

---

---

# Future of Industrial Relations and Industrial Relations in Future : The Indian Scenario

---

---

Devashis Rath and Snigdharani Misra

---

---

Today, the Indian economy has opened up to face global competition and there is already a rush of foreign capital and industry into this country. This change in the economic environment has affected the entire gamut of structures, styles, and contents of all those who have a stake in the economic firmament of this country.

This article by Devashis Rath and Snigdharani Misra analyses the effect of this change on the industrial relations scenario of our country and makes an attempt to put forth a possible futuristic model of industrial relations in the years to come.

*Devashis Rath is in the Human Resources Department of Indian Metals and Ferro Alloys, Bhubaneswar and Snigdharani Misra is a Ph.D. student in the PMIR Department of Utkal University, Bhubaneswar.*

The year 1991 heralded for the entire Indian subcontinent changes that were unprecedented and unheard of in post-independent India. Too many crucial economic decisions were pushed through the government by too few and too fast — decisions that had the greatest ever impact on the social, economic, industrial, political and even on the day-to-day life of the average Indian. There was a paradigm shift as depicted in Figure 1. From a CRP — controlled, regulated, and protected — economy, India made a shift to the LPG — liberal, privatized, and global economy. This paradigm shift had its greatest impact on the Indian industry. All of a sudden, it had to face four hard realities of this shift. They were:

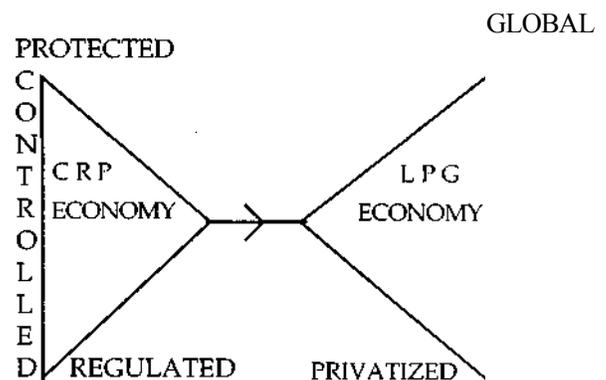
- First generation competition.
- Second generation systems and procedures.
- Third generation technologies and technical know-how.
- Fourth generation mindset.

For long, the Indian industry had enjoyed the parental affection of the government under various pleas of socialism, welfare state, economic and industrial development, etc. Now it had to fight for itself for its very survival against the global giants on its own.

## The Significance of the Topic

Against this backdrop, we can proceed to analyse the significance of this topic. With the winds of change sweeping across the length and breadth of our country, the industrial relations (IR) situation cannot possibly remain a mute spectator to such nation-wide transition.

Figure 1: The Great Paradigm Shift



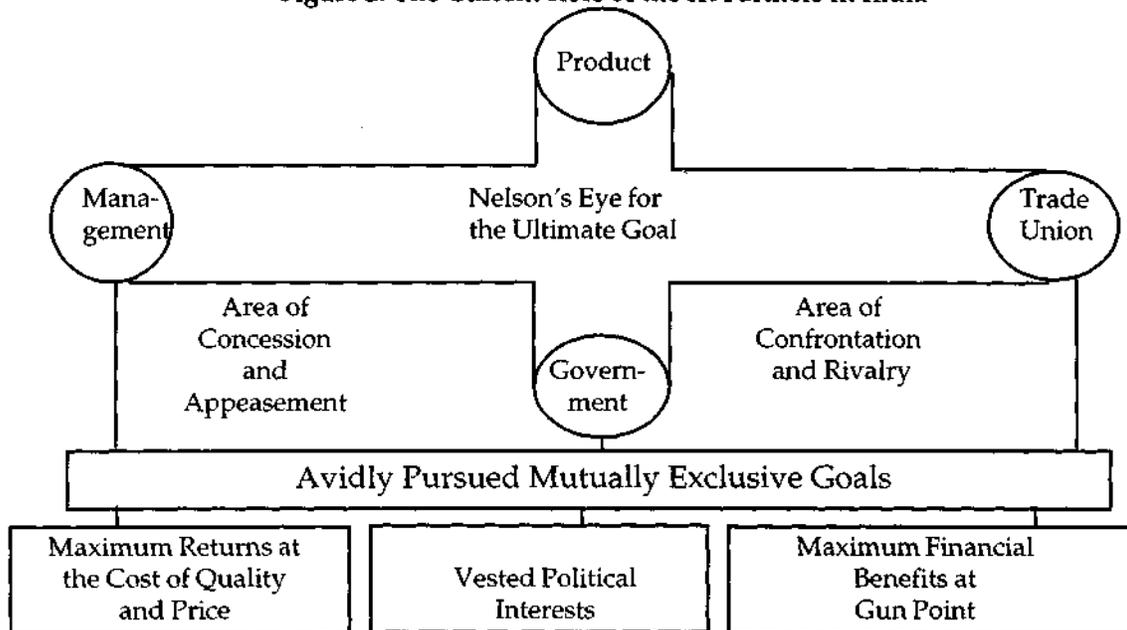
Here, it is important to mention that, "All approaches of analysing industrial relations stem from the fact that there are two sections of people having divergent interests working for a common goal" (Chaudhuri, 1995). The interaction of these two sections — management and trade union — is better known as industrial relations. To resolve the conflict between these two parties, the third party — the government — comes on the scene. Essentially, industrial relations is not the study of the presence or absence of conflict or cooperation, but the study of the parameters of conflict and cooperation. If the parameters of conflict and cooperation veer towards the ultimate goal of the organization, then the IR situation can be said to be healthy. The first half of the topic addresses itself to the question as to how far the IR partners have read the writings on the wall and how far they are prepared to give up their earlier stand in terms of the parameters of agreeability and disagreeability. What does the current situation indicate on the future of IR in India? If, by the current happenings in the IR scenario, we discern that the IR partners are indeed in the process of making a departure from the past and are gradually gravitating towards a change in the role models played by them, then what would be the form and content of the IR situation in the years to come? The second half of the topic assumes importance in that it makes predictive attempt to answer the above question.

### The Current Role of the IR Partners in India

The IR partners, over the years of the CRP economy, had fallen into a vicious trap that had kept their attention focused on things other than the ultimate goal for which a business organization exists — the product. The then

economic forces had not exerted pressure on the IR partners to keep their focus glued to the product. In the absence of competition, there was almost an assured market for whatever was produced. Figure 2 depicts the goals pursued by the IR partners. The management, as seen in the figure, concentrated on maximum returns on its investment even at the cost of the quality and price of the product. It was a producers' market and as such the management knew that the customers had no choice. Whatever was produced, irrespective of the price, was bound to get sold. The trade unions, on the other hand, concentrated on securing maximum financial gains by a constant threat of strike, work to rule, go slow, and in many cases militancy. They had no concern, whatsoever, for the product and the production figures. The management on its part kept practically purchasing industrial peace which, more often than not, meant bartering away the company's future. The government, playing the role of a catalyst, expedited this process. With most unions having political affiliations, the vested political interest of the government made the labour machinery a stooge in the hands of the ruling government. As depicted in Figure 2, the government kept on playing the role of a mediator whenever the area of concession and appeasement fell short of the expectations of the trade unions and whenever the area of confrontation and rivalry exceeded the acceptable limits of management. However, the mediation of the government was tempered with vested political interests because of which statutory support has failed to deliver the goods to the IR situation in India. Some of the glaring examples of irresponsibility on the part of our IR partners can be discussed as under:

Figure 2: The Current Role of the IR Partners in India



## Management

Recently, the union and the management of Indian Rare Earth Ltd., Chatrapur, Orissa, have arrived at a long term settlement in the presence of the Regional Labour Commissioner (Central). As such, this company is in deep trouble and at any moment it may be referred to the Board for Industrial and Financial-Reconstruction (BIFR). Even at this hour of almost irreversible crisis, the management has conceded the union's demand of stenography allowance for stenographers, mining allowance for miners, and non-mining allowance for the office staff. Another case in point is that of Bharat Gold Mines Ltd. In August 1995, the BIFR directed Bharat Gold Mines Ltd to sell its assets to raise funds to pay the wages of its workers. It is indeed a pity that the public sector companies which were set up by the government to serve a higher and well intended social purpose have now become social parasites. While this is one extreme instance of indulgence of the management, the other extreme is the blatant flouting of the labour legislation by many large and small private management resulting in the continued exploitation of the working class.

## Trade Union

Trade unions cover less than 2 per cent of the total labour force and less than one third of the workforce in the organized sector. Even at this minuscule scale, it is indeed a national disgrace that our trade unions are unable to manage themselves. The existing trade unions are characterized by fragmentation, divisiveness, interecine conflicts, rivalries, scramble for leadership within unions and, worst of all, dependence on political patronage and favours (Sheth, 1993). Needless to say, DThankappan, the union leader of Kamani Tubes, became a legend in his life time when he fought and succeeded in the battle for taking over the management of Kamani Tubes. Since then, i.e., 1988, the BIFR has handed over five such sick companies to workers' co-operatives. However, the fact remains that none of these companies, including Kamani Tubes, has been able to arrive anywhere near to coming out of red, let alone revive themselves, thus defeating the very purpose for which they were turned into cooperatives. All of them are still being dogged by the same problems — lack of funds, cost overruns, low capacity utilization, and, ironically, labour trouble, which they had earlier. Numerous examples of trade union irresponsibility towards the IR situation in the country can be cited. For example, in the case of the plantation industry in Kerala, the product and the productivity are at the receiving end. The Plantation Labour Committee (PLC) has been the official IR forum for the 400,000 plantation workers in the state for the last 40 years. The long-term

Settlement negotiated expired in March 1995. Now, when the Planters Association wanted to link wage-hike to productivity, the PLC made it a point not to budge from the norms fixed almost 20 years ago. They have taken this stand even when they are aware that in the neighbouring state of Tamil Nadu, tappers tap up to 600 trees in an eight-hour working day, while the target for Kerala's tappers is a mere 300 trees per day. Similarly, on a national level, when there is boom in the tourist industry, the airlines industry is virtually being held to ransom by strong trade unions. Similar is the case with the banking industry where their federations are literally throwing the economy out of gear.

## The Government

The role of the government in the entire scheme of IR situation in our country has not been satisfactory. Take, for example, the by now famous, Employee Pension Scheme. The government's best efforts to woo the vote of the workers in an election year have resoundingly backfired. Promulgation and re-promulgation has done little good to clear the maze of fundamental questions of basic economic significance. Not only have several employees moved various High Courts against this scheme, the trade unions are also in vehement opposition to it. Kiron Mehta of the Philips Employee's Union has made an interesting point. He says, "You are liberalizing everything. Then why do you want to nationalize the workers's money?" (*Business India*, December 4-17, 1995, p 148). A similar lack of foresight was reflected when the government amended the Payment of Bonus Act 1965. Raising the ceiling and the limit up to which it is mandatory to pay bonus was welcomed. However, the entire show was spoiled by attaching a retrospective clause to it. Not only were the employers forced to reopen their accounts of the previous year, a mammoth and time wasting act in itself, but also the monetary implication of the public sectors alone was put around Rs200 crore (*Business Line*, September 12, 1995, Madras). Another case in point is the abject failure of the government to amend the various labour laws in light of the New Economic Policy which has effected the great paradigm shift. There are 51 different central Acts on labour. To this we must add the various state legislations. As yet, the government has done nothing to harmonize these Acts and make them industry friendly. The proposed IR Bill has simply been shelved for the last five years. When the IR situation in an LPG economy is viewed in the light of the outdated labour laws, it is clearly perceived as a contradiction in terms. Take, for example, the recent Supreme Court decision wherein three public sector units have been directed to absorb contract labour as regular employees. In this judgement, the Central Government has also been directed to appoint

an industrial adjudicator to take up the case of direct employment of workers of ex-contractors (*Business Standard*, August 1, 1995, New Delhi). The irony is that this decision has come up at a time when the umbrella of protection has been taken away from the PSUs and the latter are expected to compete openly with the private sector without expecting the government to bear the losses.

### The Future of IR

The above analysis of the role of the IR partners is certainly alarming when viewed in the context of the new economic environment of India. However, it would be too rash to draw any decisive conclusion of the future of IR in India because the partners can ill-afford to escape the vicious circle of Hobson's Choice, which is illustrated in Figure 3. The inevitability of the great paradigm shift is obvious. There is absolutely no choice for the economic environment other than to change and adapt itself to global standards. This change makes it inevitable for the market forces to rule the roost. Every economic decision must revolve around the dictates of market forces. The survival of every situation in such an environment must, therefore, depend on the competitive edge of the former. Competitiveness in terms of quality and price will determine the survival and growth of the business. To make the business survive and grow, changes in structure and style, attitude and approach, and system and standards are inevitable. Such changes will make it inevitable for the economic environment to change. Therefore, the question is — do the IR partners really have a choice other than to change?

**Figure 3: The Vicious Circle of Hobson's Choice**



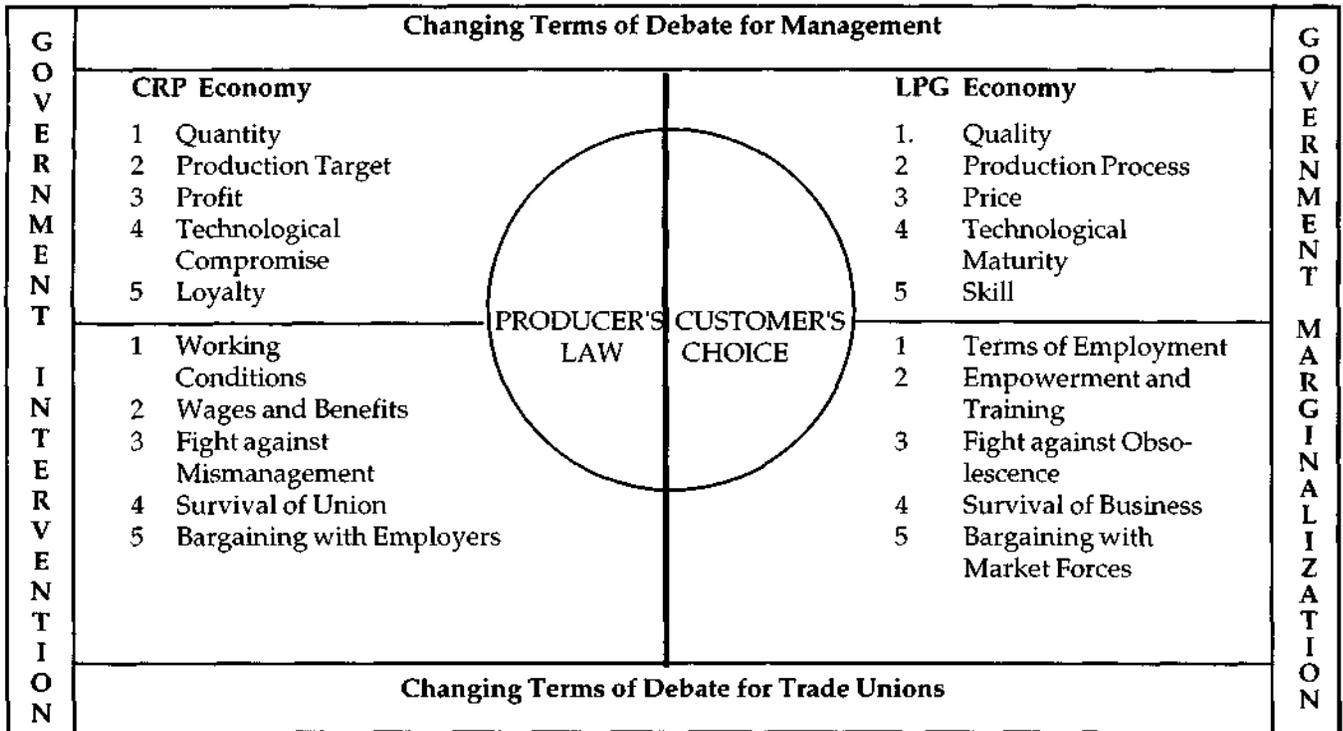
In the initial stages of the implementation of the New Economic Policy, there was widespread agitation and discontentment among the trade unions because of the human consequences arising out of the great paradigm shift. However, gradually, there is realization, albeit slow, among the IR partners that redundancy, casualization of labour, industrial sickness, merger and acquisition, and closures of unviable units are the stark realities of the new industrial climate. Hence, there is no escape from the vicious circle. The fiery trade unionist, Dr Datta Samant, laments: "There is so much insecurity among workers that no one listens to a trade union which gives a strike call." (*Business Standard*, November 7, 1995, New Delhi). In fact, in a sudden departure from the past, when Dr Samant's Union, Kamghar Aghadi, rejected the VRS scheme of the management of the Bombay unit of Premier Automobiles Ltd., a large section of the workers accepted the scheme in spite of their one time hero Dr Samant's best efforts to dissuade them. In the management front also, a change in approach is visible. Today, managements are gradually becoming more and more transparent in their policies and practices. Shantibhai Patel, President of Hind Mazdoor Sangh, admits: "Managements are a little more accommodative these days. They are also more often prepared to consult unions and settle disputes amicably than they were in the past" (*Business Standard*, November 7, 1995, New Delhi).

### Industrial Relations in Future

Dr Amartya Sen and Dr Jean Dreze in the last line of their recently published book *Indian Economic Development and Social Opportunity* write: "The terms of debate must change." Now that the IR partners are in the vicious circle of Hobson's Choice, change in the terms of debate is a foregone conclusion. This means that the future of IR in India will necessarily be one of change and not stagnation. If that is so, then what would be the direction towards which IR in India will be heading? Here, it is important to reiterate that when we talk of IR in future, we do not mean the presence or absence of conflict and cooperation. What will be attempted is to identify the change in the terms of debate for the IR partners. What will be the issues that will arrest the attention of the IR partners? This analysis is important because these issues will become the pivots on which the twin pillars of IR—cooperation and conflict—will revolve thus determining the course of IR in future.

Figure 4 tries to do a predictive exercise in this direction. As is evident from the figure, the LPG economy is a global economy wherein the customer has the right to choose between the alternative sources of product right through the globe. The CRP economy in which the producer made the laws of the market no longer exists.

**Figure 4: Change in the Terms of Debate**



This forms the fundamental premise for the predictive exercise on the changing terms of debate for the IR partners.

At the outset, there will be a marginalization of the role of the government as an IR protagonist. Voluntarism will replace state intervention and control. The government's main role in the IR front will be restricted to legislation and how to police the same. Bipartite talks and agreements will replace tripartite talks and agreement. The role of the government as a media tor will be minimized. For the management, the focus of attention will shift from quantity of product to quality of product and minimum piling up in the stockyard. For this, the importance of the production target will be replaced by the process of production. Today we are already hearing a lot about the ISO 9000 series of certifications. Another shift in the terms of debate will be in the price-profit front. Managements will tailor the price of their product to the size of the pockets of their potential customers. The obsession with the concept of abnormal profits and windfall gains will reduce substantially. The habit of pushing the cost of production on to the customers will no longer be profitable for the producer. Rather, the producer will make an all out attempt to cut down on the cost so as to price the products at competitive rates. To properly price the product, the technological maturity of the managements will displace the compromise with

technological upgradation. The shyness to invest in technology will be replaced by an aggressive attitude to go high-tech so as to lower the cost of production and gain the competitive edge — both in price and quality. This shift will certainly affect the long-service award syndrome that has its premises on the loyalty of the employee. Managements will prefer a skilled employee rather than a loyal one, who is on the eve of skill obsolescence.

The trade unions on their part will turn their attention from the working conditions at the work place to the terms of employment. They will hammer more on the clauses of the appointment offer and may even advocate part-time concept of employment. With the spectre of obsolescence on the horizon, the attention of the trade unions will be more to secure appropriate training and empowerment techniques from the management than to strive for short-term benefits of wages and welfare. The trade unions will be more concerned with the amount of opportunity available with the workers to upgrade their existing skill together with acquiring new ones. Consequently, the trade unions will find themselves fighting against obsolescence of the industry's technological base, lest the competitors take away the market from them. The fight against managerial mismanagement will be replaced by the fight against technological obsolescence. Further, the

unions will be more concerned with the survival of the business because their own survival will depend on it. This may lead to single union concept and deaffiliation from the Central Trade Unions. This will obviously lead to the shift from bargaining with employers to a situation where both the management and the trade unions will jointly have to devise strategies to successfully bargain with the market forces. Efficiency and productivity will become the new and mutually agreed upon parameters in all bargaining between the parties. This may ultimately lead to the pursuit of a common goal by both the parties.

### Conclusion

In conclusion, it needs to be mentioned that *ceteris paribus*, IR in future may move in the direction of comradeship between the two main IR protagonists — management and trade union. With the terms of debate already showing signs of drastic change, IR in future will be governed by a totally new set of parameters. There is gradual realization by both the partners that to survive, both have to surrender their sectional interests at the alter of the superordinate interest of the economy. Only time will tell if both really join hands to face and fight the phantom of the market forces that have unleashed a terror of insecurity and extinction together with the bright hopes of revival and growth.

### References

- Chaudhuri, S (1995). *Economic Times*, Bombay, 13th September.
- Sheth, N R (1993). 'Labour Relations in the New Economic Environment,' *Vikalpa*, Vol 18, No 3, July - September.

**DELHI PRODUCTIVITY COUNCIL**  
**INSTITUTE OF MANAGEMENT**  
**SCIENCES & PRODUCTIVITY**  
**RESEARCH**

**FACULTY POSITION**

**IMSPR** is one of the Top Management Institutes in India (Approved by AICTE) and offers 2 year Full-Time & 3 year Part-Time Post Graduate Programme in Business Management and is involved in Executive Training, Consultancy and Research.

For our growth, we require faculty at all levels in the areas of :-

- Financial Management/Accounting
- Marketing
- Quantitative Methods/  
Operations Research
- Computer Application

Attractive remuneration in addition to the Incentive Scheme and other Benefits. The applicants should have interest in academics and some work experience in teaching, consultancy, etc. Retiring or retired executives with P. G. teaching experience may also apply.

Apply in plain paper giving detailed Bio-Data with qualification, experience, present and expected salary, etc., within one month, to :

**The Executive Director,**  
Delhi Productivity Council,  
IE/10, Jhandewalan Extension,  
New Delhi-110 055. Phones :  
523828, 527803