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**Contextualising Trade Unions and
Collective Bargaining****Motivation and the context**

This book primarily examines the status of trade unions and the collective bargaining institutions in the urban labour market of West Bengal (WB) within an analytical framework that views capital–labour relations as an outcome of the interplay of the triad of market, technology and the state with its collective bargaining institutions. The framework that we have adopted here is sufficiently general in the sense that it is capable of explaining capital–labour relations elsewhere as well. West Bengal is the only state in India that had been, until recently, under left rule for more than three decades, and has long been known for its pro-worker stance. The analytical strategy that has been adopted in this book allows us to move back and forth between the general context of weakening of trade union power as a consequence of the changing scenario in the national and global economies on the one hand, and the specific context of a subnational region like the state of WB within the federal system of India, on the other. The regional focus of the study is motivated by the understanding that distinct differences in labour market conditions and in the associated complexities of labour institutions do exist across subnational units in a large developing country like India. Differences at the subnational level in economic prosperity, degrees of urbanisation, structural changes as reflected in the changing shares of primary, secondary and tertiary sectors in total output, and employment—all influence the labour market, labour organisations and collective bargaining outcomes. It can be argued that trade union organisations largely derive their characteristics, heritage, identity and strategic options from the specificities that characterise the region in which they function. This diverse array of influencing factors, which can roughly be called ‘economic’, influences and is further influenced by the political, social and historical factors. Understandably, the way all these factors are supposed to interact

to produce the trajectory of capital–labour relations in a subnational context is not easy to delineate, as they pose difficult methodological challenges.

The aim of our study is therefore to develop a way of understanding the organised labour vis-à-vis the economy, the society and the polity in the state of WB, particularly in the urban sector of the state. One might ask, given the relative smallness of the size of the unionised workers in the organised industrial sector vis-à-vis the vast multitude of workers who are in the unorganised and informal sector living a precarious life, how meaningful is it to focus exclusively on the small group of ‘privileged’ workers? The answer can be found, to some extent, in the following words of Amartya Sen:

There are different parts of the working population whose fortunes do not always move together, and in furthering the interests and demands of one group, it is easy to neglect the interests and demands of others. Indeed, it has often been alleged that labour organizations sometimes confine their advocacy to very narrow groups, such as unionized workers, and that narrowness of the outlook can feed the neglect of legitimate concerns of other groups and also of the costs imposed on them (unorganized labourers, or family-based workers, or the long-term unemployed, for example). Similarly (on the other side), by focusing specifically on the interests of workers in the informal sector, it is also possible to neglect the hard-earned gains of people in organized industry, through an attempt—often recommended (if only implicitly)—to level them down to the predicament of unorganized and unprotected workers. (Sen 2000: 120)

In an increasingly globalised world, nation states seem to have been competing to take away the hard-earned gains of people and making various attempts to level the organised labour down to the ‘predicament of unorganised workers’. There is often a ring of inevitability around this argument favouring levelling down, as if it is driven by forces outside our control. With relative immobility of labour and capital becoming internationally mobile, the bargaining power of labour vis-à-vis capital tends to decline. As the state is kept on its toes by the threat of capital flight, it resorts to controlling the bargaining power of labour in order to send out the signal of ‘investment-friendliness’ to capital.

Given the overall weakening of the power of organised labour, one would naturally ask what has been the response of the workers and their unions while coming to terms with this decline. Does it lead to more industrial disputes or less? What are the challenges the trade unions face in exercising their right to collective bargaining? How are the trade unions negotiating these challenges at a political as well as economic level? How do the workers perceive the role that the trade unions play to bring about changes in their working conditions and their lives in general? What has been the role of the state and various institutions that facilitate or hinder collective bargaining between the workers and the management? Does the trade unions’ ability to exercise power depend on such aspects as the nature of technology, product market condition and history of collective bargaining pertaining to the particular firm/industry? To what extent can the underlying structural conditions

of a developing country like India, which contribute to labour's weakness vis-à-vis capital, be mitigated by the institutional framework that governs the labour-capital relation? With these questions in mind, we set out to address them in the context of WB through the present study. We have tried to eschew the commonplace and platitudes in the research presented here. The variety of experiences that we have come across through our field investigations has definitely enriched our understanding, questioning some of the preconceived notions that we started with.

Towards an explanatory framework

While many of the changes in different aspects of the economy and society can be attributed to the forces of globalisation and to the neoliberal policy regime that has been unleashed in India since the 1990s, it would be unhelpful if we used globalisation as a convenient catch-all term to 'explain' all the ills of the economy and society. The increasing incidence of casualisation of labour against the backdrop of a 'reserve army of labour' in the form of open and disguised unemployment in the past two and a half decades has been viewed as the result of globalisation, the neo-liberal policies of the Indian State, and the consequent erosion of trade unions' bargaining power vis-à-vis capital, often ignoring the fact that globalisation might also lead to realignment of bargaining power from the workers in the developed world to those in the Global South as capital seeks new locations in the latter. Therefore in the ever-changing scenario unfolded by the forces of globalisation, it would be interesting to examine how labour adapts itself to the changing scenario and negotiates with capital.

For quite some time now, a spectre has been haunting organised labour in India—the spectre of despondency, allegedly as a result of erosion of trade union power. In a contemporary world whose economic contours are increasingly shaped by rapidly changing technology and cross-border movements of capital, trade unions are often contemptuously written off as being out of date. That the organised labour, as well as mainstream trade unions as its representative, has been losing its strength not only in India but also in most of the world is a commonplace observation now. Explanations of this erosion of the power of the Indian trade unions have been sought in a wide variety of factors—ranging from forces of globalisation to trade unions' own organisational weakness which is attributed to the phenomenon of 'political unionism' or to the unions' inability to perform the representation function. Political unionism refers to a kind of unionism heavily imbued with the ideologies of the political parties and the workers' interests are often subsumed under the interests of the party the union is affiliated to (Ahn 2010). Vivek Chibber, for example, observes: 'Unions are typically the wards of political parties, their leaders often appointed or forced into position by party bosses instead of being voted into place by rank and file workers, and labour strategy is often subordinated to the exigencies of party politics' (Chibber 2005: 33). This is a view that many observers of the Indian trade union movement would perhaps share. However, political unionism is not something that has deepened its roots over time so that one finds a connection between the gradual

erosion of trade union power and political unionism. As a matter of fact, such a symbiotic relationship between trade unions and the mainstream political parties has long been structurally embedded in the trade union movement in India. There have been occasional fissures in this relationship, and the phenomenon of ‘independent trade unionism’ has attracted a great deal of attention of scholars and activists, but to what extent the sporadic emergence of independent trade unions have been able to create a transformational possibility for the workers and improve their bargaining position vis-à-vis capital remains a question (Davalá 1996).

A different explanation of declining trade union power might come from the increasing integration of India with the global economy through technology and trade. The Heckscher–Ohlin theory of trade and the Stolper Samuelson theorem suggest that owners of the relatively abundant factor of production of a country would gain from the increased liberalisation of trade vis-à-vis the owners of the relatively scarce factor of production. Therefore in a labour surplus economy like India, trade liberalisation would enhance the demand for labour and, as a result, workers’ bargaining power should improve. On the other hand, firms are likely to face more competition as they become more integrated with the world market. Product market competition might erode firms’ profitability and would induce the firms to pass this negative impact on to the workers. Thus, at least theoretical arguments suggest that the correlation between globalisation and workers’ bargaining power is not unambiguously negative or positive.

In the global context, many economists attribute the declining bargaining power of workers to skill-biased technical change. Globalisation is supposed to have made possible rapid diffusion of new technologies, which heavily favour better-educated workers. In this explanation, the broad distribution of productivity gains is a supply side issue so that, by creating a more educated workforce, equilibrium in the labour market can be restored. What is ignored in this explanation is that the rapid productivity gains and rising real wages of workers together with almost full employment in the labour market, which characterised the US economy during the well-known Golden Age (1947–73), are not the results of equilibrating forces of an unregulated market. There is evidence that the market outcomes were strongly influenced and moderated by the institutions that played a relatively more pro-worker role than what has been observed in the later period. In the US context, Levy and Temin (2007: 5) write:

In our interpretation, the recent impacts of technology and trade have been amplified by the collapse of these institutions, a collapse which arose because economic forces led to a shift in the political environment over the 1970s and 1980s. If our interpretation is correct, no rebalancing of the labor force can restore a more equal distribution of productivity gains without government intervention and changes in private sector behaviour.

Therefore, institutions matter, so does the state. While the institutions that mediate the capital–labour relations are heavily influenced by the state—and therefore the

role of the state is important—they are not entirely shaped by the state. Institutions consist of formal rules as well as informal norms of behaviour and practice. The formal economic theory of bargaining can at best indicate the bands within which bargaining will be struck, or shows the possibility of ‘multiple equilibria’—any one of which turns out to be the outcome depending on a variety of influencing factors. The analytical framework that has guided the empirical research can be presented in a schematic diagram as in Figure 1.1.

In this framework, the triad of technology, market and the state/institutions is what produces the outcome in the form of capital–labour relations and distribution of gains. One indication of the capital–labour relation tilting in favour of labour is a rise in the share of wages vis-à-vis profit. Each of the three influencing factors in the triad is considered to be crucial, but none of them taken in isolation can entirely explain the changing capital–labour relations in a firm or industry. An important distinction should be made clear at this point. While the triad depicted in Figure 1.1 guided us to carry out our research with firm-level information collected from different stakeholders including the workers, management and trade union leaders, and helped us analyse the inter-industry and inter-firm variations in the industrial relations (IR), the decline in the trade union power in WB as a whole can be seen as the result of a combination of a near-stagnant industrial scenario and a growing ‘reserve army of labour’ at the macro level. Generally speaking, the structural conditions of a developing country are not favourable to its working class as it struggles to industrialise to provide decent jobs to its growing labour force. A massive reserve army of the unemployed or underemployed, the small size of the organised factory sector, and the precariousness of the growing proportion of casual workers even within the organised sector—all these contribute to labour’s weakness relative to capital, and India or WB is no exception to this. Therefore the study of trade unions and collective bargaining in a state like WB had to be grounded in the

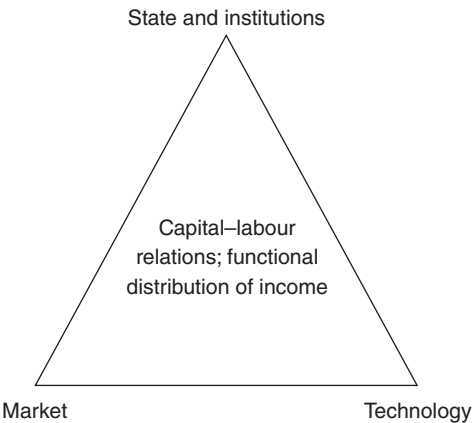


Figure 1.1 The triad

overall scenario of industrial development in the state. The analysis of the secondary data pertaining to industrial output and employment in the state has been discussed in Chapter 4 of the book, which is preceded by two chapters on collective bargaining.

In this context, one can think of two alternative trajectories of industrial development in a region or a country—the so-called low road and high road. In the former, the owners of capital and management find it profitable to cut down costs of labour to the maximum in order to remain competitive in the market, the likely consequence of which is the large-scale deployment of contractual workers, who are usually deprived of adequate social protection and job security. This, in turn, may have a negative effect on productivity. On the other hand, adequate social protection of workers and higher wages and non-wage benefits can be productivity enhancing. Between these two alternative roads of low-wage-low-productivity and high-wage-high-productivity, owners of capital and managers of business tend to favour the former. Nathan, Jeyaranjan and Dayal (2014) find evidence that firms that compete on quality and product innovation have a stable workforce, whereas those that compete on price utilise a flexible workforce. Continuous improvement in productivity is needed to remain competitive, and this requires a stable workforce that has a stake in fostering improvements in productivity. For productivity growth to translate into higher wages, incomes and improved living conditions, it is necessary to build strong and well-functioning labour market institutions (Amjad et al. 2015). Yet Indian business has generally chosen to compete on price with a high degree of reliance on reduced wage costs by using contract labour. With contract labour, there is a high degree of attrition, which means that it does not make much sense to develop skills through in-house training, neither is it conducive to the development of well-functioning labour market institutions.

Perspectives on trade unions and collective bargaining

The clamour for reforming the labour market to make it ‘flexible’ rests on the premise that unionised workers use their monopoly power to increase their wages above what would have been if the labour market were competitive. As a result, both employment and output would be lower in the unionised sector than what would have been if there were no unions. This simple monopoly view also predicts that unionisation would reduce the wages of the non-unionised workers.

The approach to trade unions in mainstream labour economics makes a slight modification of these basic tools of supply and demand. The focal variable here is the percentage of jobs in the economy that are unionised (U), which is supposed to be the equilibrium outcome of two opposing forces. On the one hand, employers resist unionisation, which is assumed to be related to the wage premium that the unionised workers are able to extract. If the ratio of non-unionised compensation to unionised compensation is close to one, the workers would have little incentive to unionise. But if the ratio is significantly less than one, workers would have a

strong incentive to unionise. Thus, from the workers' side, demand for unionisation increases as the ratio of non-union compensation to union compensation declines. On the other hand, the employers' resistance to unionisation increases (and therefore unionisation as given by U declines) as the ratio of non-union compensation to union compensation declines. Therefore the 'push' from workers for more unionisation and the resistance from the employers against unionisation, both depending on the ratio of compensation, determine the equilibrium level of unionisation. If the ratio of compensation is further pushed down below the equilibrium level, there will be an excess demand for scarce unionised jobs (Hamermesh and Rees 1993).

From this basic supply–demand approach, one can infer that a firm's market power in the product market would influence its resistance curve. Product-market power enables the firm to earn profits in excess of the competitive return on capital. An individual employee cannot demand a share of the excess profit as she lacks the bargaining power. Collectively the workers can threaten to withhold their labour, which would mean reduced profit for the firm, which in turn would force the employer to enter into bargaining with the union. If labour accounts for a large share of total costs, the employer would have a greater incentive to resist unionisation.

In their much-celebrated book *What Do Unions Do?*, published in 1984, Richard Freeman and James Medoff persuasively argued that studying the effects of unions on wages as if unions were a textbook monopoly would miss the critical aspects of what unions actually do. Freeman and Medoff saw trade unions as a social institution performing several functions including democratisation at the workplace. Following Hirschman's (1970) conceptualisation and innovative use of 'exit' and 'voice' in a different context, Freeman and Medoff labelled the missing component as 'collective voice' and sought to capture the two-sided nature of collective bargaining by stressing that the management's response to unionism or worker voice was critical in determining outcomes. The stress on voice as a mode of communication and information fit well with the emerging economics of information of the 1980s. The combination of information via voice and union bargaining power guaranteeing that management listens to workers' concerns creates the potential for unions to improve firm-level economic outcomes (Freeman and Medoff 1984). Trade unions are not only just workers' organisations engaging in collective bargaining to promote the economic interests of their members, but they are also political institutions that are supposed to work towards sociopolitical changes that bring about social justice for people in general.

In a later contribution, going beyond the focus on trade unions, Freeman further articulated that the emphasis on voice would take us beyond conventional trade unionism, as he observed that throughout the European Union, mandated works councils provided collective voice without extracting monopoly wages at the workplace. As union density has fallen in the US and UK, firms have created mechanisms for worker participation through employee involvement committees, joint consultative councils, and so on (Freeman 2005). Contrasting the possible cost of unionism in the form of monopoly element in wages to the benefits of the collective voice function of

unionism, Freeman and Medoff hinted at the possibility of an ‘optimum unionism’. Ironically, even the World Bank, which is supposed to be ideologically inclined towards a pro-capital stance, seems to have moved towards a perspective closer to that of Freeman and Medoff (1984). The Bank’s *World Development Report 1995* stated:

Free trade unions are a cornerstone of any effective system of industrial relations that seeks to balance the need for enterprises to remain competitive with the aspirations of workers for higher wages ... unions can help raise workplace productivity and reduce workplace discrimination. (World Bank 1995, quoted in Freeman 2005: 9)

Notwithstanding the acknowledgement of the collective voice role that the trade unions can generally play towards a positive outcome, the trade union movement in India has been facing the challenge of overcoming the deeply entrenched ideology that economic reform and further industrial growth could be sustained without professional and modern trade union involvement. Even though organised labour in India has been able to secure the formal democratic freedoms which have eluded workers for long stretches in other parts of the developing world (For example, Latin America and East Europe in the 1960s and 1970s), it has been rather weak in its organisational power. In their relations with employers, unions are constrained by an IR regime tilted heavily towards capital (Chibber 2005).

Yet trade unions are usually seen as unsuited to the needs of a developing economy like India. Union action in pursuit of the interests of the organised labour is widely believed as detracting from the all-important goal of economic growth. There has been a long tradition in the discussions on Indian trade unionism that tends to emphasise ‘responsible trade unionism’ vis-à-vis its other—supposedly ‘irresponsible’ or ‘destructive’. The literature repeatedly makes contrasts between the ‘adversarial’ roles that the trade unions are believed to play and the ‘accommodating’ roles that they are expected to play. Interestingly, even the trade union leaders of earlier days were seen pleading for a role of the Indian trade unions that would focus on nation-building and overall welfare of society. Way back in 1957, Asoka Mehta wrote ‘The Mediating Role of the Trade Union in Underdeveloped Countries,’ published in the *Economic Development and Cultural Change*, in which he writes that ‘[in underdeveloped countries] the chief problem is economic growth, and therefore, the major questions for unions is subordination of immediate wage gains and similar considerations to the development of the country’ (Mehta 1957: 16). In the same article, Mehta also argued that over-reliance of trade unions on government machinery was responsible for the weakness of trade unions.

The role of the state institutions

The appropriate role of the state in collective bargaining and IR has always been a contested terrain. Different countries across the world have varying degrees of

presence of their states in their respective IR. While some would argue that ideally the state's role should be restricted to providing the machinery within which the employers and employees reach collective bargaining agreements, some are against this 'hands-off' approach. While countries such as the UK and US have more or less followed the first approach, Germany and Sweden, on the contrary, have had significant involvement in collective bargaining. However, in a country like India, the lack of trust between the employers and employees and their inability to reach a mutual agreement because of the highly asymmetric distribution of power between them have given way to a greater role for the state right from the introduction of the institutional framework for IR in 1947.

The IR framework in WB is broadly modelled after the Indian framework of active state intervention in IR for the promotion of economic objectives, maintenance of social and political equilibrium, and overall welfare (Beesley 1975). Although not directly mentioned, collective bargaining is defined through legislations such as the Industrial Disputes Act (IDA) 1947, the Trade Union Act 1920 and the constitutional provisions of right to association (Shyam Sundar 2008). The principal legislation on IR, IDA 1947, lays down the procedures for the settlement of industrial disputes and collective bargaining. There are penal provisions to discourage illegal strikes and lockouts with imprisonment or fine. The act makes provision for recognition of collective bargaining as a mode of dispute settlement since the 1956 amendment. Interestingly, the application of labour laws has been limited by the number of workers employed in firms, which has meant that collective bargaining is statutorily applicable only to the formal sector. Trade unions have the right to collective bargaining only when they are recognised by the management but there is no legal obligation on employers to recognise a union or engage in collective bargaining. Clearly, the IR framework of India emphasises on tripartite negotiations with an important role of the state in IR as the mediator and enforcer (Hill 2009).

It is important to recognise that collective bargaining has both formal and informal aspects to it. While the state designs and puts in place the formal institutional architecture of IR, many informal mechanisms evolve in the domain of everyday dispute settlement. In this study, we focus on both the formal and informal aspects of collective bargaining in WB.

Methods of inquiry and a brief introduction to chapters

The research questions presented in the first section required a combination of methodological tools, and the multidisciplinary background of the authors of the book, who were the members of the research team, has made it possible.

To understand the collective bargaining processes and institutions in WB, we follow a mix of qualitative and quantitative methods. We collected copies of collective bargaining agreements from three districts of WB, namely the Asansol–Durgapur industrial belt in Bardhaman district, Hoogli and Howrah. We

also employed in-depth interviews and site visits to complement the knowledge gathered from agreements. The choice of three industrial zones, based on labour department demarcation, enables us to cover both traditional as well as dynamic new industries in the state. Jute and engineering are traditional industries accounting for the majority of organised sector industrial employment. The metal, mineral and chemical firms are industrially dynamic modern firms in the state. The case study is based on an in-depth examination of collective bargaining documents and interviews with relevant stakeholders in more than 20 firms. Questions focused on the union's perception of the employers/management and whether there was any concept of shared interest at all between these two classes. The management's perspective, in most cases, was obtained from the letters, deputations and meeting minutes available with the Deputy Labour Commissioner of respective districts.

In her comprehensive analysis of IR in WB, Sen (2009) finds a multiplicity of collective bargaining structures in WB with the coexistence of industry-level, corporate-level and firm-level bargaining. Her most interesting finding is regarding the expanding scope of collective bargaining in the state with the inclusion of smaller units during the 1990s after liberalisation. This firm-level increase in collective bargaining is, however, offset by the decrease in the number of workers under collective bargaining. In examining the nature of collective bargaining, we saw that our sample covered a broad spectrum from antagonistic to more cooperative forms of bargaining. The trade union members of some of the firms (irrespective of their political affiliation) showed evidence of extreme antagonism towards the management. In Chapter 3, the findings on collective bargaining processes and institutions have been presented. While the mode of bargaining often illustrates a pattern of negotiation and compromise, the actual contours and reasons for compromise are quite different. Collective bargaining often culminates in an agreement. The process to the formation of an agreement builds up through the everyday interactions between the labour and the management, between the different unions and sometimes even through interactions with the outside actors. The final process of agreement bears evidence of these processes of negotiation, appropriations and compromise. Our case studies show some pattern in conformity with the conceptual framework presented in terms of a triad earlier. Firms which have adopted superior technology and well-adapted to the market forces tend towards an IR which is less antagonistic and more cooperative. At the other end of the spectrum, firms stuck with old technology and facing a hostile market tend to veer towards such hopelessness that even the workers seem to have internalised it. Trade unions in this second category of firms are so emaciated that no manifest signs of antagonism exist, no matter how aggrieved the workers are. Only the firms somewhere in the middle of these two categories tend to exhibit relatively more frictions in IR. However, we must exercise caution while making such generalisations simply on the basis of the cases we selected for the study.

Next, we specifically focus on the role the trade unions have played in WB. Here again we combine the findings from the secondary data with the insights obtained