



TRADE UNIONS IN THE NEW ECONOMIC ENVIRONMENT IN INDIA



Almas Sultana¹

²Senior Research Fellow

Dept. of Commerce,

Aligarh Muslim University
(A.M.U.),

Aligarh, U.P.,

India

ABSTRACT

Industrial relations in India are closely associated with trade unionism. Trade unionism is a rationale and united movement of working class which seeks to make improvement of the economic and social status of the wage-earners through united action. The New Economic Policies (NEP) adopted by the government in 1991 had far reaching consequences on the industrial relations in India and so on trade unions. The present paper is aimed at assessing the role of trade unions in the new economic environment in India. The main focus of this study is to highlight the challenges posed by the new economic environment on the role trade unions and to analyze the growth of trade unions in the post-reform period. Based on the secondary data, the results indicate that the new economic environment is hostile to trade unions. By shifting the power away from labor and towards management, the new policies have made the position of trade unions vulnerable and posed serious challenges before them. As a result, their power and influence is dwindling in the new economic scenario.

KEYWORDS: Industrial relations, trade unions, new economic policies, post-reform period.

INTRODUCTION

In the wake of getting freedom in 1947, India adopted democratic pattern of society. Indian economy, at that time, was highly regulated by the central authority and market forces were given very little role to play. In second Five-Year Plan, India followed import substitution approach called inward looking industrial policy which made Indian industries highly costly and uncompetitive in the market due to wide gap between the domestic prices and world prices of goods. All this resulted in low rate of growth in the Indian economy (Dhinsa & Sharma, 2006).

Apart from this, inflation also started rising during 1980's and reached 17 percent in 1991. A comparatively elevated inflation rate jointly with rapid augment in demand for imports caused over valuation of Indian rupee which in turn discouraged exports and

encouraged imports and thus, created balance of payment crises. During 1960s to 1980s India's export growth was much lower than world exports. India's share in world exports stayed beneath 0.5 percent till 1991 (Dhinsa & Sharma, 2006).

When the crisis reached its peak, the government approached the World Bank and IMF for additional loans. They were ready to give loans but on a condition that India will opt for a free market economy and dismantle its regulated regime. No other alternatives were left to the government besides accepting the conditions of World Bank and IMF. So, a series of economic policies, in the form of Liberalization, Privatization and Globalization (LPG) were announced by the government, beginning with devaluation of rupee followed by the announcement of new industrial, trade and fiscal policies.

The New Economic Policies consisted of two set of policies. The first set aims to achieve macro-economic stabilization by reducing both fiscal and Balance of Payment deficits (BOP). Reducing fiscal deficit involves a cut in public expenditure and also an attempt to raise public revenue to bring about balanced budget overtime. To reduce BOP deficits, the economic reform programme has heavily relied on currency devaluation to boost exports and reduce imports. The second basic set of economic policy in India has been to alter the production structure by increasing the role of markets in the economy, directly through privatization or by way of reducing in state investments and interventions and indirectly through domestic deregulation and by trade liberalization (Kalirajan & Sankar, 2003).

A number of steps were taken to bring about such shift of economic policy. Foreign trade was liberalized, import licensing has been virtually abolished (except for consumer goods), custom duties have been sharply reduced by about 20% and further downward adjustments followed, to a large extent determined by market forces (Kalirajan & Sankar, 2003).

The forces of economic reforms have wide range implications for the economy and additionally for the industrial relations system. The new economic environment has completely altered the system of industrial relations in India and in the other nations as well. Such a performing climate requires the system which facilitated proficiency and productivity inside the organization. The world has now become a one huge market where only the fittest can survive. A large number of MNC's are entering into the economy and giving tough competitions to our domestic firms. They are compelling the organizations to adopt contemporary employment practices such as employment of contract labour, Voluntary Retirement Schemes (VRS), performance based pay, internal unions, etc. All these practices have an effect on the relationship between labour and management.

The present paper focuses on the status of trade unions in the new economic environment. The whole study is divided into three parts. Part I highlighted the challenges posed by new economic environment on the role of trade unions in India. The growth of trade unions in the post reform period in India has shown in part II. The findings and conclusion are given in part III.

LITERATURE REVIEW

- **Gani (1992)** in his paper entitled "Membership Participation in Union Activities" examined the nature and extent of membership participation in union activities and identified the factors

influencing membership participation. On the basis of data collected through personal interviews of workers from five large size textile units located in Jammu & Kashmir, the author noticed that the majority of workers are prone to unionization. The results further indicates that a high degree of union interest among the workers and a higher level of membership participation in union activities.

- **Seth (1993)** in his article entitled "Our Trade Unions: An Overview" examined some major issues relating to the health and effectiveness of the trade unions and their utility and relevance in the changing socio-economic environment. New professional view, global scenario, current reality, forces of disunity and new converts in trade unionism has also been discussed in the article. It was concluded that despite their weakening power in the new socio-economic environment, trade union will always remain to provide unavoidable countervailing power to wage-earning workers against the power of those who control wages and other conditions of employment.
- **Arachi (1994)** in his paper entitled "Trade Unionism in the Cement Industry in Tamil Nadu" discussed about trade union in the cement industry on the basis of samples drawn from both public and private sector units. Based on primary data, the study revealed that workers of both public and private sectors joined unions to protect themselves from victimization and to achieve unity and strength. The study also revealed multiplicity and politicization of trade union as the reasons for not joining the unions.
- **Das and Manimala (1997)** in their paper entitled "Are unions relevant in today's global economy? A snapshot of managerial attitudes toward unions in India" emphasized on the relevance of trade unions in today's global economy. The main aim of this paper was to investigate managerial attitude toward unions and efforts taken in some organizations to maintain congenial relations with unions. The data have been collected from 80 managers working in various industries through self-administered questionnaire based on Likert's six point scale and to analyze the data parametric and non-parametric tests were conducted. The results revealed that top managers hold more anti-union attitude as compared to middle level managers and the firm's policies regarding

employees and unions was also found to be related to managerial confidence to compete in today's market place.

- **Kuruvilla, Das, Kwon and Kwon (2002)** in their paper entitled "Trade union growth and decline in Asia" assessed the growth, decline and prospects for renewal of trade unions in selected Asian countries, namely, China, India, Japan, Korea, Singapore, Taiwan and the Philippines. The authors examined the union density and union influence on the basis of level and coverage of collective bargaining and explained the diverse national pattern of union growth and decline in the selected countries. The results, on the basis of secondary data, indicate that though there is a variation in union density and level of trade union influence within Asia, all countries experienced union decline in 1990's.
- **Lommerdus, Meland and Straume (2004)** in their paper entitled "Globalization and Union opposition to technological change" analyzed the response of the trade union to the technological change in the era of globalization. The authors have used a model of international duopoly with monopoly wage setting in one of the countries and two-way trade and came to the conclusion that trade unions tends to oppose the adoption of labour-saving technology when labour demand is inelastic and they care much for employees relative to wages.
- **Bhangoo (2006)** in his study entitled "Trade Unions in globalised economy of India" focused his attention on the position of trade union in the globalised world. The thrust of this paper is to study the new emerging trends in new economic environment and the need and relevance of trade union in this new environment. The new environment revolves around the concept of Liberalization, Privatization and Globalization. The author identified that the global nature of new economic scenario is hostile to unionization as the power and influence of trade union is dwindling in the new economic scenario.
- **Saini (2006)** in his paper entitled "Declining Labour Power and Challenges before Trade Unions: Some Lessons from a Case Study on Private Sector Unionism" highlighted the declining state of labour power in the private sector in the new economic environment and the challenges faced by the trade unions in the new era. The paper is based on the case study of

Honda Motor Cycle and Scooters India Limited (HMSI), Gurgaon. It was found that most organizations are using a mix of hard and soft models of HRM strategy as a device for managing industrial relations. Some key challenges faced by unionism in view of the working of new HR strategies are also identified, which include, need to look at private sector industrial relations realities differently from those in public sector, tapping the potential of political affiliation of union, compelling the state to discharge its legal obligations to ensure labour justice, promoting alliance between main workers union and contract workers union and at the last, promoting collaboration between union and management in implementing HRM strategy.

- **Ghosh (2008)** in his paper entitled "Economic reforms and trade unionism in India- A macro view" discussed the impact of economic reforms on trade union in India. The paper is based on primary and secondary sources of data focuses on exploring the response of our unions to the changing industrial scenario. It has been identified that economic reforms have posed serious challenges before the old unions by exposing their weaknesses and forced them to rethink their policies and programmes.
- **Phelan (2011)** in his article entitled "Trade Unions, Democratic Waves and Structural Adjustment: The Case of Francophone West Africa" assessed the consequences of the structural adjustment programmes on trade unions in the nine Francophone West African countries. The main aim of the study was to highlight the extent to which the structural adjustment has impacted trade unionism and reshaped the industrial relations landscape. The article revealed the decrease in the membership of African trade unions in all the nine countries, decline of public sector and a relentless growth of informal sector which the traditional trade unionism is ill equipped to service.
- **Ishola, Ojo and Abdullah (2013)** in their article entitled "Globalization and Trade Union Challenges: Nigerian Manufacturing Sector Enterprises" examined the challenges brought by globalization and the role of Nigerian trade unions to overcome such challenges. On the basis of extensive literature survey, the study revealed that globalization has led to the decline in trade union membership and created more vacuum then integration among them. The study

concluded by suggesting measures for the trade unions to revitalize their strategies in this new economic scenario.

OBJECTIVES

- To highlight the challenges posed by new economic environment on the role of trade unions.
- To analyze the growth of trade unions in the new economic environment.
- And finally to come out with the summary and findings of the study.

DATA COLLECTION AND METHODOLOGY

The study is purely based on secondary data collected from Indiastats.com. The data includes number of registered trade unions and the membership of trade unions in India. The period of the study ranges from 1992-2013 which has been divided into two parts i.e. period I (1992-2002) and period II (1993-2013) for the purpose of assessing the growth of trade unions in the initial years of reforms as well as in the subsequent years of reforms. The collected data is analyzed in tune with the objectives of the study using various statistical techniques such as simple average mean, standard deviation and paired-sample t test.

HYPOTHESES

H01: There is no significant difference in the growth of trade unions in India between initial years of reforms and subsequent years of reforms

H01.1: There is no significant difference in the registered trade unions in India between initial years of reforms and subsequent years of reforms

H01.2: There is no significant difference in the membership of trade unions in India between initial years of reforms and subsequent years of reforms

I. TRADE UNIONS

Industrial relations in India are closely associated with trade unionism. This is true with regard to both public and private sectors, since trade unionism is inherent in the Indian economy as a whole. Trade unionism is a rationale and united movement of working class which seeks to make improvement of the economic and social status of the wage-earners through united action (Michael, 1987). Under the Trade Unions Act, 1926, "a trade union is any combination of persons whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers, or between workmen and workmen, between employers and employers, or for imposing restrictive conditions on the

conduct of any trade or business, and includes the federation of two or more trade unions" (Gupta, 2010).

Ever since the announcement of NEP, there has been a continuous debate going on in regards the utility of trade unions in the Indian industrial relations scene. Despite the fact that trade unions play an important role, the changing economic scenario has threatened the interests of Indian workers and their unions. Their membership base is diminishing in this new environment. In U.S.A., for example, just 12 percent of the private sector and 16 percent of the public sector employees are the members of trade unions. The pattern of membership in many countries like Australia, Singapore, Korea, etc. is also similar. In India too, the membership base is frail and declining (Sodhi, 1994).

Liberalization has made the employers excessively powerful by allowing them the privilege to hire and fire at will. In the name of efficiency, the Voluntary Retirement Scheme (VRS) and the Exit Policy are being indiscriminately adopted to retrench the organized workers and to close down most of the sick industrial units. With increasing state support for the capital and the expanding culture of 'free market', trade unions now face the writings on the wall. There are several instances of political, administrative, legal and police support or protections being given to prospective investors, the Haryana Honda Motors case being the clearest one. Even the government nowadays falters in providing blanket support to trade unions that may antagonize the prospective investors or obstruct the productivity of a firm (Ghosh, 2008).

Economic liberalization has brought about more harm to our unions through job losses in organized sector. The curtailment of public investment, growing sickness or closure of units, exit policy and so on has together hastened the process of labour retrenchment. Thus, organized sector employment, both public and private, has trimmed down from 282.85 lakh in 1997 to 264.43 lakh in 2004. Over the last one decade nearly 8.34 lakh workers in the organized sector have already lost their jobs, as regular jobs are being casualized steadily. In some traditional sectors, liberalization has caused loss of employment without creation of new ones. Simultaneously, the problem of sickness has inundated numerous old and new industries. As a result, the unemployment has mounted sharply during the reform period. Thus, from 1993-94 to 1999-2000, employment rate has declined from 2.7 percent to 1.03 percent, and the figure went further down to 0.85 percent in 2003 (Ghosh, 2008). The climbing unemployment level has worked as a necessary means to

destroy the achievements of workers' movement. When the trade unions fail to defend the rights of their members and the management finds it easy to retrench workers or replace them by machines, incentives for union activities decline. Consistent with this, union membership and the number of trade unions are showing declining trends in the recent years (Ratnam, 2001; Mamkoottam, 2003).

Apart from VRS, Compulsory Retirement Scheme (CRS) has come out as an important cost-cutting measure in the private sector. In industries such as textiles, where VRS has been a complete failure, the problems of CRS have perplexed many. Strategies like redeployment in a totally distinctive work unit, mass transfer to faraway places, proclaiming a unit sick, closure of a unit through merger or lockout assist the management to keep labour under control. Loss of employment has additionally been brought about by mechanization, reengineering and technological upgradation. Despite the fact that technology places demand for high jobs, it also makes numerous jobs outdated. Today, capital-intensive organizations look lean and dainty and our trade unions do not fit into this structure (Ghosh, 2008).

Disinvestment or privatization of the public sector industries and mass scale casualization of the labour force have further aggravated the trade unions' sufferings. These steps have broken the walls of the so-called 'bastion' of formal sector workers. While casualization is bringing about augmented employment opportunities for some, it additionally implies the loss of employment for others. On the whole, casualization dislodges the better-paid, more protected workers and amplifies insecure and low-paid employment (Ghosh, 2008).

Obstacle to successful trade union mobilization also emerges from the fact that casual and temporary workers in the informal sectors generally stay less enthusiastic about union activity. The mounting size of the informal employment is therefore, a key challenge before the current unions. Apart from this, contemporary electronic technologies also resulted in destruction of the labour processes and subsequent division of workers (Bagchi, 1995). Unions nowadays find it difficult to handle the circumstances. They are worried about the impacts of contemporary technologies however they cannot seriously oppose it as technological superiority is a prerequisite for the survival of an enterprise in the competitive market. Contemporary electronic technologies not only intensify profitability and productivity but also heighten the pride and prestige of workers. Trade unions are often seen proposing and implementing plans and programmes of modernization however, such modernization is not without cost. First, new technology has labour saving capacity causing redundancy and unemployment and consequent shrinkage of union's power. Second, it creates a new set of 'elite' workers whose interest is different from traditional workers and the trade unions face difficulty in managing this young, enthusiastic and skilled workforce. Finally, new technology has led to de-unionization or weakening of the bargaining strength of trade unions (Ghosh, 2008).

II. GROWTH OF TRADE UNIONS IN THE NEW ENVIRONMENT

The growth of trade unions can be measured on the basis of registered unions in the country as well on their membership basis. The following table splits the data on registered trade union in India between Period I and Period II.

Table 1: Registered Trade Unions in India during 1992-2002 and 2003-2013

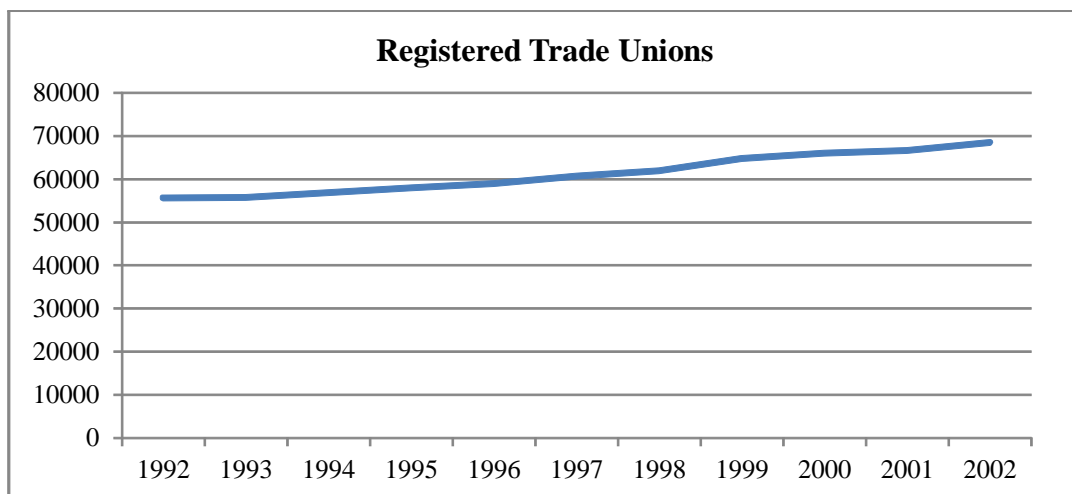
Period I (1992-2002)		Period II (2003-2013)	
Years	Registered Trade Unions	Years	Registered Trade Unions
1992	55680	2003	74649
1993	55784	2004	74403
1994	56872	2005	78465
1995	57988	2006	88440
1996	58988	2007	95783
1997	60660	2008	84642
1998	61992	2009	22284
1999	64817	2010	18602
2000	66056	2011	11238
2001	66624	2012	51219
2002	68544	2013	7566

Source: Data from 1992-2011 has been taken from [Indiastats.com](http://indiastats.com)

Data for the years 2012 and 2013 has been calculated by researcher using extrapolation

The above data can be better understood with the help of following charts.

Chart 1: Registered Trade Unions in India during 1992-2002



Source: Prepared by author on the basis of above data

Chart 2: Registered Trade Unions in India during 2003-2013



Source: Prepared by author on the basis of above data

The following table shows mean and standard deviation of the paired samples.

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Registered TU in period I	60364.09	11	4844.122	1460.558
	Registered TU in period II	55208.27	11	33981.418	10245.783

Source: Computed through SPSS

As shown in the above table 2 the mean value of registered trade unions in India in Period I is 60364.09 which is more than the mean value in Period II i.e. 55208.27.

The standard for 1992-2002 is 4844.122 and for 2003-2013, it is 33981.418.

The following table 3 shows the results of the paired-sample t test.

Pair	Registered TU in period I – Registered TU in period II	Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
1		5155.818	36858.606	11113.288	-19606.130	29917.767	.464	10	.653

Source: Computed through SPSS

Based on the above results of the paired-sample t test analysis at 95% confidence level, significance value i.e. p value is worked out as .653 which is more than 0.05 (alpha). Hence, it may be concluded that there is no significant difference in the registered trade unions in India between initial years of reforms and subsequent

years of reforms. The null hypothesis (H_0), which states that there is no significant difference in the registered trade unions in India between initial years of reforms and subsequent years of reforms, is therefore, accepted and alternate hypotheses (H_a), is rejected.

The following table splits the data on membership of trade unions in India between Period I and Period II.

Table 4: Membership of Trade Unions in India during 1992-2002 and 2003-2013

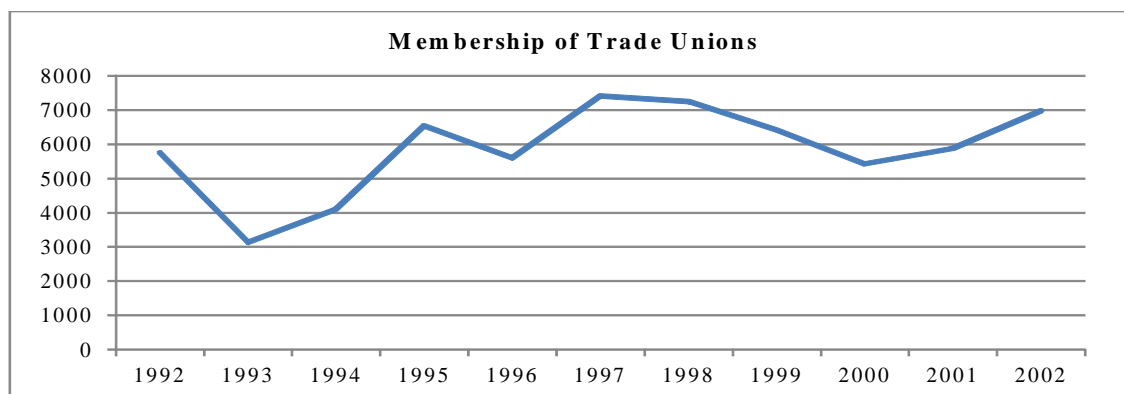
Period I (1992-2002)		Period II (2003-2013)	
Years	Membership of TU	Years	Membership of TU
1992	5746	2003	6277
1993	3134	2004	3397
1994	4094	2005	8719
1995	6538	2006	8960
1996	5601	2007	7877
1997	7409	2008	9574
1998	7249	2009	6480
1999	6408	2010	5097
2000	5420	2011	3714
2001	5873	2012	2331
2002	6973	2013	948

Source: Data from 1992-2011 has been taken from Indiatats.com

Data for the years 2012 and 2013 has been calculated by researcher using extrapolation.

The above data can be better understood with the help of following charts.

Chart 3: Membership of trade unions in India during 1992-2002



Source: Prepared by author on the basis of above data.

Chart 4: Membership of trade unions in India during 2003-2013



Source: Prepared by author on the basis of above data.

The following table 5 shows mean and standard deviation of the paired samples.

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Membership of TU in period I	5858.64	11	1309.623	394.866
	Membership of TU in period II	5761.27	11	2897.110	873.512

Source: Computed through SPSS

As shown in the above table 5 the mean value of membership of trade unions in India in Period I is 5858.64 which is more than the value in Period II i.e. 5761.27. The standard deviation for 1992-2002 is 1309.623 and for 2003-2013, it is 2897.110.

The following table 6 shows the results of the paired-sample t test.

		Paired Differences				t	df	Sig. (2-tailed)	
Pair		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower				Upper
Pair 1	Membership of TU in period I - Membership of TU in period II	97.364	3023.870	911.731	-1934.100	2128.827	.107	10	.917

Source: Computed through SPSS

Based on the above results of the paired-sample t test analysis at 95% confidence level, significance value i.e. p value is worked out as .917 which is more than 0.05 (alpha). Hence, it may be concluded that there is no significant difference in the membership trade unions in India between initial years of reforms and subsequent years of reforms. The null hypothesis (H_0), which says that there is no significant difference in the membership trade unions in India between initial years of reforms and subsequent years of reforms, is therefore, accepted and alternate hypotheses (H_a), is rejected.

III.I. FINDINGS

- ◆ New economic environment is hostile to trade unions. By shifting the power away from labor and towards management, the new policy made the position of trade unions vulnerable and posed serious challenges before them. As a result, their power and influence is dwindling in the new economic scenario.
- ◆ No significant difference is found in the number of registered trade unions in India in the post reform period. However, according to paired sample statistics, the registered unions are little bit more in Period I as compared to Period II. The null hypothesis which states that there is no significant difference in the number of registered trade unions in India during 1992-2013 is, therefore, accepted.
- ◆ Again, no significant difference is found in the membership of trade unions in India in the post reform period. However, on an average, the membership of unions is found to be little bit more in Period I as compared to Period II. The null hypothesis which states that there is no significant difference in the membership of trade unions in India during 1992-2013 is, therefore, accepted.

III.II. CONCLUSION

By making the employers excessively powerful, the new economic environment has affected the interests of Indian workers and their unions adversely. The VRS and exit policy are being indiscriminately adopted to retrench workers and to close down sick units, rendering many people jobless. Apart from this, regular jobs are being casualized steadily which have further aggravated the sufferings of the unions. A number of strategies are being adopted by the management to keep the labour and their unions under control.

There is no significant difference in the growth of trade unions (number of registered trade unions and

their membership) in India during the post reform period. However, Period I registered somewhat better growth, both in terms of number of registered trade unions and membership of unions, as compared to Period II which shows that trade unions were in better position in the initial years of reforms as compared to subsequent years.

REFERENCES

1. Arachi, S.B. (1994). Trade unionism in the cement industry in Tamil Nadu. *The Indian Journal of Labour Economics*, 37 (4), 817-822.
2. Bagchi, A.K. (1995). *New technology and the workers' response*. New Delhi: Sage Publications India Private Limited.
3. Bhangoo, K.S. (April, 2006). Trade unions in globalised economy of India. *The Indian Journal of Industrial Relations*, 41(4), 397-405. <http://www.jstor.org/stable/27768040>.
4. Das, H., & Manimala, M. (July, 1997). Are unions relevant in today's global economy? A snapshot of managerial attitudes toward unions in India. *The Indian Journal of Industrial Relations*, 33(1), 1-16. <http://www.jstor.org/stable/27767508>.
5. Dhinsa, K.S. & Sharma, A. (2006). *Economic reforms and development*. New Delhi: Concept Publishing Company.
6. Gani, A. (January, 1992). Membership participation in union activities. *The Indian Journal of Industrial Relations*, 27(3), 243-258. <http://www.jstor.org/stable/27767202>.
7. Ghosh, B. (January, 2008). Economic reforms and trade unionism in India- A macro view. *The Indian Journal of Industrial Relations*, 43(3), 355-384. <http://www.jstor.org/stable/27768140>.
8. Gupta, C.B. (2010). *Human resource management (12th Ed.)*. New Delhi: Sultan Chand & Sons.
9. Ishola, G., Ojo, B., & Abdullah, M. (July, 2013). Globalization and trade unions challenges: Nigerian manufacturing sector experience. *International Review of Social Sciences*, 1(1), 7-23.
10. Kalirajan, K., & Sankar, U. (2003). *Economic reforms and the liberalization of Indian economy*. U.K.: Edward Elgar Publishing Limited.
11. Kuruvilla, S., Das, S., Kwon, H., & Kwon, S. (September, 2002). Trade union growth and decline in Asia. *British Journal of Industrial Relations*, 40(3), 431- 461.
12. Lommerdus, K.E., Meland, F., & Straume, O.R. (December, 2004). *Globalization and union opposition to technological change (Working Paper 27 – 2004)*. Retrieved from Stein Rokkan Centre for Social Studies.
13. Mamkottam, K. (2003). *Labour and change-essays on globalization*. New Delhi: Response Books.
14. Michael, V.P. (1987). *Industrial relations in India and workers' involvement in management*. Bombay: Himalaya Publishing House.
15. Phelan, C. (Nov, 2011) Trade unions, democratic waves, and structural adjustment: The case of francophone West Africa. *Labor History*, 52(4), 461-481. DOI:10.1080/0023656X.2011.632551.
16. Saini, D.S. (2006). Declining labour power and challenges before trade unions: Some lessons from a case study of private sector unionism. *The Indian journal of labour economics*, 49(4), 919-932.
17. Seth, N.R. (February 6, 1993). Our trade unions: An overview. *Economic and Political Weekly*, 28(6), 231-236. <http://www.jstor.org/stable/4399371>.
18. Sodhi, J.S. (July, 1994). Emerging trends in industrial relations and human resource management in Indian industry. *The Indian Journal of Industrial Relations*, 30(1), 19-37. <http://www.jstor.org/stable/27767337>.
19. Venkataratnam, C.S. (2001). *Globalization and labour management relations: Dynamics of change*. New Delhi: Response Books.