and safety is greatly neglected in India due to the relative backwardness of the Indian economy. This is very true of the unorganized sectors of the economy where the workers are thoroughly exposed to all kinds of hazards without any kind of protection at the work place or any kind of compensation to the workers if they suffer from accidents or diseases. The National Commission on Labor, 2002 has recommended a comprehensive legislation for the workers working in the unorganized sector. Once the legislation is put in place, occupational health and safety will be greatly improved in Indian industries.

Occupational Diseases:

Occupational diseases are relatively less known to the people. Since occupational diseases afflict only a small minority of workers, there is no effective cure available for occupational diseases. However, occupational diseases can be prevented if effective protective and preventive measures are taken in the industries. Occupational diseases can be defined as those diseases which arise out of or during the course of employment.

Some of the occupational diseases are as follows Asbestosis, Silicosis, Bagassosis, Byssionosis, Caisson Disease, Coal Miners' Pneumoconiosis, Telegraphists' Cramp, Lead Poisoning, Phosphorous Poisoning, Anthrax, Mercury Poisoning, Manganese Poisoning etc.

8.6 INDIA AND ILO

The ILO was established on 11th April, 1919 as part of the League of Nations. India is a founder member of the ILO. At present, the ILO has 175 members. It is a tripartite institution consisting of representatives of Governments, Employers and Workers of the member countries. The membership of the ILO ensures the establishment and growth of tripartite system in the member countries.

8.6.1 Aims and Objectives of the ILO:

The aims and objectives of the International Labor Organization are as follows:

1. To remove injustice, hardship and privation of large masses of toiling people all over the world.
2. To improve their living and working conditions and thus establish universal and lasting peace based upon social justice.
3. The regulation of hours of work, laying down the maximum work load for day and week.
4. To give suggestion and recommendations on the prevention of unemployment.
5. To take suitable steps for protection of the workers against sickness, disease and injury arising out of employment.
6. To take steps and give special attention for the protection of children young persons and women.
7. To take steps for the recognition and implementation of the principle of equal remuneration for work of equal value.
8. To take steps for the recognition and implementation of the principle of freedom of association.
9. To make provision for vocational and technical education.
10. To take steps for the protection of interests of those workers who have been employed in countries other than their own.

8.6.2 Constitution of the ILO:

The ILO consists of the International Labor Conference, the Governing Body and the International Labor Office. The Conference is the supreme deliberative organ of the ILO which meets annually at Geneva which is the headquarters of the ILO. National representation on the conference consists of two government representatives and one each from the employers' and the workers' organizations. The Governing Body, elected by the Conference, is the executive council composed of 28 government members, 14 workers' representatives and 14 employers' representatives.

Ten Governments hold permanent seats on the Governing Body because of their industrial importance. They are Brazil, China, Germany, France, India, Italy, Japan, USA, Russia and UK. The remaining 18 government seats are elected by the Conference. The International Labor Office is responsible for collection and distribution of information on subjects relating to the conditions of Industrial life and labor, examination of subjects coming up before the Conference and Committees and preparation of documents thereon, conduct of special investigations etc. It publishes the monthly International Labor Review, the fortnightly Industry and Labor and other periodicals.

8.6.3 Functions of the ILO:

An important function of the ILO is the formulation of international standards in the form of International Labor Conventions and Recommendations. Member countries are required to submit conventions to their competent national authorities with a view to ratification. If a country ratifies convention it agrees to bring its laws into line with its terms and to report periodically how these regulations are being applied. There is no need for ratification of recommendations. Member states are 234 obliged to consider them so that their provisions are given effect to by legislative action. Conventions when ratified have a legal sanction behind them and compliance to a recommendation is optional for all governments. The constitution of the ILO lays down that after a Convention is adopted it has to be placed before the highest legislative body for each country within one year or 18 months for ratification in exceptional cases and if it is not ratified each government has to give reasons for such non-ratification. The Conventions and Recommendations together constitute the International Labor Code. The conventions and recommendations lay down minimum international standards for labor legislation and other measures.

The following are the broad subjects under which the conventions and recommendations can be classified:

1. Basic human rights.
2. Employment.
3. Conditions of work and social policy.
4. Social Security.
5. Industrial relations.
6. Employment of women.
7. Employment of children and young persons.
8. Special categories of workers (e.g. Seaman, Fishermen, Tribal Workers, Migrant Labor etc).
9. Labor administration.

10. Tripartite consultation.

The ILO since its inception has adopted more than 180 conventions and more than 190 recommendations. India has thus far ratified 39 Conventions of the ILO.

1. International division of labor and its implications for developing countries.
2. Role and functions of ILO.
3. Structural adjustment policies and their impact on labor.

8.7 SUMMARY

The ILO was established on 11th April, 1919 as part of the League of Nations. India is a founder member of the ILO. At present, the ILO has 175 members. It is a tripartite institution consisting of representatives of Governments, Employers and Workers of the member countries. The membership of the ILO ensures the establishment and growth of tripartite system in the member countries.

8.8 QUESTIONS

1. What are the objectives of workers participation in management.
2. Explain social security measures.
3. Write note on 'Voluntary Retirement Schemes'.
4. Write note on 'Unemployment insurance'.
5. Explain the aims and objectives of ILO.
6. Explain the functions of the ILO.
