

# Changing Role of Indian Trade Unions in the Context of Globalisation: A Study



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## Abstract

The paper presents trade unions changing role in the context of Indian Society. The thrust of Trade Union activities has been to engage in the traditional functions of welfare and economic improvement of workers; they do not take an active role in improving productivity and economic performance of the organisations. Unions, working in tandem with the government in the first thirty years after independence, ensured that workers were well protected and given all the benefits. In view of the challenges of globalization, there is gradual change. The Managements and Unions<sup>1</sup> are entering into Collective Bargaining agreements with clauses of improvements in productivity of the enterprise. Along with changes in the political, social and educational environment, it is seen that the trade unions have rechristened them as forums that protect and further workers' interests and improve the quality of life of workers, enlarging their traditional roles of establishing terms and conditions of employment.

**Keywords:** Change, Role, Indian, Society, Trade Union.

## Introduction

Unions in India have been preoccupied with protecting the interests of the workers. Unions became strong and began asserting themselves not by contributing to the economic performance but by organizing a large number of strikes at the national and the enterprise levels all due to consequent impact of globalization since 1991 like jobless growth, reduction in the current manpower strength, replacement of permanent workers with casual or contract labor, quest for lean and mean organization by the management. There are political issues and a trade union is a non-political body fighting only for benefit of the employees. Unions are, therefore, up in arms against the inaction of the government and unfair practices of the management. However, they are operating from a weaker platform and the management in tandem (de-facto) with the government is asserting itself. This is now changing gradually. The unions and the management are entering into agreements, willingness to postpone or even to set aside the goal of higher wages with bearing on productivity and growth of the enterprise. Trade unions are becoming major component of the system of modern Industrial Relations in any Nation, each having, in their constitution, their own set of objectives or goals to achieve. A society is a group of people involved in persistent social interaction, or a large social group sharing the same geographical or social territory. The concept 'society' has been operationalised here as the perception of the respondents regarding the attitudes of general public, workers, employers and managers, as well as the federal and State Governments. The attitude of the intellectuals is considered to be the most favorable for trade unions. They have not drawn a hard and fast line between the attitude of the general public and that of the workers. On the other hand, the attitude of employers and managers is considered to be the most unfavorable, followed by the Central and the State Government.

## Objective of the Study

In India, number of Researchers have put their effort with regard to trade unions: its' evolution, importance, functions in the context of Indian society but days have gone changed and with changing scenario trade unions devoted themselves in allied and value added services. As a result of which trade unions not only became acceptable more among the knowledge workers and its' an aid in increasing membership. The present Study resorted to primary and ancillary or allied services of trade unions to reflect how the role of trade unions is being changed over the changing scenario of industrial society and agencies in deliberation of such services.

**Review of Literature**

Among several studies conducted in this area, one interesting study worth mentioning here is Joshi's (2007)<sup>1</sup>, which was designed to explore, in its entirety, the issue of representation of the legitimate interests of women workers.

As Bhattacharjee (1999)<sup>2</sup> observes, the union's collective voice provides management with information on workplace and shop-floor issues, acting thus as a communication channel.

Several studies (Haque, 1992; Wadud, 1996; Hoque & Rahman, 1999)<sup>3</sup> have revealed that QWL is important for job performance, job satisfaction, labour turnover, and labour management relations. Trade unions can play a proactive role in the design and implementation of proper policies on the abovementioned issues to contribute to better QWL.

Some studies like those by Sheth, Ramaswamy, Ramanujan, Sinha, Mukhejeeb<sup>4</sup>, examined trade unions as sociological entities.

Some researchers have examined the role of trade union in the development process of our country. A study by Fonesca<sup>5</sup> examines the trade unions' contribution to development.

Bhangoo<sup>6</sup> has attempted an evaluation of the role of trade unions and their responsibility as well as problems in the coming decades.

Patil<sup>7</sup> studied the conciliation machinery and its effectiveness in the context of India. Kennedy's study highlighted the limitations of legislative frame work of labour relations in India.

Social dimensions of trade unionism in India - RP Sinha, Uppal Publishing House, 1984<sup>8</sup> This book is a micro level study of the trade union in the Bokaro Steel Plant which concentrates on the factionalism within the union and the impact, perception of the objectives of the Union by the leaders and members, reasons for joining the union, socio-economic characteristics of union and analyses the decision making process within the union.

Trade Unionism - Myth and Reality - K. Mamkoottam, Oxford University Press, 1982<sup>9</sup> The study is an attempt to understand the sociological meaning of trade unionism in India.

Michael V.D. Bogaert<sup>10</sup>, Trade Unionism in Indian Ports - A case study at Calcutta and Bombay, Shri Ram Centre, New Delhi, 1970 This is a micro level study undertaken to examine conditions and factors responsible for the growth of successful trade unionism. It examines in detail the social composition of the labour working at the ports of Calcutta and Bombay, growth of unionism at both these places.

Sharma Baldev Raj<sup>11</sup> - The Indian Industrial Worker - 'Issues in Perspective' Vikas Publishing House Pvt Ltd - Delhi, 1974. This book is a study of an automobile factory in India with special emphasis on different aspects of life and behaviour of an Industrial Worker. It is a sociopsychological study that covers socio economic background, commitment to work, occupational aspirations, company satisfaction, absenteeism, union involvement, alienation and community involvement.

Sheth N.R (Ed)<sup>12</sup> - Industrial Sociology in India - "A book of Readings" - Allied Publishers Pvt. Ltd - 1982 This book is an attempt at bringing together some relevant research work and thinking on the subject of interaction between industry and society in India.

The discussion by N.R.Sheth<sup>13</sup> on "Trade Unions in India" - A sociological Approach " highlights the Indian Trade Union situation conditioned by outside political control, domination by employers and multi union rivalries. It depicts the situation of trade unions in India in the wider societal context.

**Growth of Trade Unions in India**

Historically, union representation and collective bargaining have been the keys to the growth of a stable working population in developed economies, and have made it possible for workers to gain a more equitable share of the wealth that they create; they are also able to improve working conditions and help workers gain job security. Changes in the political, social and educational environments regarding awareness of rights - such as the right to organize, the right to bargain, and the right to settle terms and conditions of employment - have caused worker unions to spring up to protect and further workers' interests. Thus, with the establishment of minimum wages, norms for mandatory work hours, provisions for health and safety, and overall improvements in working conditions, unionisation has become instrumental in improving the quality of life of workers (Ghosh & Geetika, 2007).

Studies suggest numerous reasons behind the emergence of labour movement. According to Tannenbaum (1921), the machine is the cause and labour movement is the result. Hoxie (1921) believes that trade unions appeared as a group expression of the social situation in which workers found them and as remedial programmes with particular aims, policies and methods. Perlman (1928) believes that trade unionism arose from job consciousness and scarcity of job opportunities. Trade union growth, defined as the rate of change in union membership, is influenced by a host of factors, including cultural, economic, historical, political, and social conditions. Research by Kumar and Dow (1986), Els Sheikh and Bain (1979), and Ashenfelter and Pencavel (1969) compare the key determinants affecting union membership variations over time; Els Sheikh and Bain (1980) and Maki (1982) compare such variations across states or provinces, while Kochan (1979) and Lee (1978) focus on variations across individual workers.

Trade union membership data available are somewhat outdated and ambiguous. Membership has remained very low although it increased marginally from 2.0 per cent in 1980 to 6.3 per cent in 2002. Most of the membership is in the formal sector although it is the informal sector employees who need to be unionized. While the membership is low, the number of Trade Unions is very high since the Trade Union Act, 1926, allows any seven persons to form a union. The claims by unions of their membership are also flawed. This is evident from the fact that the

verified membership of the unions was 24.48 million in 2002 although the central trade union organizations claimed a membership of 41.18 million (Pong Sul Ahn, 2008). The ambiguity in membership is further compounded by the fact that registration of unions is not compulsory. As a result, there have been three types of unions in India; those that do not register and are statistically invisible; those that register but do not submit returns to the Registrar of Trade Unions; and, those that register and submit returns on membership figures (Venkataratnam, 1996). Recognition of trade unions is voluntary except in states like Gujarat, Maharashtra, Rajasthan and Madhya Pradesh. In other states, it is governed by voluntary Code of Discipline and Inter Union Code of Conduct. In practice, however, this voluntary recognition process leaves about half of the workmen without representation.

Less than 2% of the workforce is covered under collective bargaining although refusal to bargain by the employer as well as the trade unions in good faith is considered to be an unfair labor practice in the Industrial Disputes Act, 1947 as amended in 1982. In the first thirty years after independence, there was greater emphasis on centralized bargaining in view of the large role of the State in labor market institutions. Centralized collective bargaining had positive outcomes on wages (D'Souza, 1998). It is also argued that centralized bargaining took political overtones as wages and working conditions were being determined solely on such considerations (Myers, 1958; Fonseca, 1964; Jackson, 1972). Collective bargaining in the private sector now usually takes place with the enterprise level unions. In the public sector, it is with centralized trade union federations and politically affiliated trade unions at the national/or regional level (Jose, 2000). Most of the collective bargaining takes place in the formal sector as over 94 per cent of the workforce is in the unorganized sector in which the employer-employee relations are quite opaque in view of the near absence of the principal employer. Venkataratnam's (1999) study shows that the institution and practices of collective bargaining have been on the decline over the years in view of: the shrinking size of the organized sector; capital intensiveness of industry; government granting permission to close enterprises and reduce employment through retrenchment and voluntary retirement schemes; promotion of export processing zones where labor rights exist only on paper; acute need of the employers to meet fast paced developments of the competitive scenario; and, government's passive role in cases of labor law violations and other anti labor practices.

Employees' voice in industrial companies is further hushed up by the absence of workers' participation in management despite the provision of Works Committees in the Industrial Disputes Act, 1947 in enterprises employing 100 or more workers. These committees exist largely on paper only (Sodhi et al, 1996).

Trade Unions today are besieged with problems due to the globalized environment as well as their internal functioning. The former has resulted

in substitution of labor with capital by the management; changing forms of employment including the employment of contract labor (almost 30% of the workforce in industrial enterprises is contract labor with insignificant protection); management's hostile attitude and their quest for downsizing; strong resistance to union formation by the management at the enterprise level; and, an indifferent attitude of the government towards the workers. The government has created Export Promotion Zones where labor laws are applicable but seldom enforced, largely due to the resistance from the employers. The government, though well aware of this fact, has not taken any action. Internally, the unions are confronted with an indifferent attitude of workers; lack of internal democracy; multiplicity of trade unions; weak organization structure and financial position; emergence of independent unions; shift of power from the federations to the enterprise level unions and their inability to organize informal sector worker (NCL, 1969; Industrial Relations Bill 1978 and 82; Standing Labor Conference in 1986; Trade Union and Industrial Disputes Amendment Bill, 1988; Ramanujam Committee, 1992; NCL, 2002).

Collective bargaining has been on the decline. Pong Sul Ahn (2010) highlights some of the factors contributing to this are: absence of legal provisions for recognizing trade unions as a bargaining agent; multiplicity of trade unions in a single establishment and the resultant lack of consensus of all the recognized trade unions; developments in the field of management of human resources in a large number of enterprises which has taken over some of the functions of the trade unions; and, employment of flexible labor like the contract, casual, part time and contingent work labor.

Many outsiders are connected with the All-India Trade Union Congress, either directly, or through their training in leadership. Outsiders take part in many demonstrations, favor social change and wish to occupy political offices. Their family status allows them to devote time for activities in a network of unions and eventual shifting over to another job when faced with victimization. Insiders are generally active in unions they have earlier created themselves. They have better contact with their colleagues at the place of work. They find the employers guilty of injustice against themselves and their colleagues. Their family status hinders a more active participation in public life.

Political affiliations and the government's support to unions made the unions a weapon for confronting the employers and developing supremacy over them. Indian National Trade Union Congress, affiliated to Congress party prospered under their prolonged rule. Similarly, the membership of Bhartiya Mazdoor Sangh (affiliated to Bhartiya Janta Party, a major political party) increased at a much faster rate during the time this political party and its allies were in power. At the state level, unions with left ideology which ruled the state of West Bengal enjoyed tremendous power but literally ransacked the industry for over three decades in the name of protecting workers' interests. Successive governments in the

state of Kerala, in collaboration with the unions, empowered workers and gave them all rights with high wages and social security. While the government provided labor rights and high wages, the economic outcome was negative. Higher wages led to high levels of unemployment in Kerala.

#### **Functions and Roles of Trade Unions: Changing Patterns**

Unions in India are today as relevant as they were in the early part of the last century. The contours of challenges are different and come about due to the internal set of issues of trade unions as well as the globalization policies of the government. Internally, unions are not a united force and have been divided on political lines. A section of workers as well as the managements do not see them as useful in view of their inability to protect worker's rights and lack of initiative in enhancing economic performance of the companies. Globalization policies have led to outsourcing and emergence of atypical forms of employment in the form of contract and casual workers even in the formal sector. Such workers have little security of job and are paid half or less than half compared to the permanent workers doing the same or similar job in an enterprise. The government has also set up export promotion zones where labor rights exist only on paper. Also, it has allowed companies to pursue voluntary retirement schemes under which a large number of permanent workers have been retrenched. As a result, the formal sector employment has declined over the years. This is coupled with the lack of social protection, safety net and the required skills of the workers to attain gainful employment.

The present situation has, in a way, forced unions' preoccupation with the traditional functions. Unions' economic contribution is growing very slowly at the enterprise level and this trend is likely to increase as they are slowly accepting their economic role at the macro and enterprise levels. There is, however, a need to study this trend more systematically.

The way forward for unions is to adopt a common minimum agenda acceptable to all the unions. The Swedish Trade Union Confederation (LO) provides an example of forming an umbrella organization of all the unions. NTUC in Singapore works with the government and is engaged in training for gainful employment besides a host of other activities. Specifically, the unions need to continue to deal with the newer issues of atypical employment and others created by the globalization process. It is, however, equally relevant that unions take up other development activities at the macro and the enterprise level. NTUC, for example, runs cooperatives (like the fair price shops) which provide subsidized food and groceries. In India the enterprise unions and the managements have in some instances promoted cooperatives at the enterprise level. Ironically one such very successful co-operative was run in an organization where a trade union leader had become the Chairman and Managing Director (Sodhi, 1999).

The Government too needs to play a catalytic role to increase the scope of union's involvement through institutional forums of social

dialogue. Works Councils of Germany provide one such ex-ample. It also needs to be vigilant on the labor law violations.

While other countries' experiences do provide learning, the ultimate action agenda of the unions has to emerge from within, keeping the Indian perspective in mind, which would require the tripartite partners to create a framework of cooperation and a win-win situation for the unions and the management. Trade unions are a legitimate system for organising workers to voice their rights and grievances. Without unions, companies would become either too paternalistic or too dictatorial (Thomas, 2005). Responsible unions play an important role in maintaining cordial relations between management and labour. The aims and objectives of the major trade unions in India are seen to vary according to their political ideologies (Ratnam, 2006). For instance, some unions are influenced by Leftist principles aimed at overhauling the capitalist mode of production as a whole. However, irrespective of trade unions' political affiliations, their generic functions may be categorised as follows:

#### **Primary Functions**

The primary function of a trade union is to promote and protect the interest of its members (Perlman, 1928; Hoxie, 1921). This can be summarised as follows:

1. To improve working and living conditions and to represent workers' interests in various fora (Freeman & Medoff, 1984).
2. To offer responsive cooperation in improving levels of production and productivity, discipline, and high standards of quality.
3. To secure fair wages for workers. Madheswaran and Shanmugam (2003) have analysed the impact of trade unions on wages by estimating the union-non-union wage differential using a single wage equation, treating unionism as a dummy. They estimate that workers within the union sector earn 19% more than the workers in the non-union sector.
4. To enlarge opportunities for promotion and training.
5. To promote identity of workers' interests with their industries.
6. To cooperate in and facilitate technological advancement by broadening workers' understanding of underlying issues.

#### **Value Addition and New Functions**

Rapid changes in technology and successive revisions in pay have undoubtedly improved workers' conditions within the organised sector but mostly at the cost of loss of control over jobs (Ratnam, 2006). Such structural changes among the working population, along with economic growth and a sustained increase in capital intensity in both the product and labour markets (Jose, 1999), have necessitated a paradigm shift in the roles of trade unions: from predominantly bargaining institutions, they have become specialised, representing the voice and interests of labour. Ranganathan (2004) attempted to understand the dynamics of the trade union movement in public sector units (PSUs) when

measured against economic reforms in India. According to him, in the post-economic reforms era, the enhanced penetration of media has caused workers to become better informed and increasingly aware of economic issues in their respective industries. As a result, management has also become more sensitive and skilled in handling relationships with employees, even in family-owned and-managed businesses (Thomas, 2005).

In addition to their traditional bargaining activities, unions now have a newly acquired voice and representative function. Many of them are trying to increase their value to workers by providing a variety of services to their members, as well as to the community to which they belong. Such services range from providing legal and financial advice to improving skills.

These new functions of trade unions (also called ancillary functions [Monappa, 2000]) can be categorised into the following groups:

#### **Communication**

Many large unions publish a newsletter or a magazine, with the main aim of clarifying their policy or stance on certain principal issues, as well as to pass on information about their activities.

#### **Welfare Activities**

Many unions are engaged in a number of welfare activities, such as providing housing and organising cooperative societies to improve the quality of workers' lives. The Textile Labour Association (TLA), Ahmedabad, for example, has ventured to organise self-employed women (in the Self Employed Women's Association [SEWA]) and has even started banking activities for this purpose.

#### **Education**

Education helps to make workers aware of their surrounding environments. Unions make efforts to launch educational programs for workers to enhance their knowledge of the work environment and to inform them about issues concerning them, particularly those regarding their rights and responsibilities and regarding procedures and systems that exist in the workplace for redressing grievances.

#### **Research**

Union negotiators need updated information to be systematically collected and analysed at the bargaining table. They also need to backup their wage demands with knowledge of the industry, of productivity, and of comparative industry practices. Many unions conduct their own research to this effect, laying emphasis on practical problems, especially day-to-day affairs at work.

#### **Conclusion**

In the present a day context there has been shown a tremendous change that has taken place which could be evident from the discussion made above. The trade unions nationwide and at the regional level do not only stick to protectionist role but also spreading their services towards sustainable development of an enterprise as well as society at large as an activist and an active agent in the field of social transformation. It is a welcoming and emerging role which not only has been observed by most of the

eminent researchers but also brought thrust for further research in the field for times to come.

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