

# Employers and Employees Relationship in India

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## ABSTRACT

This article explains an overarching conceptual, academic and historical context for approaching Indian industrial relations. The Introduction explores changing comparative approaches to the 'IR System' of a developing country like India. Then we trace, in two parts, the evolution of Indian industrial relations since independence and argue that theories developed in the West are of only limited value in understanding this. In conclusion, we consider the way in which Indian academic IR and other social science disciplines have addressed this problem. This leads on to the four research articles that complete this special edition.

## I Introduction :

Many Years ago, industrial relations (IR) has been studied within national systems and academic traditions as per Ackers&wilkinson and Kaufman's global history demonstrates, IR has usually applied theories and concepts developed in the USA and the UK to other parts of the world and even to countries with entirely different social systems or at different levels of economic development. Now that established pluralist models of IR are in a state of crisis and transformation in their countries of origin, this 'maturation' model no longer seems an adequate framework for the development of IR theory.

Moreover, globalization makes the notion of closed and cohesive national IR systems increasingly untenable. Recent years have seen major challenges to IR in India. These challenges come from both the changing real world of work and the shifting academic context in which employment is studied. Managerial psychology and economics offer to explain many of the issues that IR once saw as its own. Private business schools have proliferated with executive MBA students who demand a more 'can do' HRM response to the new economy of financial services and IT inward investment. Traditional IR has become associated with an old economy of restrictive practices and over manning.

Hence, the aim of this special edition of the "industrial relations journal" is not just to describe recent changes in Indian IR practice during a period of intensified globalization and inward investment but also to explore the response of Indian IR theory (broadly defined) in the light of the major disciplinary

traditions that have developed since independence. Some of the liveliest debates in recent global IR have come from stepping outside the old Anglo-American heartlands to link with broader continental European traditions of political economy. In this way, a new two-way dialogue has developed to replace the assumption that where the USA and the UK led, the rest of the world would follow. In the same spirit, this special edition displays a variety of interdisciplinary academic contributions to understanding the changing character of work and employment in India.

There are several limitations to this sort of comparative framework. First, the models of national IR systems focus on the formal economy, which is often a small proportion of employment in developing countries.<sup>1</sup> Thus, before economic liberalization in the 1990s, at most 7 per cent of Indian workers were employed in the formal economy. Second, there is a danger of according too much weight to IR institutions and labour laws in explanations of economic development when other factors such as the efficiency of the state may be more important as per Luce. Finally, the emphasis on comparisons between developing economies may neglect the scope for comparisons between developed and developing economies with shared IR traditions. For instance, post-colonial economies such as India, Gambia, Australia, and Singapore carried over certain pluralist IR traditions and institutions from British rule as well as breaking with others as per Kahn & Ackers.

Since the mid-1980s, however, as the economy opened up to greater domestic and international competition, pressure to decentralize has grown, and this has intensified since the onset of the 1991 economic liberalization programme. More recently, greenfield enterprises (largely in the automobile and ancillary industries) have also emerged as part of this new economy. Even this division grossly oversimplifies a highly complex society, operating under many different employment regimes. For this reason, it makes more sense to examine and interrogate IR issues that dominate specific 'sites' in the Indian economy rather than to attempt a highly stylized characterization of the Indian IR system. Because IR's institutional mode of analysis struggles to interpret the informal economy of casual labour markets and self-employment, where there is no clear-cut employment relationship, this special edition concentrates on the changing dynamics in the formal economy while remaining acutely aware that the informal sector is constantly at its border.

In the next section, we analyze the distinctive historical evolution of the Indian IR 'systems', first from 1947 to 1991 and then from 1991 to the present. Our underlying argument is that the IR grand narratives of 'convergence' and 'maturation' need to address the specific 'embedded' political economy factors that have shaped employment relations in India. The final section considers the

various academic traditions of studying employment in India as a prelude to the four empirical studies in this special edition.

## II Indian IR System Evolution :

The first phase of Indian IR, following independence in 1947, more or less corresponds to the first three Five-Year Plans (1951–56, 1956–61, 1961–66), a period of 'national capitalism'. This state-led ISI policy resulted in the formation of large, employment-intensive public enterprises, mostly in the capital and intermediate goods sectors. The growth and development of these also led to employment growth in the private corporate, service, transport, and educational sectors. Large private businesses, like the Tata group, operated in protected product markets and were under state pressure to maximise employment, often passing on higher labour costs to consumers. Public sector employment naturally led to the formation of public sector unions. The number of registered unions increased rapidly from 4,623 in 1951/52 to 11,614 in 1961/62 and membership more than tripled during this period as per Venkataraman.

This first phase of IR reflected a state-driven industrialization regime that required the state to guide both private-sector employers and the union movement. At the level of the enterprise, the paradigm that dominated the employment relationship was a paternalistic policy premised on the belief that the 'state knew' more about workers' needs than did either employers or the workers themselves. In this way, the state appropriated and aggregated the various 'union voices' for the 'collective' purpose of rapid industrialization with minimum industrial strife. In public enterprises and services, internal labour markets generated social harmony and a feeling of belonging—if not economic efficiency—with the cooperation of unions.

The second phase of Indian IR more or less corresponds with the 1967–69 Annual Plans, the Fourth (1969–74) and the Fifth (1974–79) Five-Year Plans. This period is associated with overall industrial stagnation and two oil price shocks, in 1973 and 1978. These structural changes in the economy reshaped union activity, collective bargaining practices, labour markets and IR in general. As employment elasticities fell and labour markets tightened, the number of strikes and lockouts, the number of workers involved and the number of days lost increased phenomenally between 1966 and 1974. During Indira Gandhi's Emergency of 1975–77, the right to strike was suspended. In addition, the emergency regime pre-empted bargaining on key issues, froze wage increases, reduced the minimum annual bonus and transferred increments in the cost-of-living allowance to a compulsory savings scheme. Two important interventions took place in the IR arena during this regime. The first

was the attempt by the government to establish the National Apex Body, composed of 12 union federations and 11 employer representatives, in order to encourage a bipartite approach to IR (as opposed to the earlier tripartite approach).

Finally, this phase was marked by increasing inter-regional, interstate, and intercity variations in the nature of IR. In an important study of union–management relations in four Indian cities (Bombay, Calcutta, Madras, Bangalore), pointed to significant intercity differences in the texture of the worker–management relationship. These variations reflected different political, social and urban histories, emphasizing the inherent problems of trying to generalize about an ‘Indian’ IR system— even within the confines of the old formal economy. Globalization, since the 1990s, has introduced still further complexity and diversity. Thus, although in key sectors unions could impose severe costs to the economy, the overall movement was not strong enough to engage in negotiating a cooperative solution at the national level.

### **III Introduction of Globalization HRM and the end of The IR System ? after 1991:**

The main objective of the 1991 World Bank–IMF-led economic reform programme was to increase the GDP growth rate. This was to be achieved by a sharp shift in the economic policy regime, from the dirigiste type of the earlier decades to an unambiguous market-friendly one. Consequently, the growth rates of both aggregate and per capita national income have been very impressive during the last 15 years with the pace as well as the nature of growth being strongly influenced by India's integration into the world economy through gradual trade, investment and financial liberalization. During the 1970s, the GDP growth rate was 3 per cent per year, which increased to 5.7 per cent during the 1980s and to 6.2 per cent from 1991/92 to 2004/05. However, this aggregate growth rate hides considerable changes in the underlying structure.

Initially there were fears that ‘jobless growth’ would continue into the 1990s and beyond.. The employment elasticity's of GDP growth for the period 1990–2000 was 0.76 for services compared with 0.29 in manufacturing and a measly 0.02 in agriculture. Some economists also suggested that ‘jobless growth’ had been exaggerated. Finally, what has happened to Indian labour markets and IR after the global recession since the last quarter of 2008? Recent evidence from a Labour Bureau study that covered 2,581 enterprises in 11 states found the following: half a million jobs were lost between October and December 2008, mainly in gems and jewelry, textiles and garments, automobiles, handicraft exports, metal and metal products, and transportation and communication, an overall 3.08 per cent decline. During the same period, there was an increase of 0.33 per cent in

job creation. Around 200,000 jobs were lost in the diamond-polishing city of Surat since November 2008 because of international demand contraction.

More recently, a study from the Labour and Employment Ministry found that industry lost 171,000 jobs (152,000 in textiles alone) between April and June 2009, whereas 40,000 contract workers found jobs. In spite of the Contract Labour Act that attempts to regulate the employment of contract labour in enterprises that employ at least 20 workers, the 'contractualisation' of work continues unabated because of poor enforcement. Employer groups, however, are not content with this Act and want the government to ease restrictions on hiring contract labour. The unabated hiring of contract labour by formal-sector enterprises led to a spate of industrial unrest in 2009, for example in the automobile hub surrounding the National Capital Region. Hammer discusses this particular industrial location below.

#### **IV Conclusion :**

Indian IR is both an area of employment practice and an academic field, as in the UK and the USA. Yet the employment relationship can be studied through a variety of academic lenses. This has two implications for the design of this special edition. One is that the academic IR emphasis, on the institutions of collective bargaining and the IR System, has tended to narrow the social science gaze. Where these institutions do not exist, in the informal economy and the new formal economy, academic IR has had little to say, partly because it lacks a conceptual language to analyze these areas of society. The huge and expanding informal economy—including most female employment—poses the greatest challenge because contract labour and self-employment make the very notion of an employment relationship problematic. The second implication, however, is that academic IR does not offer the final word on the employment relationship in India or anywhere else. Moreover, part of the mission of this special edition is to display the range of interdisciplinary approaches that can further illuminate the complexity of Indian employment.

Following our historical introduction, the opening two chapters address some macro themes of Indian IR. A central debate of Indian IR and economics is how far India's restrictive labour laws—and particularly their clauses preventing redundancy—have inhibited enterprise productivity and ultimately economic growth, especially in the lagging manufacturing sector. D'Souza's economic analysis challenges this conventional wisdom. IT outsourcing has been a central engine of India's remarkable growth rates since 1991. At present, India's economic boom draws on the human capital of a relatively small fraction of its overall population. Kuruvilla and Ranganathan, comparative IR scholars,

argue that the Indian outsourcing industry must solve a number of macro (national level) and micro (firm level) HRM problems in order to sustain its current growth rate (see also Thite's review). The final two articles centre on the voices of ordinary employees. British IR attention has concentrated on 'off-shored' Indian call centers. Ravishankar, Cohen and El-Sawad, drawing on post-colonial cultural sociology, analyse the experience and aspirations of workers at two organizations: a financial services company located in the UK and Mumbai and an IT services and products firm headquartered in Bangalore. Anita Hammer, an industrial sociologist, considers male manufacturing workers in the mainly foreign subsidiaries of a newly industrial area outside New Delhi. Using an institutional approach drawn from political economy and labour geography, she analyses the work and community dimensions of these work groups.

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