Globalization, Labour Law Reforms and the Trade Unionism in India

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Abstract: Trade Union is an outcome of the factory working culture and they are important group of actors of today's industrialized globe. Orthodox trade unions are an instrument of defense against exploitation and provide a forum for collecting the forces of the working class. The basic objective of a trade union activity is to protect and encourage the economic, social, political and professional interests of its members. Trade unions have emerged due to group psychology, social psychological environment rather than economical reasons. Fundamentally, trade unions have designed to eliminate the exploitation of the workers through workers' participation in management (WPM) and by the action of Collective Bargaining. Trade unions are the bulwark of democracy. The trade union is the extension of the principle of democracy in the field of industry. Hence, they are trying to transform industrial autocracy to democracy. Nevertheless, the trade unions are acting as the pressure group, the protector, the counselor, the third party, the coach, and keep a close eye on the environment in which their members continue to exist, develop and grow. The most important effects of globalization include labor market flexibility, increasing labor migration, the rise of atypical employment forms, as well as changes in work content and working environment on the organizational level. At the same time, globalization brings about greater job skills mismatches and the need to promote lifetime learning and multi-skilling. The main concern of trade unions in this globalized world is due to downsizing, outsourcing, increasing workload, preference of casual labour, job losses and insecurity of employment, growing unemployment, uncertain growth of unorganized informal sectors and unorganized labour, and deterioration of social network.

Keywords: Industrial Relations, Collective Bargaining, Trade Union, Workers’ Participation in Management, Labour, Globalization, Labour law reforms.

I. INTRODUCTION

II. WHAT IS A TRADE UNION?

A trade union is formed to make the management aware of their responsibilities towards the most important assets of the organization, i.e. human assets. One of a trade union’s main aims is to protect and advance the interests of its members at the workplace. A labor union, or trade union, is an organization of workers who have joined to attain goals in some common areas like wages, safety and working conditions. The union negotiates contracts, terms & conditions with employers in order to keeping employee satisfaction high and at the same time protecting workers from unsafe working conditions or unfair practices. They are the most suitable organizations for balancing and improving the relations between the employer and the employees.

Since the publication of the History of Trade Unionism (1894) by Sidney and Beatrice Webb, the main historical view is that a trade union “is a continuous association of wage-earners for the purpose of maintaining or improving the conditions of their working lives”. However, in the current context of LPG, the scope of activities of a trade union has increased, thus this primary definition is not holding well.

Trade Union Act-1926, Section 2(h) defines “Trade Union” means 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 on the conduct of any trade or business, and includes any federation of two or more Trade Unions: Provided that this Act shall not affect—
(i) any agreement between partners as to their own business;
(ii) any agreement between an employer and those employed by him as such employment; or
(iii) any agreement in consideration of the sale of the goodwill of a business or of instruction in any profession, trade or handicraft.

The trade union act-1926 is also completely irrelevant in the Post- globalization era and it should be amended or replaced by a new one at the earliest.

According to Edwin B. Flippo “a labour union or trade union is an organization of workers formed to promote, protect and improve, through collective action the social, economic, and political interests of its members.” Owing to economic globalization, capital has become global rapidly, which confronts the traditional means of “protection of employees” by trade unions and internationalizes industrial disputes. Trade unions, now seeking for a new setup and posture for acting as an overall development of its members, their families, society and the nation.
III. WHY WORKERS ORGANIZED UNDER A FLAG OF TRADE UNION?

One of the prime usual reasons for which employees join a trade union had been their conviction to get fair and reasonable wages for work through a collective action and their realization that individual bargaining useless for the said purpose. Through strength of unity, they bring under control the management from taking such action, which may be ridiculous, illogical, inequitable or contrary to their general interests. Workers to join a trade union because they believe that a union can:

- To improve their Economic condition
- Negotiate better pay and other benefits like Overtime, Bonus, etc.
- To ensure their rights are protected.
- Greater Bargaining Power: Negotiate better working conditions, like more holidays or improved health and safety
- Job Security
- Sense of Belongingness and Participation
- The platform for self expression: A trade union provides such a forum where the feelings, ideas and opinions of the workers could be discussed
- Provide training for new skills
- Give general support and advice
- Equality: Unions lead the fight for equal opportunities in the workplace. Unions stand for equal pay and treatment and against discrimination.
- Unity of strength
- Put forward their views/outlook in the media to influence government decisions and policies on pay, Employment, etc.
- Improve Communication between Workers and managers.
- For social reasons.

IV. THE ROLE OF TRADE UNIONS

In today’s globalized age workforce profile changing constantly, which challenge the labour force in India. Trade unions are unique organizations whose part are variously interpreted and understood by different interest groups in the society. The primary function of a trade union, from the workers’ point of view, is to protect the interests of members and fight against the violation of their legal rights in the light of current norms of fairness, equality and social justice. Unions are also expected to attempt continually for a better deal for employees in respect of monetary rewards and working conditions, particularly safety aspects and control over the work affairs.

Conventionally, trade unions play a role that has been protecting jobs and real earnings, securing better working conditions and quality of work life and fight against exploitation and arbitrariness to ensure fairness and equity in employment contexts. It can be said that the protective role of trade unions remains in form, but varies in substance. There is a considerable debate on the purposes and role of trade unions in today’s globalized environment in India. The predominant view is that the concerns of trade unions extend beyond ‘bread and butter’ issues. Trade unions through industrial action (like protests/strikes) and political action (controlling Government decisions & policy) establish min. legal and economic conditions and restrains abuse of labour wherever the labour is organized.

Unions are important actors in the labour market. Trade unions fight for workers’ rights as well as better job environment, social protection and a voice in decision-making. Trade union performs various roles regarding the variety of classes of the society, like role towards its members and office bearer, roles towards their parent organization, role towers the trade union organization, and ultimately their role towards the society and nation. An additional important role of trade unions that have been recognized by the union is their importance in preventing and combating sexual harassment of women at work.

Trade unions promote better IR through handling grievances at the possible minimum level and CB (CB is a process which transforms pleading to negotiation between the representatives of union and management). These are the core activities of trade unions. As institutional representatives of workers’ interests, trade unions act as a CB agent that deals with the management to fulfill the aspirations of the employees.

The union has also developed many curriculums to improve the working culture & environment and enhancing the quality of life for workers. Trade unions are also seen as moral institutions, which will uplift the weak and downtrodden and render them the place, the dignity and justice they deserve. In this globalized age, certainly the role of the trade unions would continue to increase with new responsibilities and hopes.

V. WHAT IS GLOBALIZATION?

With the onset of reforms to liberalize the Indian economy in July 1991, a new chapter has started in India, which had resulted in major policy changes in the economy. The new economic reform, known as an LPG model (Liberalization, Privatization and Globalization) aimed at making the Indian economy as the fastest growing economy and globally competitive. Globalization is a creature of the entrepreneurs, thinkers, manufacturers, and policy makers of the dominant countries of the world. The institutional agents and forces of globalization include the International capitalist organizations like IMF & WB, the large capitalist foundations and institute, and the MNCs.

Globalization comprises the incorporation of national economies into the international economy through trade and commerce, FDI, short-term capital flows, international flows of workers, and flows of technology. The drivers of economical globalization, computers and IT, demanded least labor requirements in the form of highly trained computer experts, and these are yet to dominate production processes in India. However, globalization has challenged the rationalization for labor to secure fair claims for its contribution to production.

The succession of reforms undertaken with respect to the industrial sector, trade and commerce, and as well as financial sector aimed at making the economy well organized and more efficient. Guy Brainbant says that the process of globalization not only includes opening up of world trade, development of advanced means of
communication, internationalization of financial markets, the growing importance of MNCs, labour movement, and at the same time increased mobility of goods, capital, data, persons, and ideas but also unemployment, poverty, environmental problems, diseases and pollution. Globalization certainly increases the global connectivity, integration and interdependence in the economic, social, technological, cultural, political and institutional spheres. The term globalization refers to the integration of the economies of the world through open trade and financial flows, as through collaboration, knowledge, experiences and mutual exchanges of available resources. Preferably, globalization also includes inter-country movement of labor.

In the context of India, this implies opening up the economy to FDI by providing facilities to foreign companies to invest in different sectors of Indian economy, removing constraints and obstacles to the entry of the MNCs in India. FDI inflows increase only when labour standards improve occupational health and safety, and productivity of workers so that returns on investment increase.

Globalization has intensified interdependence and competition between economies in the world market. Globalization in India had a favorable impact on the overall growth rate of the economy. The new economic policy included abolition of the license-permit raj, reduction of the high import tariffs on goods, liberalizing capital markets and liberalizing terms and conditions for entrance of foreign investors.

The next landmark was the birth of the WTO on January 1995. This involved new pressure on the government of India to eliminate quantitative restrictions on imports, reduce export restrictions and duties, simplify and reduce tariffs, huge labour law reforms, and reduce the activities; those were reserved only for the public sector and small-scale sector, and further liberalize the FDI regime, etc.

Thus, Globalization is a driving force in global economic development today. Globalization will greatly affect the social partners, as traditional labor relations will have to deal with completely new and vibrant situations. If Indian IR systems do not fine-tune to the globalized world economy, the danger arises that companies will change place their production to abroad with fewer restrictions on business activities, for instance countries with less regulated labor markets and lower labor costs. The major economic aspect of globalization is the dominance of the transnational corporation, and the international division of labour in which the world economy can be organized as a global assembly line. The most important social feature of globalization is the growing disparity between the rich and the poor within the country. Globalization does not alleviate inequality and poverty, but it increases it.

VI. GLOBALIZATION AND LEGISLATION REFORMS IN INDIA

Globalization means take up a global outlook for the business and business strategies aspired at global competitiveness by converting the whole world as a single larger global market. A vital incentive for international business is the profit earnings. Competition may become a dynamic force behind the globalization. Government rules, regulations, and policies may also inspire globalization. In the pre-globalised era, our country was following a very restrictive strategy towards the FDI and technological transformation. FDI would bring attendant benefits of technological transformation, market expertise, beginning of modern management techniques, and exchange of technology for the support of exports. The Foreign Exchange Regulation Act (FERA) -1973 authorized RBI to regulate direct control over MNCs in India. The Exim (The Export-Import Policy) Policy reflects the Foreign Trade Policy of India. The Exim Policy put into action by the regulatory structure make available by the Foreign Trade (Development and Regulation) Act-1992, which replaced the Import and Export Control Act-1947.

Government labour law proposals take steps for creating “a fertile habitat for job creation”. This means the labour law reforms in India is a solution to the unemployment and brain drain problems. Labour law reforms have a key role to play in improving the ease of doing business in India. Hence, these appropriate reforms are directly proportional to domestic as well as FDI, which is a major source of non-debt financial resource for the economic development of India. For this reason only the Government of India recently relaxed the FDI policy norms for Non-Resident Indians (NRIs). Under this, the non-repatriable investments made by the Persons of Indian Origin (PIOs), Overseas Citizens of India (OCI) and NRIs will not be treated as foreign investments.

According to a WB report, India has one of the most rigid labour markets in the world. Indian labour markets have been one of the major irritants listed by domestic and foreign investors and institutions on the issue of ease of doing business in India. Labour law reforms are essential in the favor and support of economic development in India. Balancing conflicting interests of the economy and the constitutional mandate of a democratic, socialist and compassionate approach remains a titanic challenge towards protecting appropriate labour law reforms in India. The surplus of existing legislations had not only added to the confusion on the way industries were to be run and labour interests were to be safeguarded, but were also a hindrance towards attaining the larger goals of Modi’s ‘Make In India: government’s mega plan to turn India into a manufacturing hub’ campaign launched it on 25 September 2014, which needs more labor market reforms in India. Though the Indian government has initiated a few steps towards more flexible labour laws, but much work is left to do for the grand success of “Make in India” mission. That is why, apart from the huge economic benefits, “Make in India” becomes so important.

As per the trade union representatives -“The process of labour law reforms being pursued by the government to provide for unopposed ‘hire and fire policy’ and for pushing the majority of workers outside the purview and protection of most of the labor laws — all for ease of doing business — be stopped”. Hence, no labour law amendment should be undertaken without the dialogue with trade unions and workers, who are the main stakeholders and the most affected.
VII. PROBLEMS WITH INDIAN TRADE UNIONS

Globalization processes encourage companies to lower labor costs and increase labor market flexibility while discouraging the power of trade unions to prevent this trend. Modernization, productivity and quality improvement become important issues, especially with the changed globalized economic environment. There is a feeling in India that all unions are against modernization, technology upgradation etc. The reality is very different. All unions consider there is a need for continuous technology upgradation as well as modernization with an only condition that it should not lead to loss of employment. Therefore, trade unions must have to change their militant ideology and should become an essential part of the technological world.

The unions are not able to attract workers because of inter and intra union rivalry. The trade union in India has become centers for disputes and battles. They are not fighting for fundamentals, but they are interested in characterizing their political ideologies on the workers. That is why some neutral workers who do not like politics, keep themselves away from the union activities. The evidence of workers disinterest in the union activities has to be taken as a definite indication of the beginning of de-unionization.

Outside Leadership: Another remarkable feature of trade unionism in India has been controlled by external leadership. The professional political leadership is not rooted in the working class, and it has developed due to the inefficient internal leadership. This external leadership is interested in utilizing workers to gain maximum political mileage. Hence, this kind of external leadership is actually harmful to the working class. It has been often observed that Political leaders for personal prestige prolong strikes, and negotiations with employers generally fail due to such kind of leadership. The interest and welfare of the workers are very often ignored. Thus, outside leadership, of politicians is a major weakness or trade unions in India. The problem of outside leadership can be eradicated through the development of leadership talents from within the union. Trade unions and management should provide education and training facilities for the development of internal leadership. Trade unions should associate with political parties but they should not assume their ideology. In trade unions the Leadership at all levels must be elected democratically and their members must have actively participate in the decision making process. Now the trade unions require a law, which enforce strict restrictions on outside leadership. Leadership of a union must arise from within the labour class only. This is very necessary in order to maintain the existence; hence, the trade union has to deal with the things in a very precise manner.

Another problem of trade unions in India is that of a multiplicity of unions and low membership. There exist many trade unions in the same establishment. The existence of this phenomenon can be attributed partly to the labour laws. The Trade Unions Act-1926 permits any association of seven workers to be registered as a union, and confers upon it certain rights. This law naturally encourages small sections of workers to form separate unions. Moreover, the rivalry among the leaders of trade unions has resulted in a multiplicity of unions, thereby reducing the average size of membership per union.

Because of multiple unions, there occurs a problem of union rivalry. Unions try to play down each other in a proposal to put on greater influence among workers. In this exercise, they do more harm than good to the cause of unionism as a whole. It provides Employers have an opportunity to play a trick, besides this, the workers’ own unity and strength is lost.

The monetary condition of the trade unions is very weak because their average yearly income is especially low and inadequate, thus they cannot undertake welfare programs for their members. Another important reason for the weak fiscal condition of unions is that large amounts of subscription dues remain unpaid by the workers and the name of defaulters continues to appear on the membership list of most of the unions.

Majority of unions perform their duties and activities by an honorary basis and they do not have whole time paid office bearers. Such an honorary member devotes only limited time and energy to trade union activities and these office bearers are not having enough knowledge of basic principles and practices of trade unionism.

The trade unions frequently resort to demonstrations and strikes. They give limited attention to peaceful settlement of demands and disputes. The community has affected due to strikes, demonstrations and other practices of unions. As a result, they have lost the necessary community support or sympathy in their moves.

The globalization fragmented labour market into the individual or some small groups, which has also been weakened union power and strength, and shift it qualitatively towards individual contracts and enterprise bargaining. A further international development with which trade unions must contend is the growth of MNCs that are beyond national regulation. In short, a coherent international agenda is required by trade unions if they are to hold on to their position and secure influence beyond the national boundaries. Trade union reliance on activity and engagement at the national level is no longer a practical option.

Globalization has emerged as a major contributing factor to the difficulties that trade unions are facing today. In this globalized world, companies are growing overseas through merging & acquisitions, and their aim is to seek inexpensive labour and new technology & markets. Globalization plays on the two sides of the same coin, on the heads: it upholds employment opportunities, economic growth & development, transfer of technology, creativity & innovation, releases the trading restrictions, and advanced information technology and transportation. On the tails: most up-to-date technology replaced workers from the scenario, resulting in unemployment, job insecurities and decline trade union membership, arising of low wage non-union workers and seasonal unemployment, amplified immigration, increasing inequalities, inability of unions to stand on behalf of workers; huge labour law reforms, economic crisis in some countries. Hence, globalization is certainly exhausting the trade unions’ ability to regulate work & employment within the national boundaries in which they are surrounded. Globalization forces the unions focus on new goals - closing
the gap between the labour cost that has been imposed through collective bargaining agreements and the labour costs of international companies.

Now-a-days, globalization is an industrial driving force, which affect all actors in the IR system, i.e., trade unions, employers’ associations, and the government. Migration, relocation, reshuffling, labor shortages, competition, and changes in skills and technology are just a few of the challenges that trade unions are currently facing.

In the above circumstances, trade unionism cannot be expected to make much progress. This problem can be exempted only by educating workers about their duties & rights, and developing a sense of responsibility among them.

Today, we are living in the era of globalization, liberalization and internationalization. The direct or indirect exchange of ideas and goods among the nations was increasing at a pace undreamed in the past. Hence, no nation, society or people can live in isolation, rejected to associate with the rest of the world. This fact should be accepted as a fact of life, not only for workers and unions, but also for employers and the government. Thus, when we talk about the role of trade unions in the building of a nation, we have to bear in the mind all the relevant national and international socioeconomic and political influences as they have bearing on our development process. The essential challenge of globalization for any developing country, like India, is how to achieve a stable and flexible IR system, which balances "efficiency" with "equity."

VIII. CONCLUSION

The globalization is a testing period for all the social partners, even more so for trade unions since it is the worker on whose shoulder the major burden of this transitory period falls. The unions, therefore, would have to take a comprehensive approach in meeting the emerging challenges of the New India.

Globalization is inescapable because it is a today’s reality. As the saying goes “if you can’t beat them, join them, trade unions will have to find a way of changing the negative impacts of globalization into opportunities and this will be achieved by stepping out from their “comfort zone” and participate aggressively in understanding workers’ environment both inside and outside the workplace, and also join the social network and welfare of society. Trade unions in spite of some protests to implementation of LPG model, have accepted changes in strategies at the shop level, plant level, or even at the organizational level. The coming decade promises to be equally challenging for the trade union movement. How they respond to the challenges and opportunities over the next few years will be crucial in determining their level of influence at work and beyond in the future.

Today Indian trade unions will align and adjust themselves with some drivers behind changes in organizations and workplace practices that would uncontrollable under the globalization.

- Fast shifting technology; Technological advancement changes certain products are produced and at the mean time altering, the quality and the size of labor that is necessary to produce those products.

✓ Strategies of economic liberalization: which leads to the opening up of the economy, free flow of goods and capital, and amalgamation with the world economy?

✓ Demands of global competition: businesses have to adjust to the ever-increasing global and domestic competition. The competition is cut esophagus and companies, which are unprepared or undercapitalized, should try to either upgrade themselves or be destroyed by bigger global transnational corporations.

In this post-globalization era, labour feels un-protected and unproductive. The speed of technological advancement, the speed at which production techniques become outdated, at which new one replaces products, raw materials altered, and new patents filed, all give to an escalating feeling of insecurity even amongst those who are permanently employed. Furthermore, technology (especially computers and IT) has reduced labour intensity and weakens labour’s control over jobs. The decline in employment in the organized sector market, which decline in union density as well as its membership too, due to unfavorable macroeconomic policies used for the promulgation of globalization. Now the time has come when trade unions analyzed the impact of changes, and in this sequence, they should look at not only the results of changes, but also the ultimate consequences of non-changes. Trade unions should focus on increasing the size of cake in this globalized era and seek a better slice, because they have always played a vital role in the determination of labour standards in India.

NOTES:

1. Globalization can be described in terms of growing economic interdependence and cross-border linkages that increasingly connect countries worldwide, rapid advances in transport, communication and information technologies have facilitated the globalization process. Globalization is a “commoditization” where everything can be bought and sold as a commodity subject to market forces.

2. Pressure Groups (also known as lobby groups, campaign groups, interest groups, or special interest groups) use various forms of advocacy to influence public opinion and/or policy; they have played and continue to play an important part in the development of political and social systems. In some ways, pressure groups may be viewed as essential to democracy because they allow the free expression of opinion and the opportunity to influence government.

3. Collective bargaining: Supreme Court has been defined the collective bargaining as “the technique by which dispute as to conditions of employment is resolved amicably by agreement rather than coercion”. It is a process of discussion and negotiation between employer and workers regarding terms of employment and working conditions.

4. Workers Participation in Management: Traditionally the concept of Workers’ Participation in Management refers to the participation of non-managerial employees in the decision-making process of the organization. It implies mental and emotional involvement of workers in the managerial decision making process.

5. Free Economy: an economy that is based upon the principles of private enterprise and has a minimum of
6. **Labour**, “Shram Yogi” or “Rastrra Nirmata” is a person who provides services for wages as distinguished from those rendered by entrepreneurs for profit.

7. **IR**: is a dynamic relationship among trade union, employer or management, and Govt. in order to maintain industrial peace across the India. IR cover all aspects of the employment relationship, including HRM, employee relations, and union-management relations. Industrial Relations have three faces: (a) Science building, (b) Problem Solving, and (c) Ethical.

8. Downsizing: Reducing the number of workforce required to perform company tasks.

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31. Tuesday, 22 January 2016.

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