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**Managing Employment Relations in India: Old Narratives And New Challenges**

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# Managing Employment Relations in India: Old Narratives And New Challenges<sup>\*</sup>

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## **Abstract:**

This article does four things. First, we trace the evolution of the Indian 'industrial relations system' and argue that concepts and theories developed in the US and UK are of only limited value in understanding this. Second, we trace the way in which various academic disciplines (institutional industrial relations, labour history, labour economics and modern human resource management) have addressed this problem, comparing and contrasting parallel developments in British industrial relations academia. Third, we argue that in the current context of India's increasing insertion into the globalized economy, it makes more sense to examine and interrogate IR issues that dominate specific 'sites' in the Indian economy, rather than devise some unified model of a 'national' industrial relations system.

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## **Introduction**

Industrial relations (IR) has traditionally been studied within national systems and national academic traditions (Ackers and Wilkinson, 2003). As Kaufman's (2004) global history demonstrates, IR has usually applied theories and concepts developed in the USA and Britain 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 is no longer an adequate framework for the development of IR theory. Moreover, globalization makes the notion of closed and cohesive IR systems increasingly untenable.

Recent years have seen major challenges to institutional IR and the surrounding fields of sociology of work, labour economics, and labour history in India. These challenges come from both the changing real world of work and from the shifting academic context in which employment is studied. As elsewhere in the world, gender has become a major focus of sociological and historical research. India has become a major centre of post-colonial cultural history, which like critical management studies in the UK, has drawn intellectual energies away from the study of class, labour and other economic phenomenon. On the other hand, both psychology and neo-classical 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.

Employment relations, if it is to meet these and other challenges needs to both broaden its range and sharpen its analytical tools. Other social science observers frequently regard Indian academic IR as descriptive and a-theoretical. Hence, the aim of this special edition 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 developments 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 US and UK led the rest of the world would follow. In the same spirit, this special edition considers how Indian academics have analysed IR, the distinctive disciplines and traditions they have created, the balance of influence between these and how they are coping with the changing character of work and employment in the Indian economy

Theoretical perspectives on the links between comparative industrial relations and economic development have evolved considerably over the years. Clark Kerr *et al.*'s (1973, first edition 1960) 'Industrial Man' thesis provided an influential early approach. This applied modernization theory to the comparative IR literature, anticipating the fairly linear and deterministic global evolution of national 'Industrial Relations Systems', constructed by 'industrializing elites' (Dunlop, 1958). The underlying expectation was that these developments would lead in time to the 'maturation' and 'convergence' of IR systems in developing countries with those in advanced countries. According to these theories of the 1950s and 1960s, the unrelenting logic of technological development and the growth of productive forces imposed severe boundary conditions on the way in which societies could organize its social relations of production, with IR systems being a formal and an important organizational constituent of the latter. It is interesting – given the current revival of global convergence theory – how little role external market discipline or transnational corporations played in this earlier phase of modernization theory. Any cursory review of the literature on IR and organized labour in developing countries, written during this time, would confirm how deeply both academic theory and the policy practice of IR institutions were embedded within the modernisation and national IR system discourse (see for example: Myers, 1958; Chaplin, 1967).

In the 1980s and 1990s, following the 'East Asian miracle' and the (failed) experiments with corporatism in Latin America, the comparative IR literature took a different turn. Academics began relating country-specific IR outcomes with the nature of

industrialization strategies followed by individual economies (Deyo, 1989; Kuruvilla, 1996). These were frequently posited in mutually exclusive and totally exhaustive binary terms, such as ‘import-substitution industrialization’ (ISI) versus ‘export-oriented industrialization’ (EOI). Simply put, the argument was that ISI strategies necessitated ‘labour inclusion’ or ‘accommodation’, whereas EOI strategies invariably led to ‘labour exclusion’ if not labour repression. A more nuanced literature constructed stylized models of labour relations among non-comparable developing countries in order to explain their divergent socio-economic performance. For example, Banuri and Amadeo’s (1991) ‘qualitative taxonomy’ placed countries into one of four models in increasing order of centralization of their bargaining institutions. In the ‘decentralised’ model (the East Asian case), wage bargaining is typically at the plant-level with enterprise-based unions, with the labour movement having little impact on national politics. In the ‘pluralist’ model (South Asia), bargaining takes place at all three levels (enterprise, industry and national), with unions being in a somewhat dependant position tied as they are to political parties. The ‘polarised’ model (Latin America) connotes a broad-based labour movement with a long history of organization but with divisions along industry and skill lines. Finally, they posit the ‘social corporatist’ model (*a la* Scandinavia, not applicable to developing countries) that garners the institutional resources of the state to foster cooperative behaviour among functional groups organised at the national level – as a sort of idealized transcendence of these imperfect IR systems.

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. Thus before economic liberalization in the 1990s, at most 7% of Indian workers were employed in the formal economy. Second, there is a danger of according too much weight to formal IR institutions and labour laws in explanations of economic development, when other factors, such as the efficiency of the state may be more important (Luce, 2005). 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 IR traditions and institutions from British rule as well as breaking with others.

Given all the above, where does the Indian formal economy fit into this comparative framework? The Indian IR system is interesting because it represents a mix of all three bargaining levels and a variety of union structures. In the private corporate sector, plant-level bargaining takes place with enterprise-based unions that may (or may not) be affiliated to parliamentary political parties. In public enterprises, centralized trade union federations that are affiliated to political parties bargain with the state (as employer) at the industry and/or national-level. Central and state government employees in the services sector (transportation, postal services, banking and insurance, police and firefighters, etc.) have their (typically) politically affiliated unions bargaining at the national and/or regional levels. These centralized bargaining and union structures were stable during the period of planned industrialisation when India was pursuing ISI strategies. Since the mid-1980s, however, as the economy opened up to greater domestic and international competition, these structures have come under increasing pressures to decentralise. These pressures were more accentuated with the onset of the economic liberalization program since 1991, especially in the public sector. As in other countries, there has been a retreat of the state from its earlier role of creating permanent employment and regulating union-management bargaining. In India, however, this has been associated with a wider debate about the corruption and inefficiency of the Indian state and the failure of poverty, health and education programmes associated with it (Luce, 2005; Sen, 2005). To many eyes, the Indian state – as currently constituted - appears less as a solution to problems of market failure than as a direct cause of many employment and economic problems.

The structure of the article below is as follows. First, using a historical and a comparative approach we briefly analyse the evolution of the Indian ‘industrial relations system’ and essentially argue that concepts and theories developed in the US and UK are of limited value in this analysis. Specifically, we argue that if the IR grand narratives of ‘convergence’ and ‘maturation’ are to be of any theoretical consequence they have to

incorporate the specific ‘embedded’ political economy factors that have shaped the evolution of employment relations in India. Second, we trace the contours within which various academic disciplines (institutional IR, labour history, labour economics and modern HRM) have engaged with and during this evolution in India, comparing and contrasting the latter with parallel developments in British IR academia. Third, we argue that in the current context of India’s increasing insertion into the globalized economy (1992 onwards), it has become impossible to depict a cohesive and coherent Indian IR system. Instead, contemporary non-agricultural India is characterized by three disparate economies: the ‘old’ *formal economy* of (smokestack) manufacturing and unprofitable public enterprises, which has been the usual focus of IR analysis; the *informal economy* of self-employment and petty trades which provides livelihood for the overwhelming majority of both the semi-rural and urban population; and the *new economy* of IT and services, which has fuelled India’s dramatic economic growth over recent years. More recently, ‘greenfield’ enterprises (largely in the automobile and auto-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. As 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, we have concentrated on the changing dynamics in the formal economy, while remaining acutely aware that the informal sector is constantly at its border.

### **The Evolution of Indian IR System, (1947 – 1991)<sup>1</sup>**

*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 import-substituting industrialization 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 large public enterprises led to employment growth in the organized economy, mainly in the latter, but

also in the private corporate, service, transport, and educational sectors. Large private business, like the Tata group, operated in protected product markets and were both under local state pressure to maximize employment – and place certain groups - and able to pass higher labour costs onto the customer. Public sector employment quite naturally led to the formation of public sector unionism. The number of registered trade unions increased rapidly from 4,623 in 1951/52 to 11,614 in 1961/62 and the membership of registered trade unions that submitted returns more than tripled during this period (Venkataratnam, 1996).

While the communist led All India Trade Union Congress (AITUC) continued to consolidate its dominant position over the organized labour movement from its pre-independence days, the growing public sector during this first phase now provided a new terrain for large-scale unionization. It is here where the Congress Party-controlled Indian National Trade Union Congress (henceforth, INTUC) made early inroads. Unlike the AITUC that arose from within the workforce, the INTUC was exogenously imposed on to the labour movement from above. There were no ambiguities in the chain of command that flowed from party to union. This relationship between the ruling Congress party and its affiliated union federation during this first IR regime phase seems to have tied in neatly with the provisions of the Industrial Disputes Act of 1947. This allowed no procedures to determine the representative union within what would normally be a single bargaining unit, and as employers were under no legal obligation to bargain with unions, there were no built-in incentives for either party to engage in collective bargaining. Early writings on Indian IR consistently pointed to this aspect of the Industrial Disputes Act that impeded collective bargaining during this period (Kennedy, 1966; Punekar, 1966). Coupled with all this was the colonial Indian Trade Union Act of 1926, which although allowed any seven workers to register their union, had no provision for union recognition (say through a ‘secret ballot’ procedure). The Industrial Disputes Act also made it very difficult for unions to call a ‘legal’ strike. The lack of a clear legal framework for collective bargaining followed the British pattern of collective laissez-faire in a very different society and economy.

There were some serious attempts in the late 1950s at enacting labour legislation that would have promoted genuine collective bargaining through various voluntary arrangements. In addition, effective dispute resolution through voluntary arbitration was also suggested. These various bills were drafted and debated at several tripartite forums at length, but none were enacted (Kennedy, 1966). Discretionary state intervention in the determination of wages and working conditions was the effective norm during the first phase. Wages were determined by political and institutional considerations (Fonseca, 1964; Jackson, 1972). The structure of bargaining was thus very centralized, usually at the national level, but in some regions at the industry-level, and in a few cases in the private sector bargaining was at the enterprise-level. The Indian experience of wage determination during this first phase was referred to in the literature of the time as 'tripartism' and 'political bargaining'. The IR relations regime was one of promoting 'responsible unionism' subject to the maintenance of industrial peace. By the end of this first phase of unionism, further splits took place within the labour movement. Specifically, the Socialists broke away from the Congress and formed their union federation (the *Hind Mazdoor Sangh*), and the radicals broke away from the Communist Party over differences with the Indo-China conflict and formed their own party, the Communist Party of India (Marxist), which in turn generated its own union federation, the Centre of Indian Trade Unions (i.e., the CITU).

This first phase of IR reflected a state-driven industrialization regime that required the state to guide, or more strongly, to control both private sector employers and the labour movement. At the level of the enterprise, the paradigm that dominated the capital-labour relationship was a paternalistic labour relations system that was 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 Indian IR text that best defines this first phase is Chatterjee (1980). He studies the interaction between unions, politics and the state within a conceptual framework of what is termed 'state pluralism'. The latter was defined as 'a system of interest representation in which there is an unlimited number of multiple and voluntary, non-hierarchical and self-determined groups not legitimate but tolerated, with controlled competitiveness among them with particular groups receiving legitimacy in an *ad hoc* manner' (1980: 8). In other words, 'state pluralism' does not permit equality of treatment to all interest groups. Genuine IR pluralism was not a realistic possibility, and the Indian IR system had to contend with what is called 'partial resolution' and 'limited pluralism', since the 'contingencies of underdevelopment rather than the authoritarian nature of the regime *per se* might make state pluralism imperative' (1980: 8). As the foundation Indian IR text, by the American, Myers (1958, p.424) had put it two decades earlier: 'Although we oppose compulsory arbitration in advanced industrial countries with responsible employers and *mature* unionism, for reasons that are well known, we must conclude that in its present stage of economic development, India cannot afford the period of labour strife which is the usual prelude to more *mature* collective bargaining relationship' (the authors emphasis).

*The second phase of 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. In addition, it is during this period that the economy suffered two oil price shocks, one in 1973 and the other in 1978. These structural changes in the economy obviously had its effects on union activity, collective bargaining practices, labour markets, and IR in general. As employment elasticities fell and labour markets got tighter, the number of disputes (both strikes and lockouts), the number of workers involved in these disputes, as well as the number of mandays lost due to these disputes, increased phenomenally between 1966 to 1974 (Sengupta, 1992). Disillusionment with the INTUC's internal practices and its ineffectiveness in representing union voice at the enterprise level led to the proliferation of unions affiliated to other, more radical, political organizations during the first part of this second phase. Workers sought more skilled politicians and negotiators to lead their union struggles. An

analysis of industrial disputes by ‘union-types’ revealed that the number of disputes involving ‘multiple unions’ (two or more central trade union federations) increased during the earlier part of this phase (1966-73) compared to the first phase (Bhattacharjee, 1987a: 57). These uncertainties within the organized labour movement culminated in the all-India May 1974 railway workers’ strike that shook the economy and the country at the time.

During Mrs.Gandhi’s Emergency Regime of 1975-77 the right to strike was suspended. In addition, the emergency regime preempted 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 (Rudolph and Rudolph, 1987). 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 twelve trade union federations and eleven employer representatives, in order to encourage a bipartite approach to IR (as opposed to the earlier tripartite approach). While on the surface this seemed more responsive to trade union preferences for voluntary collective bargaining, such appearances were illusory. The second intervention was the 1976 amendment to the Industrial Disputes Act that considerably led to employment inflexibility: firms employing more than 300 workers had to get (state) government permission before they could retrench workers. Predictably, government permission was seldom forthcoming. One central debate in Indian IR today is how far these restrictive labour laws per se have had – and continue to have - the unintended consequence of reducing productivity and employment in the old formal economy.

In terms of collective bargaining practices, the second phase of IR witnessed significant changes. The Industrial Disputes Act of 1947 did not provide for the compulsory recognition of a representative union as the sole bargaining agent, nor did it encourage or compel parties to bargain in good faith. More importantly, it did not provide a legal status to collective bargaining agreements – again following the British model of voluntarism. However, the 1965 amendment to the IDA placed agreements arrived at through conciliation and adjudication at a ‘higher legal footing’ (Patil, 1982). In addition, since

the states could add on labour legislation to the central labour statutes ('labour is a concurrent subject in India'), several states in the early 1970s enacted their own laws regarding union recognition. In addition, this phase saw significant changes in terms of wage dynamics in urban labour markets. While the evidence suggested declining or at best stationary real wages during the first phase of unionism with unions having little effect on wage increases (Fonseca, 1964; Chatterjee, 1980), Madan (1977) found that the real wages of manufacturing workers did in fact increase since the early 1970s. Tulpule and Datta (1988; 1989) also found evidence of substantial real wage gains since the late 1970s even though there were substantial variations across industries.

Since the mid-1970s, segments within the union movement shifted their goals from those of *right* to those of *interest*. This distinction roughly corresponds with the value unions place on centralized lobbying (rights) vis-à-vis decentralized collective bargaining (interests). Several factors conditioned such a shift. First, there was an uneven development of firms within an industry, as well as spreading inter-industry differentiation, which led to some sites being considerably more profitable than others. Second, workers and their unions in the profitable sites were more aware of their firm's financial performance through their informed bargaining practices and/or through management's willingness to share this information more readily with unions in these enterprises. These two factors reflect the impetus behind the similar post-war shift to workplace bargaining in British manufacturing reported by the Donovan Commission. The third factor was more distinctively Indian, however. Workers in these units realized that the leadership in many of the traditional party-based unions was averse to intense decentralized bargaining, due to their party political commitments and their more national concerns.

These developments in the second IR phase reflected two crises: an objective crisis of business economic performance under the state-led industrialization regime, and a subjective crisis of legitimacy of the 'state pluralism' model in the existing IR system. The state-led mode of regulation precipitated the divisions within the organized labour movement. The growth of the left unions offered employees alternative channels for

voice, and, in many instances, employers found them easier to deal with in spite of their greater militancy, because they were prepared to negotiate wages and conditions at the workplace level. The Emergency Regime represented a failed attempt by the state to impose from above a Latin American type of corporatism in labour-management relations – though driven by political forces from outside the economic and IR arena. Major division occurred at the end of this second phase within both capital and labour. In the growth sectors the labour-management relationship increasingly turned to an informed decentralized bargaining mode, whereas in the declining sectors, the government and the large centralized trade unions found themselves enmeshed in the web of the ‘state pluralism’ mode. The analysis that best exemplifies the institutionalist tradition in this second phase of IR is Rudolph and Rudolph (1987, Chapter 10). They argue that ‘organized labor has not been able to challenge India’s centrist ideology and politics, that is, to mount or support a left class party’ (1987: 259). The Indian IR regime is one of state domination and ‘involution pluralism’, using the term involution ‘as a metaphor for a decline or loss of vigor that results from a replication of units whose increase in number was accompanied by a decline in effectiveness’ (1987: 269). They refer of course to the massive multiplication of trade unions in India. In 1950/51, there were 2002 registered trade unions, whereas by 1979 there were 10,021 such unions, while the average size of these unions increased only marginally (Bhattacharjee, 1999). According to them, this ‘debilitating process’ tends towards entropy, so that even though the number of unions increases manifold, union density keeps falling.

*The third phase of IR* corresponds to the Sixth (1980-85) and the Seventh (1985-90) Five Year Plans. On the union front, this commenced with the massive public sector strike in Bangalore during 1980/81 that involved the giants of Indian public sector enterprise. According to Subramaniam (1997: 767), ‘the public sector strike was not so much a conflict that occurred within the prescribed rules of the game as a conflict that occurred over the very rules of the game, the fundamental process of rule making itself’. The more significant event that marked and characterized the first part of this third phase was the famous, and much studied, Bombay textile strike of 1982 (Pendse, 1981; Bhattacharjee, 1988; Van Wersch, 1992). What started as a wage and bonus issue in a few mills in late

1981, soon developed into an industry-wide strike that ultimately went on to become the longest strike in post-independence labour history. The strike was essentially about rank-and-file *angst* about the 1947 Bombay Industrial Relations Act, which for reasons of political expediency had imposed an industry-wide bargaining structure with an unrepresentative union (affiliated to INTUC) as the sole bargaining agent of workers. As differences of performance grew between the factories during the mid-1970s, workers wanted greater voice and control in determining their labour market and IR outcomes at the level of the individual mills. However, the textile strike ended in a whimper in late 1983: many workers returned to their villages, many lives were destroyed, employers restructured their mills in the advanced textile sector, and the credibility of the government-installed union in the industry declined to levels from which it could never recover (Bhattacharjee, 1988).

Another related feature of this third phase was the rise and proliferation of ‘independent’ unions operating in the major industrial centres and competing with the traditional party-affiliated unions. Segmented and uneven developments in the industrial sector tied workers’ earnings like never before to the fortunes of the plant in which they worked. An analysis of plant-level contracts from the Greater Mumbai-Thane industrial corridor revealed that, *ceteris paribus*, the ‘independent’ unions delivered a higher wage and fringe package than did the affiliated unions during the beginning of this third phase (Bhattacharjee, 1987b). Data on the yearly movement of the percentage of industrial disputes by union-types reveals the phenomenal rise of the number of disputes led by unaffiliated unions beginning from the late-1970s and the declining importance of politically-affiliated unions in carrying out strikes (Bhattacharjee, 1987a: 57).

Finally, this phase was marked with increasing inter-regional, inter-state, and inter-city variations in the nature of labour-management relations. In an anecdotal but important study of union-management relations in four Indian cities (Bombay, Calcutta, Madras, Bangalore), Ramaswamy (1988) points to significant inter-city differences in the texture of the labour-management relationship. According to Ramaswamy (1988: 17), ‘The driving force of the Bombay labour movement are union leaders who disclaim allegiance

to political parties and their trade union federations. What we find here is the most evolved Indian version of business trade unionism', and 'the city has witnessed the steady decline, if not eclipse into oblivion, of ideological trade unionism'. This clearly has something to do with the fact that private and multinational firms dominate Mumbai's urban economy. In sharp contrast is the case of Calcutta, where a highly politicized IR regime prevails with the dominant trade union federation (the CITU) under the close watch of the dominant political party (the CPI-M). This has created considerable inflexibilities for management, and has partly inhibited the growth of independent trade unionism. Bangalore, a city where both private and public enterprises thrive, especially those in the information technology industry, has witnessed the rise of plant and firm-based unions (like in Mumbai) with shop-floor leaders representing a highly educated and skilled workforce. All these inter-city differences, attributable no doubt to different political, social, and urban histories, emphatically suggests the inherent difficulties involved in trying to generalize about an 'Indian' IR system – even within the confines of the old formal economy. Since the onset of the globalization process of the nineties (see below), attempts at this kind of generalization have become more and more difficult.

These changes in union structure together with the macroeconomic developments considerably affected both employment and the wage structure in the labour market. According to Ghose (1992: 95), 'The most striking fact is that the 80s have been the best decade in terms of economic growth but the worst decade in terms of employment generation'. Moreover, employment growth decelerated in all sectors of the economy and open unemployment increased in the 1980s. Most of this decline is attributable to sharp declines in employment elasticities in all sectors of the economy; the sharpest decline took place in manufacturing, and in the private organized manufacturing sector it was actually negative. The search for labour market flexibility in Indian manufacturing led labour-intensive firms to outsource their production to the unorganized/non-union sectors. In the more profitable sectors of production, unions, often 'independent' unions, managed to secure a part of these productivity increases through militant bargaining and/or by signing generous productivity bargains that contained effective incentive structures. A consequence of this would obviously be deceleration in employment

growth. In the relatively unorganized and in the less profitable sites, workers and unions lost out. While organized sector employment as a percentage of total employment in manufacturing fell from 24.5% in 1972/73 to 17.4% in 1987/88, real wages of workers and 'other employees' in organized manufacturing increased at a rate of 5.8% and 4.1% during 1983-86 respectively, whereas, 'low-paid' workers actually suffered declining real wages (Ghose, 1992: 97). As the union wage effect increased significantly in the profitable sites of production, capital cut back on further hiring and actually started the retrenchment process and increased the capital-labour ratio that in turn increased labour productivity. Thus, according to this scenario, the faster growth of real wages in the 1980s did play a role in slowing employment creation (Ahluwalia, 1992).

Employment inflexibilities as embedded in the Industrial Disputes Act were the key focus of attention of labour researchers towards the end of this third phase. According to the 1982 amendment of the Industrial Disputes Act, a firm employing more than 100 workers (reduced from 300) was required to get state government permission before it could retrench workers. The study by Fallon and Lucas (1991) actually showed how employment would have been higher in several sectors in the absence of the 1976 and 1982 amendments. To remedy several of the limitations of the Industrial Disputes Act and the Trade Union Act, from both the unions' and the employers' point of view, a number of changes were proposed in The Trade Unions and Industrial Disputes (Amendment) Bill, 1988 (Mathur, 1992). Among other things, the changes proposed would have reduced the fragmentation and multiplicity of unions, defined the bargaining agent clearly by providing for the secret ballot provision, promoted internal leadership, set up state-level industrial relations tribunals, forced employers to set up all-encompassing bargaining councils so as to facilitate internal grievance settlement, and so on. After considerable debate and deliberations however the bill was given a burial at the 29<sup>th</sup> session of the Indian Labour Conference in April 1990 (Mathur, 1992: 50).

With the limited opening up of the economy in the 1980s, competitive forces affected the structure of the union movement. In several enterprises in the private sector, 'independent' rank-and-file led unions came into existence and engaged in informed and

militant bargaining with (often multinational) employers securing substantial wage and non-wage gains in the process. As these trade unions ‘traded off’ increased wages at the cost of employment growth, and as employers shifted to ‘outsourcing’ to non-union sites, the traditional party-based unions found their potential recruitment terrain both challenged and curtailed.

The two Annual Plans (1990-92) mark the end of this third phase and the beginning of the contemporary pattern of Indian employment relations, discussed below. This current phase is associated with Rajiv Gandhi’s economic liberalization measures, with the Indian economy traversing away from an import-substituting inward-looking growth strategy towards strategies that encouraged both export promotion and domestic competition. At the end of this phase, India was facing an intense macroeconomic crisis that ultimately led to a massive IMF loan in January 1991 (Joshi and Little, 1994). After Rajiv Gandhi’s assassination in May, the Congress (I) formed a minority government with the eminent economist Dr. Manmohan Singh as Finance Minister. The economic situation was dismal, and “the new government moved swiftly and announced a program of macroeconomic stabilization and structural adjustment” (Joshi and Little, 1994: 67). The above macroeconomic changes during this phase had profound effects on the political economy of trade unionism and labour markets, as well as on the structure of industrial relations.

It is clear that the policy charter of the Anglo-Saxon IR model is premised on pluralistic democratic principles, enlightened managerialism, and responsible trade unionism (Turnbull, 1991). Several crucial assumptions about the behaviour of collective actors underlie this model. One premise is that pluralism of representation exists in both politics and industry. Another expectation is for interest group politics to operate within a democratic multi-party regime of political liberalism. A third calls for a strong belief in the efficiency and fairness of ‘regulated conflict’. A fourth anticipates an efficient and fair procedural environment, which implies the existence of unambiguous labour laws that are implemented fairly by an impartial state, and some degree of symmetry among adversaries’ bargaining resources. Finally, there is a role for and trust in neutral third

party arbitration and conciliation when confronted with labour relations impasses. According to Williamson (1985: 241), 'the institution of arbitration lies at the core of industrial pluralism'. In fact, this proposition more accurately describes post-war America or Australia than it was of Britain. Moreover, the basic premise of pluralist bargaining is that interest group conflict, when played out within such an institutional framework, approximates the public interest. Yet by 1979, in the eyes of many British policy-makers, IR pluralism had damaged workplace efficiency, stoked inflation, created industrial disorder and threatened public order (Howells, 2005). Likewise, some sympathetic academics now see post-war American IR as an obstacle to high performance working conditions (Jacoby, 1998).

For all these reasons, we should not regard the failures of Indian IR as lying simply in deviations from the Anglo-American model. That model operated differently in all its core economies and, to a large extent, was a failure its own terms in both the USA and Britain. India had some of the essential prerequisites, such as a democratic polity and trade unions. From the above discussion on the evolution of Indian IR until the early 1990s, it is clear that India's experience with the setting up of labour institutions that are compatible with a pluralistic industrial relations model has been mixed. While in the early years, although the government kept extolling the virtues of industrial pluralism and bilateral collective bargaining, the institutions within which all this was to take place were largely controlled by the state. This 'state-dominated' pluralism, coupled with ambiguous labour laws regarding trade union recognition and industrial disputes, eventually led to the multiplicity of party-based trade unions that considerably weakened the political power of the organized labour movement as a whole. Thus, although in key sectors unions could impose severe costs to the economy, the organized labour movement as a whole was not strong enough to engage in negotiating a cooperative solution at the national level.

### **Globalisation, HRM and the End of the IR System? (1992-present)**

The main objective of the World Bank-IMF led economic reform programme initiated in 1991 was to increase the GDP growth rate of the Indian economy. This was to be

achieved by a sharp structural shift in the economic policy regime, from a relatively *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 fifteen years with the pace as well as the nature of growth being strongly influenced by India's integration into the world economy through trade, investment and financial liberalization. During the 1970s, the GDP growth rate was 3% per year, which went up to 5.7% during the 1980s, and from 1991/92 to 2004/05 it went up to 6.2%. However, this aggregate growth rate hides considerable changes in the underlying structure. Since the mid 1990s, the rate of growth of services GDP has been significantly higher than the rate of growth of overall GDP (over 60% of the incremental growth in GDP is accounted for by the services sector), and the share of the tertiary sector in the economy has risen from 41% in 1991 to 54% in 2005/06. The most impressive growth has been in information technology, the export of software and IT-enabled business services: between 1991/92 and 2004/05, IT services exports grew at a phenomenal 47.5% per year. Almost the entire increase in this share of the tertiary sector in the country's GDP since the early 1990s is equal to the decline in the share of the primary agricultural sector, with the proportion of the secondary manufacturing sector remaining roughly the same (Jha and Negre, 2006).

What have been the effects of this accelerated growth with structural shifts in the economy on labour markets and on industrial and labour relations in general? According to the 2001 Census of India, the workforce consisted of 402 million people out of which only 7% (28.14 million) were in the 'organized' sector and the rest were in the 'unorganized' sector. 'Organized' does not necessarily mean unionized; in fact, the unionized sector is only a small subset of the 'organized' sector. Out of this 7%, 69% (18 million) were in the public sector and the rest (31%=8.4 million) were in the private sector (TeamLease, 2006). Union density varies depending on what figure is in the denominator: around 3%, if the denominator is 'non-agricultural' workforce, to around 35% if it is 'wage and salary earners' (Frenkel and Kuruvilla, 2002). Permanent employees in the public enterprises and services are largely all unionized and/or covered by a collective agreement.

During the initial years after 1991 there were fears that the 'jobless' growth phenomenon in manufacturing of the 1980s would continue into the 1990s and beyond. The central government froze all hiring at lower levels and instituted a 'National Renewal Fund' to take care of Voluntary Retirement Schemes activated in unprofitable public enterprises. According to Nagaraj's (2004) estimate, about 15% of the workforce (=1.1 million workers) in the organized sector lost their jobs between 1995/96 and 2000-01. Job losses were widespread in the nineties across industries and regions and Nagaraj (2004) calls this "reform by stealth". There were several reasons for these losses: natural attrition with hiring freezes and existing labour laws weakly enforced post-reforms. Employers in the private sector changed the compensation package in favour of contingency pay with the acquiescence of unions that over time resulted in a decline of factory-level employment (Bhattacharjee, 2005). Macro data also reveals this shrinking of average factory size: in the public sector, the average number of workers per factory declined rapidly from 322 in 1990/91 to 193 in 1996/97 and in the private corporate sector the number declined from 129 to 91 during the same time period (Datar and Basu, 2003). However, many of these losses reappeared as job creation in the unorganized and self-employed sectors. The nineties witnessed adverse labour market outcomes: declining employment growth and declines in labour force participation rates across sectors and demographic groups, except in the case of urban women where participation rates rose. Along with this gloomy employment scenario however, there were widespread gains in labour productivity that translated into equally widespread and significant growth in average wage earnings per worker and per capita income (Sundaram, 2001). In addition, there were significant employment share increases in the following sectors: 'trade, hotels and restaurants' and 'transport, communication and storage sectors'. The employment elasticities of GDP growth for the period 1990-2000 was .76 for services compared to .29 in manufacturing and a measly .02 in agriculture (ILO, 2003). Some economists also suggested that the phenomenon of 'jobless growth' in the nineties were somewhat exaggerated (Balakrishnan and Suresh Babu, 2003).

With the release of the 61<sup>st</sup> round of the NSSO Employment-Unemployment Survey covering 2004-05 last December it is apparent that there has been a clear turnaround on the employment front during the first half of this current decade (Chandrasekhar and Ghosh, 2006). Both rural and urban employment grew during the period 1999/2000 to 2004/05 reflecting in turn an increase in labour force participation rates of both men and women, especially in urban areas. In terms of the structure of employment there have occurred significant shifts: share of both casual employment and regular wage employment has fallen whereas the share of self-employment for all categories of workers has significantly risen. As Chandrasekhar and Ghosh (2006) puts it: “All told, therefore, around half of the work force in India currently does not work for a direct employer. This is true not only in agriculture, but also increasingly in a wide range of non-agricultural activities. This in turn requires a significant rethinking of the way analysts and policy makers deal with the notion of ‘workers’”. The data also indicate a rise in unemployment rates across all sectors, but this has occurred largely due to an increase in the number of active job seekers rather than an increase in the size of the unemployed. In sum, this is the first time that employment growth has outstripped the rate of population growth in India.

What effects have these labour market outcomes in the nineties and the first half of this decade had on unions and industrial relations in general? During the early nineties when the state opened up the banking, telecommunications, broadcast media and the domestic airline sectors to private players, the left unions strongly protested. But now, looking at the empowerment that the large-scale diffusion of mobile phones and the lowering of prices of air travel due to competition has caused, few people are sympathetic with organized labour in these sectors. In fact, many would argue that the introduction of private players has slowly forced service quality improvements in the state-controlled airlines and banks. During the nineties thanks no doubt to increased media focus the ordinary person became acutely aware that organized labour in India represents declining sectional interests and clearly a kind of ‘consumer capitalism’ ethos has permeated society. As Bhaduri and Nayyar (1996: 139) point out in their text on economic liberalization in India: “The government also needs to protect consumers against

sectional interests of many unrepresentative trade unions”. More recently, there were intense debates among the communist parties and their union federations on whether the ever growing workforce in the IT and IT-enabled sectors should be unionized with major national and foreign employers feeling that unionization in these sectors would surely thwart expansion and employment growth. Unscientific surveys conducted by the print media have overwhelmingly found that the largely young employees in these sectors do not want to be part of a union. Interestingly, the reason most cited for the latter is that they value highly their potential for job mobility, and feel a unionized environment would severely curtail this. Currently, the Left’s stand on this issue is ambivalent.

In terms of union density, India fares rather badly compared to other large developing countries. According to the ILO’s *World Labour Report 1997-98*, union membership as a percentage of non-agricultural labour force dropped from 6.6% in 1985 to 5.5% in 1995 (the corresponding figure in 1995 for Argentina = 23.4%, Brazil = 32.1%, Mexico = 31%). Union membership as a percentage of formal sector workers in India declined from 26.5% to 22.8% from 1985 to 1995 (the corresponding figure in 1995 for Argentina = 65.6%, Brazil = 66%, Mexico = 72.9%). If these figures are derived from only those registered unions that submit information on their membership, it is possible that these figures are somewhat underestimating union density in India. Again, according to the above source, less than 2% of workers in both the formal and informal sectors in India are covered by collective bargaining agreements. Clearly, a large proportion of workers (certainly those in the formal sector) falls within the ambit of some government labour legislation, even though they may not be covered by a collective agreement. According to another estimate, the claimed membership of all unions that submit information declined from 8.19 million in 1986 to 5.61 million in 1996 (Sengupta, 2003). These low union density figures obviously represents low coverage but hides the fact that a few public sector unions have enormous ‘positional’ power to impose severe costs and inconvenience to ordinary citizens.

It is no wonder that India loses more days annually because of strikes and lockouts than any other country (ILO, 1997/98). However, it is true that more days were lost due to

employer-imposed lockouts than worker or union-led strikes during the post-reform years. Between 1991 and 2000, roughly 230 million days were lost, out of which 60% of it was a result of employer-imposed lockouts. While some writers claim that the latter “indicate an alarming rise in employer militancy during the period of economic reforms” (Badigannavar, 2006), it is not altogether clear as to whether this is entirely true. It could be that employers are left with no choice but to impose lockouts given impending union wildcat action. The private manufacturing sector accounts for the largest proportion of industrial disputes by sector, and two states – West Bengal and Kerela (both ruled by a Left Front government) – account for nearly 70% of the loss.

In terms of the need for reforming the highly complex Indian IR system, especially its plethora of labour legislation, the government appointed the second National Labour Commission (NCL) in late 1999. Its mandate was “to suggest rationalization of existing laws relating to labour in the organized sector and secondly, to suggest an ‘umbrella’ legislation for ensuring minimum labour standards for workers in the unorganized sector” (Badigannavar, 2006). The Commission submitted its report on June 1, 2002. The NCL recommended the need for fruitful labour-management partnerships in order to generate commitment to both quality and productivity keeping in mind the fundamental rights as enshrined in the Indian constitution. It also asks employers to invest in multiple skills training for facilitating a flexible and potentially mobile workforce with several employment opportunities. The NCL also recommended changes with respect to trade union recognition and the creation of a sole bargaining agent and it clearly expresses its preference for decentralized bargaining structures (Badigannavar, 2006). It also recommends severe penalties against unions that resort to ‘illegal’ strike action. Finally, the NCL, on the issue of downsizing recommends that “prior permission (of state authorities) is not necessary in respect of layoff and retrenchment in an establishment of any employment size”; instead, workers should be given a two months notice or pay in lieu of notice in case of retrenchment (Badigannavar, 2006).

## **Indian Academic Perspectives on the Employment Relationship<sup>2</sup>**

Academic IR is well established in India. There is an Indian *Society for the Study of Industrial Relations* and a 40-year-old *Indian Journal of Industrial Relations*, edited from the Shri Ram Centre for IR and HRM in New Delhi. Other institutions specifically founded to research and teach IR, include the Xavier Labour Relations Institute (in Jamshedpur), the Tata Institute of Social Sciences (in Mumbai) and the VV Giri National Labour Institute (in New Delhi). Practical IR structures – trade unions, collective bargaining, third party arbitration – developed under colonial rule and long predated the emergence of an Indian academic IR community. After national independence, the Anglo-American influences became more indirect and ideological. According to Kaufman (2004: 494-500), the ‘three horsemen’ - Kerr, Dunlop and Myers – brought American pluralist IR to India in the 1950s (Myers, 1958), though British academic IR and HRM continues to exercise influence. Indian academic IR has tended to study Indian employment through the theoretical lens provided by American Institutional Labour Economics and Dunlop’s systems’ theory and/ or the Oxford School pluralism of Clegg, Flanders and Fox.

The current crisis of Indian academic IR reflects a declining interest in Indian trade unions and collective bargaining, but also the sinking reputation of academic IR especially in American business schools. As in Britain, there is a sense that traditional institutional IR does not ‘add value’ to business organizations and is of rapidly declining relevance to students. In the past, Indian IR appears to have accumulated institutional description – at least of trade unions and bargaining structures - rather than develop theory. However, the academic crisis of identity has forced academic IR to redefine itself in relation to the HRM and the new economy. As in Britain, the more sociologically inclined pluralist writers have returned to the underlying notion of the employment relationship to restore the balance between conflict and co-operation that was lost in the one-sidedly adversarial tone of past IR writing. For instance, Joseph (2004) tries to recast IR within the new deregulated, liberal global economy by focusing on the deeper implicit contracts and normative relationships that lie beneath the traditional institutional machinery of IR. At the same time, he regards the period since 1991 as seeing a ruthless

extension of management and market control. Singh (2004) also aims to steer IR away from a fixation with conflict towards mutual gain and co-operation. 'A protective, passive and slow-moving Industrial Relations dispensation developed to cater to the needs of a controlled, regulated and protected market after independence in India, and continued till 1990. But today's fierce globally competitive market demands an aggressive and dynamic approach to Industrial Relations to cater to the highly demanding market imperatives like international standards of quality, competitive pricing, quick responses, high flexibility in working and fulfilling the ever-increasing demands of customer. This requires a highly flexible and business-friendly industrial relations climate' (p.5).

HRM (or HRD) theory is a recent arrival to India, riding the wave of the new economy and US-style private business schools. The pro-employer, *National Institute of Personnel Management*, is challenged by the *HRD network*, a newer professional body, inspired by the new economy that also involves academics. Even so, academic HRM is not institutionalised in India: there is no regular academic HRM conference, nor are there specialist Indian HRM journals, while many academics straddle the IR and HRD communities. The problem for traditional Indian academic IR is that the old pluralist Anglo-American framework - centred on unions, collective bargaining and the 'IR system' - is no longer able to address either developments in the Indian economy and society or the rise of competing behavioural sciences in the global academic business school community. As result, it is difficult to integrate the old IR paradigm with the new employment problem and the HRM literatures; with the attendant danger that the new generation of academics will not bother to try but turn to a prescriptive, overly optimistic version of US-style HRM. This makes the case for a good qualitative workplace sociology, which tests the rhetorical claims of the new HRM and discovers what the new Indian workplace employment is really like. Under the broad cover of HRM, there may co-exist many competing academic approaches (Ramaswamy, 2000; Saini and Khan, 2000). This said, even within the *Indian Journal of Industrial Relations*, traditional IR topics like unions and collective bargaining are giving way to discussions of stress, motivation and leadership, informed by theories drawn from prescriptive HRM and managerial psychology. The staff research interests of historic IR centres also suggest a

‘hollowing out’ of labour issues, as these institutions metamorphose into general Business Schools or HRM centres..

For academic institutional and business environment reasons, the future of mainstream Indian employment relations lies in HRM as taught by the Business School academic community, as it does in the Britain. This is where the bulk of future students will be, as well as where most future academic posts will arise. There is no prospect of some reinterpreted ‘employment relations’ displacing HRM as a taught subject or even an integrative research field. The real question is what will the social science content of HRM be in ten years time? In large part, the answer to this depends on ideas and traditions that can be drawn into the Business School academic community from the wider social sciences. For Indian academic IR has only been one perspective on the employment relationship in this large and highly complex country. As Ramaswamy (2000: 3) has argued, ‘Quite a lot of what one finds on Indian trade unions, industrial relations, and HRM is frustratingly hackneyed, prescriptive, or simply banal. The subject has not been the abode of the best minds in the social sciences’.

Another perspective is Labour History as represented by the *Association of Indian Labour Historians*. The 2006 conference addressed three themes: labour in pre-colonial India; labour relations in contemporary India with a focus on globalisation and new work organization; and labour under changing legal regimes. Post independence India had a strong tradition of Marxist and Nationalist History, with the two being closely linked by Nehru’s socialist path of development. British Marxist historians, most notably Eric Hobsbawm and EP Thompson, were major influences. With the rise of the new left, Thompsonian social ‘history from below’ became a powerful theme, as in the UK. The important *Subaltern Studies* project originally developed concepts from Thompson and Gramsci to analyse the struggles of excluded groups in Indian society (Sarkar, 1997). Such an approach recognised the fact that orthodox Marxist categories had limited purchase in a society where the organised proletariat was a small minority, agriculture and the informal economy dominated and divisions and influences other than class were often crucial. Chakrabarty (1989) is a good example of a study of the employment

relationship between Scottish (and Indian) jute manufacturers and their Indian employees, combining element of business, labour and social history.

There is a strong Marxist tradition of heterodox economics in India that coexists with more neo-classical approaches, often with its roots in the radical faculty of a few national universities and institutes. Arguably, the strongest intellectual centre for the study of contemporary employment relations is *The Indian Society of Labour Economics*, with its annual conference and journal, *Indian Journal of Labour Economics*. The 2005 conference included panel discussions on labour laws, labour market discrimination, migration and public policy, with academic, legal trade union and political speakers; a plenary lecture on 'Labour, Liberalisation and Aggregate Demand'; sessions on 'State and Labour', 'A Right to Work', 'Labour in the Knowledge Economy'. The strength is the central role of *political economy*, which is widely advocated in British IR, but rarely practiced, at least in terms of employing the full range of political, economic and social institutional influences (Bhattacharjee 2001b; Sarkar 2006). The weakness is some neglect of what happens *inside the workplace*, since many of the studies never get beyond the macro level of analysis.

Sociology of Work is the weakest developed of all the fields discussed here, but arguably the one with the most potential to bring the experiences of the workplace and community back into the centre of employment relations. There is no Indian equivalent of the British journal, *Work Employment and Society* or of our annual *Labour Process* conference. By contrast, there is a thriving general sociological community with several journals, as well as a strong field of women's studies (Krishnaraj, 2005) There are some obvious reasons why organisational or plant sociology, might have a lower profile in India. The large formal organisation is much less central than in the Britain where over 90% of the working population is in a formal employment relationship. Moreover, sociology has always had sympathy for the poor and in India the poor are found in agriculture and the informal economy. Thus, there is a strong field of Rural Sociology. Small-scale farming and petty trade is hard to relate to IR concepts and theories forged in Western factories.

Even so, there has been a large factory workforce in India and Ramaswamy (1988) is regarded as the father of Indian Industrial Sociology.

HRM is the cornerstone of Indian business school employment relations teaching and there is a sense that traditional IR is neither practical as a 'tool-box' nor of much intellectual interest. As in Britain, the future of employment relations depends on retaining and developing the traditions of critical institutional economics, sociology and history mainly within HRM. Trade unions appeared doomed to decline in both numbers and influence, but there is little to replace them in terms of representation and regulation, especially when many Indian academics have little faith in either employer good practice or effective state regulation. The advent of HRM has seen the advance of psychology and prescriptive managerialism, but there is still scope for a range of more critical and institutional interpretations. We feel that this calls for a *new institutionalism* that simultaneously deepens our sociological grasp of the workplace, through in-depth critical case studies, and broadens our grasp of context through political economy and social history.

### **Conclusion: Seven Sites of Contemporary Employment Relations**

Given the complexity and variation of employment relations across sectors and regions in India, an all-encompassing macro characterisation of the Indian IR system is at this point too ambitious and possibly untenable. What we propose instead for this special edition of the *Industrial Relations Journal* is to examine employment developments in different sites of the economy using an *interdisciplinary approach*. Each of the articles in this collection probes a different dimension in Indian IR and is written by social scientists from different disciplinary backgrounds.

The spread of HRM to India has begun to reshape the management of IR, with the emphasis on a higher degree of union-management cooperation. Soft and hard HRM initiatives aim to promote a greater degree of employee commitment as also professionalism amongst employees. In view of the new economic realities, HR departments in India too are trying to secure a higher degree of competitive advantage

through new ways of people management. Saini explores the dynamics of IR change that arise from these new management initiatives. He focuses on employee involvement initiatives, union-management partnership, new employee welfare schemes, total quality management (TQM), business process re-engineering, suggestion schemes, employee newsletters, and similar other initiatives. Saini assesses the real extent to which these techniques have been introduced - reality rather than rhetoric - and how far they have influenced the fundamental way in which Indian companies manage people.

Sen addresses the vexed relationship of gender and trade union organisation, arguing that in the Indian case, and seen in a long-term historical perspective, the two have had an inverse relationship. Unlike elsewhere in the world, women have been marginal in processes of industrialisation, a trend further reinforced by union organisation. In the 1980s, there was a widespread fear that economic liberalisation would lead to a feminisation of the labour force, but this fear seems to have been misplaced. There has been no large scale or spectacular induction of women into the workforce. Moreover, women have remained concentrated in the unorganised sector. In recent years, however, this latter sector includes educated white-collar employment in IT and BPOs. Interestingly, many of the old anxieties about women's employment in mills and factories, as well as in low paid employment in the unorganised sector like domestic service, are being revived in an attempt to de-legitimise women's induction in these new sectors.

Datta explores the changing content of management-union agreements at the firm level over the past decade in the Mumbai (Bombay). As we have seen, India's main economic centres all have very different political, economic and social traditions that have both shaped IR and responses to economic liberalisation. Datta argues that, despite ostensibly restrictive labour laws, large manufacturing companies in the formal sector have been able to raise productivity, usually by negotiating with unions to raise wages while job numbers have declined. In Mumbai these deals have been struck with enterprise unions, but Datta suggests that a price has been an increasingly loss of control through joint regulation of the labour process, which may ultimately undermine the efficacy and

credibility of trade union organization even in its core sector. At the same time, the Mumbai cotton textile industry has declined, as employers have moved production into smaller towns and often into the informal economy. This qualitative study of ten key city employers analyses the changing content of collective bargaining agreements on new technology and labour flexibility. Datta has also interviewed managers and union representatives to understand the new issues relating manufacturing work and IR following economic liberalisation.

IT outsourcing has been a central engine of India's remarkable growth rates since 1991 (Luce, 2005). However, unlike Chinese industrialization, India's economic boom draws on the human capital of a small fraction of its overall population. The employees in this new service sector economy are middle class, English-speaking graduates, many of whom have come through the private, English medium school system. The top end of this cohort, educated at the Indian Institutes of Technology and the Indian Institutes of Management form the basis for the new, high valued-added knowledge economy. In this respect, India's new economy growth has by-passed the country's poor general infrastructure, and especially its weak public education and health systems. Today some BPOs are already experiencing skill shortages. Kuruvilla argues that the Indian outsourcing industry must solve a number of macro (national level) and micro (firm level) human resource problems in order to sustain its current growth rate. He will examine these problems through illustrative case studies and explore possible solutions.

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 considers how legislation, more generally, impacts on labour market flexibility. Are wage settlements that are binding on whole sectors and dismissal regulations holding up structural change in the organization of production for firms in countries like India? Job security regulations are seen by many influential commentators and the World Bank as a source of rigidity resulting in rents for organized labour. That these regulations were instituted as a response to the threat of unemployment and income

insecurity and were thus a form of social insurance is not considered. Moreover, on balance, job security regulations have not had the negative effects on employment growth that the critics suggest. D'Souza argues that India still needs a meaningful analysis of whether anti-retrenchment laws are inefficient and whether they do end up hurting workers and about the role of regulation in labour markets, especially in an emerging economy such as India.

British IR attention has concentrated on 'off-shored' Indian call-centres. Ravishankar, Cohen and El-Sawad present a case study of two organizations: a financial services company located in the UK and Mumbai, and an IT services and products firm headquartered in Bangalore. Although they operate in different sectors, and have significant contrasts with regard to employees' educational backgrounds, skill levels and status, both typify aspects of India's new economy. In the last five years, the growth in the offshoring of services to India has generated fierce debate. Ravishankar *et al* examine the lived experience of working in this economy from the perspective of employees – a perspective that is largely missing from the extant literature. They point to the complexity of Indian employees' aims and aspirations, their strategies for achieving these, and the kinds of relationships they sought to develop with their colleagues and customers. There are vivid examples of employees attempts to accommodate the conflicting demands of working in a global context (demands both material and ideological) so as to continue to 'learn and grow' within their organizations, whilst at the same time offering powerful accounts of resistance to these imperatives – at both individual and collective levels. This article crosses the conventional boundaries of IR, by drawing on the postcolonial theorist Homi Bhabha's work on hybridity, using his concepts of ambivalence and mimicry to interpret employees' accounts and theorize the tensions implicit in offshoring contexts.

As elsewhere in the world, Indian trade unions are struggling to cope with recent economic changes that have eaten into their former strongholds in the old formal economy. Mohanty argues that analysis of IR in India has generally focused on unions in the organised sector workforce. Labour market dynamics, however, have changed quite dramatically over the last couple of decades to a point today where there is hardly any

substantial growth in the organized sector workforce. In other words, most of the new jobs being generated in the economy are in the unorganised sector with a casual employment status. This article tries to understand how the labour movement in India is coping with this changed dynamic, looked at from the standpoint of a new union formation.

### Footnotes

<sup>1</sup>. This section draws from Bhattacharjee (2001a).

<sup>2</sup>. This section draws from Ackers (2006).

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