

# Post Economic Reforms and Its Impact on Trade Unions in India with Special Reference to Its Role and Future

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## I. Introduction:

Trade Unions are an important socio-economic institution of a civilized nation. It may be defined as any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen or between employers and employers, or for imposing restrictive conditions or the conduct of any trade or business<sup>2</sup>.

Trade Unions are formed to protect and promote the interests of their members. Their primary function is to protect the interest of workers against discrimination and unfair labour practices<sup>3</sup>.

Trade unions are a result of the industrial revolution of the 19<sup>th</sup> century in the western world. The Industrial Revolution, which originated in England, radically changed the manner of production from labour intensive to use of sophisticated technology. It shifted the bargaining power in the hands of the capitalists. Use of technology changed the nature of job and it created more demand for high skilled, technology oriented workers. The unskilled and semi – skilled workers were left in the lurch because they could not adjust themselves to the modern methods of production. Hence, workers collectively organized themselves through trade unions to prevent themselves from being exploited by the capitalists/owners.

In India, the trade unions are governed by the **TRADE UNIONS ACT, 1926** which came into force from 1<sup>st</sup> June, 1927.

## II. Objectives:

The objectives of the paper are as follows:

1. Understand the impact of the economic reforms in India on trade unions.
2. Analyze the role of the judiciary in protecting the workers interests.
3. Understand the relevance, role and future of trade unions in India.

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<sup>2</sup> Ruddar Dutt and K.P.M. Sundharam ( 2001 ), “Indian Economy”, S. Chand and  
Co. Ltd, 2001 New Delhi

<sup>3</sup> Henk Thomas, “Trade Unions and Development”, in labour and Society  
Programme, DP/100/1999

### III. The Evolution of Trade Unions in India:

Trade Unions have carved a niche for themselves in a developing country like India. The earliest known trade unions in India were the Bombay Millhand's Association formed in 1890, the Amalgamated Society of railway servants of India and Burma formed in 1897, etc. However, trade unions got a huge boost after the end of the First World War. The origin of the Trade Unions Act in India was the historic Buckingham Mill case of 1940.

The evolution of Trade Unions in India can be divided into four phases<sup>4</sup>. They are:

1. The first phase of unionism ( 1950 to mid 1960's )
2. The second phase of unionism ( mid 1960's to 1979 )
3. The third phase of unionism ( 1980 – 1991 )
4. The fourth phase of unionism ( 1992 – 2000 )

### IV. Impact of the Economic Reforms in India on the Working Class:

The economic reforms or liberalization initiated by the Government of India in the beginning of July 1991 brought in sweeping changes to the Indian economy. It sought to unshackle the economy from the numerous restrictions imposed by the license and quota raj. Even though beleated attempts to liberalise the Indian economy were made from the early 1980's, radical steps in that direction were made in 1991. The objectives of the Indian economic reforms, backed by the IMF and the World Bank, were to open different sectors of the economy to the forces of global trade. Hence, the Indian economic reforms are nothing but integrating the Indian economy with global trade and commerce by making structural adjustments in tune with global practices.

Even though a decade has passed since the reform measures have been initiated, it is still a matter of debate whether the reforms have been beneficial to India or not. What is seen from different studies by scholars and academician is that the economic reforms are not really proving beneficial to the working class<sup>5</sup>. An analysis of the Industrial relations in the pre – reform period ( 1981 – 90 ) shows that as against 402.1 million mandays lost during the decade ( 1981 – 90 ) the number of mandays lost declined to 150.5 million during 1991 – 97 – the post reform period. However, there is nothing to gloat over these facts. If a break – up of the

<sup>4</sup> Debasish Bhattacharjee, "Organized labour and economic liberalization India: Past, present and future", in labour and Society Programme, DP/105/1999

<sup>5</sup> S.K. Mishra and V.K. Puri ( 2001 ), "Indian Economy – Its Development Experience", Himalaya Publishing House, Mumbai.

mandays lost into strikes and lockouts is made, it shows that as against 46.2% of the total mandays lost during the pre – reform period by lockouts, the proportion jumped to 61.2% in the post- reform period. What this means is, whereas workers have resorted to less strikes fearing privatization and liberalization, employer’s militancy have become more evident in the post reform period.

**Table 1: Man days Lost in Strikes and Lockouts<sup>6</sup> (Million)**

Period	Total no. of Man days lost in strikes	Total no. of Man days lost in Lockouts	Total
Pre-reform Period ( 1981 – 90)	216.4 (53.8) <sup>7</sup>	185.7 (46.2)	402.1 (100.0)
Post – reform Period ( 1991 – 97)	58.4 (38.8)	92.1(61.2)	150.5(100.0)

The number of industrial closures has increased drastically in the post – reform period. Managements have used closures as a device to get rid of permanent workers at one location and begin a similar unit at another location and recruit a smaller number of permanent workers and carry on production with large number of casual or temporary workers. Besides, the production units have been resorting to layoffs to cut down labour costs in the lean period.

**Table 2: Percentage Distribution of Total Workforce<sup>8</sup>**

Year	Self - employed	Wage - Employment	Casual Labour
1988	53.6	15.2	31.2
1994	51.9	14.7	33.5
1996	52.4	15.9	32.8
1997	52.6	14.5	32.9
1998	50.7	12.3	37.0

<sup>6</sup> Calculated from data provided in the Ministry of Labour, Annual Report (1998-99) and earlier issues.

<sup>7</sup> Figures in brackets are percentage of total Man days lost.

<sup>8</sup> Ashok Mathur ( 2000 ) . Economic Reforms, Employment and Non – Employment : Theory, Evidence and Policy in Hajela P.D. and Goswami M.P., Economic Reforms and Employment

Therefore, it can be convincingly said that the economic reforms have strengthened the hands of the managements and owners and are anti-labour in spirit. Today, employers are using different strategies like out-sourcing, permanent contractual employees, out-placement, loaning, frugal engineering, etc to reduce the cost of production and in the process hurting the genuine interests of the workers and the working class. Consequently, the workers are being pushed from the organized to the un-organized sector, from secure to insecure employment. Unfortunately, the Indian state is supporting such anti-labour practices in the name of the so called economic reforms or neo liberal economic policies.

The economic reforms are trying to erode the credibility and bargaining power of the trade unions in India<sup>9</sup>. Through myriad legislations in the labour and employment laws, successive governments at the centre are trying to destroy the protective/safety net which the trade unions provides to the workers in India. Hence, the post – economic reforms have posed a formidable challenge to Indian Trade Unions.

#### **V. The Role of the Judiciary:**

The Constitution of the Republic of India envisages to create a just, equal and a socialist nation where the fruits of economic development could be enjoyed by every citizen. Such article in the constitution allows freedom of trade and commerce to a citizen of India.

One of the laudable objectives of the constitution of India is to create a welfare state. One of the salient characteristics of a welfare state is that it provides social security measures to a vast section of its citizens. India has a well structured set of social security legislations whose intended beneficiaries are the working class. Some important social security legislations in India are Workmen's Compensation Act, 1923, Employees' State Insurance Act, 1948, The Employees' Provident Fund Act, 1952, the Payment of Gratuity Act, 1972, Employees' Pension Scheme, 1995 etc.

The judiciary of a nation is a dynamic and organic entity, and, therefore, it cannot keep itself insulated from the dynamics of the external environment around it. Economic reforms and the forces of globalization have posed serious challenges before the Indian judiciary. This is because, globalization more often than not attacks the sovereignty of the nation – states. Unfortunately, since the post economic reforms the Indian judiciary through its many judgements seems to undermine the authority of the Trade Unions.

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<sup>9</sup> Albert Christopher Dhas and Mary Jacqueline Helen, "Impact of Globalisation and Economic Reforms in India", in Munich Personal RePE Archive, 10 August, 2008

An important and powerful weapon in the hands of Trade Unions is the right to strike to protest against anti worker practices and policies of the employers and press for genuine worker rights. However, the judiciary in the current economic scenario consider strikes or bandhs as illegal and have imposed strict sanctions against individuals participating or encouraging strikes or bandhs. Before the economic reforms, the right to strike was more or less considered a fundamental right. This has been highlighted by Justice Ahmadi in **BR Singh v/s Union of India ( 1990 AIR 1, 1989(1) SUPPL SCR 257 )** case. Moreover, the right to form associations or unions is a fundamental right under Article 19(1)(c) of the Constitution of India.

The judiciary in some important judgements concerning a workers right to strike like **TR Rangarajan v/s Government of Tamil Nadu AIR 2003 SC 303 21** and the Supreme Court's verdict upholding the judgement of Calcutta High Court and Kerala High Court of banning bandhs have send a strong message that it no longer supports a workers right to strike to fight for his legitimate rights.

The Government of India has diluted the power and authority of the trade unions by amending the Trade Union Act 1926 in 2001. The amendment has introduced a provision that a trade union can be registered only when 10% (subject to a minimum of 7) or 100 workers of the unit are its members. Before the amendment only 7 members were required to register a union.

The economic reforms in order to strengthen the hand of the capitalists and employers have targeted some major areas of labour laws such as section 25 K to 25 S of the Industrial Disputes Act, sections 25 B, 25 F and 25 N of the Industrial Disputes Act, Contract Labour Act 1970 and the Trade Union Act 1926. Besides, the judiciary has adopted an ambivalent stand in some important cases of trade union repression like trade union repression in Nestle, MRF workers struggle for recognition of unions etc besides overlooking workers problems in the Maruti Suzuki plant in Manesar, Haryana case.

It is an accepted fact that economic reforms in India are irreversible. The country needs to pursue economic reforms and welcome FDI to attain a higher growth rate to solve the many economic problems that the nation faces. However, the experience of many developing nations have shown that banking on neo liberal economic policies and foreign capital can lead to many painful side effects which have to be borne by the people. This is true for India as well. Hence, the judiciary should be more pro active in preventing the executive from implementing anti worker policies and practices.

## VI. Trade Unions--- The Way Ahead:

The Indian workforce consists of 430 million workers, growing 2% annually. The rural workers constitute about 60% of the workforce and the organized sector employs 8% of the workforce. Hence, keeping the above statistics in mind, the trade unions have a tremendous responsibility.

It is important that the trade unions adopt a pragmatic approach because economic reforms are irreversible in India. The Indian economy is now a part of the global economic system and, therefore, it can no longer keep itself insulated from the effects of the global economy. Hence, a militant approach adopted by the trade unions in the 1970's cannot work in the changed economic environment in this country. At the same time, the trade unions should resist the exploitative employment practices of the Indian capitalists, patronized and pampered by the neo – liberal economic policies of the state.

Trade unions need to adopt innovative measures to make their presence felt among workers in 21<sup>st</sup> century India<sup>10</sup>. Some such measures are:

1. Collective bargaining
2. Workers participation in the management
3. Increasing the number of members
4. Changing public perception of trade unions
5. Education and training
6. Legal assistance
7. Carrying out research
8. Welfare activities.

## VII. Conclusion:

The economic reforms in India have created an anti worker environment. However, what should give hope is the fact that the judiciary is gradually becoming critical of its judgements concerning trade unions and workers rights. To quote Justice G S Singhvi, a Division Bench Judge, **“The attractive mantras of globalization and liberalization are fast becoming the raison d’etre of the judicial process, and an impression has been created that the constitutional courts are no longer sympathetic towards the plight of industrial and unorganized workers.”** Hence, Trade unions would continue to remain relevant provided they adopt a pragmatic and realistic approach in spreading its popularity and solving the genuine problems of the workers.

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<sup>10</sup> Piyali Ghosh, Shefali Nandan and Ashish Gupta, “The Changing roles of Trade Unions in India : A case study of National Thermal Power Corporation ( NTPC ), Unchahar” in Asian Academy of Management Journal, Vol.14, No.1, 37 – 57, January 2009