Structural Change and its Impact on Industrial Relations

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The National Seminar on Economic Changes, Employment and Industrial Relations focused on the impact of macro-economic policy changes on employment and industrial relations in the short as well as in the long run.

This background paper by C S Venkata Ratnam argues for the need to bring about changes in labour policies in tune with the industrial policies.

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Macro-Economic Changes

India is facing the worst economic crisis since its Independence in 1947. The Government of India has announced a package of economic reforms that included devaluation of rupee, pledging of gold, radical changes in industrial and trade policies and a new thrust in the budget proposals for the year 1991-92. The scenario is still unfolding. The changes, we are told, became necessary to overcome the problems of balance of payments crisis and to improve performance of various sectors of the economy so that they become competitive in the context of trends towards globalization. While there appears to be widespread consensus and concern within the country, cutting across political and other affiliations, there is a raging debate about whether the magnitude of the problem is blown out of proportion deliberately and whether the suggested remedies eventually worsen the social and the economic malady. The pro-changers look at the experience of the four Asian Tigers' and the other newly industrializing countries such as Malaysia and Indonesia and point to the revolutionary developments in Central and Eastern Europe. The non-changers look at the mounting misery in Sub-Saharan Africa and Latin America. Depending on one's perspective, arguments are made about the merits and demerits in making such international comparisons. One way to respond is to consider India as being a sub-continent with substantive differences. Whatever be the relative merits of the arguments on either side, we now know for sure that change is a permanent feature in our lives; and, since we cannot avoid change, we must learn to adapt and adjust.

Structural Adjustments and Enterprise Restructuring

Adjustment can be defined as adaptation to change in the environment. Structural relates to anything that is not short-term. Structural adjustment refers to changes in macro-economic policies appropriate to enable the
enterprises to compete in an internationally competitive environment (Katz, 1989). "Restructuring," to quote Ira Lieberman (1990), "involves actions by enterprises to bridge gaps between current performance and what is required to become internationally competitive. These gaps emerge as a result of global changes in technology, organization, marketing and factor prices."

There are certain prerequisites for restructuring at the industry and national level, which would include:

- sound macro-economic policies, enabling regulatory and institutional framework
- removal or significant reduction in barriers to entry, exit and expansion of industrial enterprises
- elimination of public or private monopolies
- removal or significant reduction in subsidies and special arrangements
- introduction of market oriented pricing policies.

Enterprise restructuring, on the other hand, involves:

- changes in a firm's products, processes and markets
- changes in management and organization
- education and retraining of employees
- changes in relationships between public enterprises and the government to enable public enterprises to invest and perform efficiently
- plant relocation, specialization, modernization and acquisition, divestitures, leveraged buyouts, recapitalization and down-sizing.

Enterprise restructuring generally leads to reduction in employment at least in the short-run. But over time, if the enterprise does well, more jobs than those shed at the time of restructuring can be created in the same organizations. This has been amply demonstrated in the UK experience (Bishop, 1980). Non-restructuring too leads to reduction in employment. As Ira Lieberman (1990, p 7 and p 20) points out, "The Senegal Industrial Restructuring Project, which was one of the first to calculate the loss of job with and without restructuring, showed that eventual job losses were greater without restructuring than with restructuring. He suggests that, "Privatization without restructuring usually results in a low price for the enterprise. But restructuring to gain a better price is difficult." Restructuring, nevertheless, becomes imperative to make the enterprise viable, efficient and competitive. Social programmes such as retraining, redeployment, better retirement benefits and special employment programmes are usually taken up to minimize the negative impact for the affected employees and the communities. In the Indian case, restructuring was not allowed in several public enterprises because of fear of job losses. Now when they have become chronic, the exit policy has become even more difficult since the problem was not attended to in the early stages itself.

The package of reforms announced by the Government of India during June and July 1991 reflect a genuine concern to make such preconditions prevail. No one can complain about the pace already set, and if the sweep is considered still inadequate by some, one should realize that in a country with over 300 million destitutes and glaring economic disparities, government should be equally concerned about preventing social chaos while setting right the economic policies. The ultimate goal of recent policy changes seems to be to unshackle Indian industry from the myriad administrative and legal controls to make it competitive in the changed national and global environment. The far reaching changes in licensing and trade policy and MRTP Act are also major steps in this direction. For the first time, government has acknowledged the need and announced its political will to have the public enterprises which are chronically sick and which are unlikely to be turned around to be referred to the Board for Industrial and Financial Reconstruction (BIFR) or other similar high level institutions created for the purpose. BIFR considers only large units which have been in operation for at least seven years and whose net worth is negative. The focus is curative, not preventive. For the first time, the Secretary to the Department of Public Enterprises of the Government of India publicly espoused the need to have an exit policy for the public sector (Financial Express, 25 July 1991).

**Employment Issues**

**The Jobs Challenge**

The short-term effect of the proposed reforms could lead to a fall in employment in the organized sector. There could be a shift in employment in urban areas from better to inferior jobs in terms of pay and working conditions accompanied by possible increases in performance requirements. Feather-bedding and restrictive work practices would be curtailed. While employers have hitherto, at least formally, acknowledged that modernization does not result in retrenchment and even recent collective agreements guarantee job security within the framework of the 1957 Indian
Labour Conference resolution on automation, in future such job guarantees may be rescinded.

We do not have a proper data base to tell us whether we lost more jobs due to modernization than due to non-modernization. The available official statistics, however, seems to point to a decline, in absolute numbers, in the employment in the organized private sector in India (from 75.52 lakhs in 1983 to 73.91 lakhs in 1989, the decline being more pronounced in manufacturing) despite a rise in investment and contribution to GNP.

In the public sector, however, employment continued to grow in the 1980s from 164.56 lakhs in 1983 to 183.20 lakhs in 1989. Now, the axe may fall heavily on the public sector because various estimates put the figure of surplus labour in this sector around 20 to 30 per cent. There is also a fear about the possible closure/disinvestment of sick public sector units at least in cases where the public sector inherited the sickness from private sector failures.

The problem is further compounded because the employment-unemployment data in India is largely unemployable for policy-making. Even so, it should be noted that the number of applicants on the live employment register had more than doubled in the 1980s, i.e. from 16.584 million in 1981 to 34.484 million in November 1990.

Social Security Network

The decline in the thrust to create and preserve jobs for the sake of jobs raises the issue of the need for a social security network. The concept of "private contract" in the US leaves social costs to the play of pluralistic market economy. The advent of "social contract" in most of Europe and Scandinavian countries in the wake of the depression of the 1930s expanded the social security network which many of them found it difficult to sustain after the oil price shock of the 1970s. Several European countries subsequently began to wonder about the other types of social costs (disincentive or apathy towards work among youth and diminished competitiveness of the economies) of unemployment. The implicit social contract in Europe was not just a guarantee against macro-economic risk, or full employment, but also against micro-economic risk, i.e. job security or more broadly still a guarantee of "property rights in the status quo." The newly industrialized countries were compared to nineteenth-century capitalist countries which were not overly concerned with social costs. Japan minimized social costs by maximizing flexibility through remarkable adaptiveness during the last three decades (Ostry, 1986). Plans are under way to create a social security mechanism and a National Renewal Fund to protect the interests of workers likely to be affected by the rehabilitation packages. Some employers' organizations and chambers of commerce in India have, for some time, been arguing for setting up an unemployment insurance scheme to minimize the hardships caused by workforce reductions. The Legislative Assembly in Andhra Pradesh passed a bill in 1989 providing for setting up Industrial Workers Contingency Fund from contributions by employees and employers and a refundable advance of Rs 5 crores by the state government to grant contingency allowances to compensate workers affected by closure of industries leading to either temporary or permanent loss of employment. A committee set up to consider the modus operandi suggested that relief could be equal to 100 per cent of the applicable minimum wage in the first year, 50 per cent in the second year and 25 per cent in the third year. The bill is still awaiting President's approval.

Discussions on unemployment insurance raise two major issues: the first relates to the size and sources of fund and the second to the mechanism and responsibility for administering the fund. The corpus required to maintain unemployment insurance, even if it were to be restricted initially to cover micro-economic risk (i.e. the employees affected by enterprise closure or restructuring) and not macro-economic risk (i.e., all those who ought to have been covered by the "right to work" but who could not secure work), the immediate requirements of funds are indeed too enormous in the context of a tight resource position. Over a period of time, it may be possible to raise adequate funds for a modest scheme, along the lines specified for the textile industry or under the still-born Andhra Pradesh legislation. The arithmetic depends on the type of assumptions and it is possible to project a series of alternative scenarios.

The second and the most vexing question which is stalling efforts to even think about the scheme concerns who should administer it and how? Not surprisingly, the governments—both central and state—seem quite anxious to take on the responsibility and fill the vacancy caused by the possible contraction in its role elsewhere. The employers, and to an extent, even the unions are not one in welcoming government to do this, given the latter's record in administering the PF funds and the ESI scheme. None of the three actors seem to be capable—at least in the eyes of the remaining two — of administering the fund. Bipartite or tripartite arrangements could be thought of. But, given the rivalry within each of the three actors (arising out of multiplicity in the case of employers and unions and polarization over
Exit Policy: Social and Labour Policy Issues

Efficiency improvement is one of the prime considerations involved in the proposed package of economic reforms, whether they concern privatization, deregulation, liberalization or enterprize restructuring for enhancing competitiveness. For a firm to be efficient, it should use all its resources, including human, optimally. Since there is always scope for improvement, in variably, in the short-run, this could mean a certain proportion of labour in the existing jobs being rendered redundant. When the firm is restructured due to technological changes and economic compulsions, depending upon the existing state of health of the organization and its competitiveness, the proportion of labour rendered redundant varies. Employees and unions, not infrequently, argue whether they are being made to pay for others' failures/shortcomings. It is often difficult to determine whether the need to compulsorily declare labour redundancies is due to factors outside the control of the employer/management or due to the failure and/or shortcomings of the employer/management itself. Be that as it may, it is now well established and recognized that economic, technological, structural or similar reasons may also constitute valid reasons for termination of employment. The concern would, however, be not to treat the human resources of an enterprise as a disposable commodity, but to find ways and means to minimize the adverse effects through an appropriate blend of social and labour policies and programmes.

Exit Policy for Employers

Before we consider the public policy environment concerning exit policy for employees, we need to consider the exit policy framework for employers. In the face of case law denying the right to exist when unable (or unwilling) to pay minimum wages and refusal of permission for closure of business when it becomes sick and unlivable, employers had to approach higher courts arguing that right of exit (not to carry out a business) too constitutes part of the fundamental right to enter into business. In the case of Mollins, ACC and a number of other companies concerned, the High Courts upheld the employer view and granted them permission to exit from business. When BIFR was set up, the employers expected that the rehabilitation package would include liberal hand-outs for them in return for their risk capital. But BIFR made it clear that rights of ownership and control/management go concurrently with financial responsibility; if the management wants a say and share in the unit after rehabilitation, they should bring in additional risk capital in the form of their own contribution. Some employers, as in the case of DCM, did not bring additional risk capital but promised to plough back the money raised through sale of surplus land and other assets. In cases where the track record of employers did not warrant further reposing of trust by the other constituents such as labour and financial institutions, the discretion to sell assets and plough back the proceeds was denied to employers (for example, in several of the Kamani units). In such cases, employers resorted to litigation. This has impeded the rehabilitation of even potentially viable units such as Alind. All these factors show that there is an urgent need to develop an exit policy because the existing provisions concerning bankruptcy and liquidation proceedings in the Indian Companies Act seem inadequate. BIFR has come up with a proposal that financial institutions and banks should be conferred with powers similar to those available under Sec. 29 of the State Financial Corporations Act so that they could take physical possession of the assets when units are unable to fulfil repayment obligations. These institutions could also be empowered to organize the sale of sick units to interested parties and deposit sale proceeds with the High Courts for distribution among stakeholders in accordance with the provisions of the Companies Act.

Government Policy and Employment Safeguards

Legal Framework. For far too long, industrial policy in India has moved towards stricter regulation while industrial relations policy has become increasingly soft (Johri, 1990). The legal framework which was intended to protect the working class became usually obstructive of normal growth and functioning of industry. The Industrial Disputes Act, 1947, gives quasi-property rights to "workmen." Restrictions concerning notice of change (Section 9-A, 9-B, and 33 of ID Act), retrenchment and closure (Section 25 and Chapter V-B) create more practical difficulties than are apparent. Politically, it does not make sense for the government to allow closing of even chronically sick public sector establishments. A feeling is created whereby employees may feel they are secure even if the organization that employs them is not. In a world where change seems to be the only permanent feature, organizations are made to continue to remain in existence through archaic government policies, keeping labour constant, even if business parameters undergo significant changes. In
the process, flexibilities of all types in effective utilization of human resources are usually denied for fear that they might be misused by employers. The protection afforded is normally sought to go beyond the job and income security of the employees and extend to preservation of future job potential and adherence to current work practices, work techniques and equipment. Such rigid and restrictive features of public policy and union influence have impeded efficiency and competitiveness to a considerable extent.

The proposed deregulation and other measures to revamp the Indian economy will not fructify unless labour policy is in tune with industrial policy. On several occasions in the past, ad hoc changes in legislation were made but the much promised comprehensive reforms to industrial relations became elusive for want of a national consensus and also due to lack of political will. While it would be futile for employers to depend excessively on the government to bring about changes, the much needed reforms cannot be delayed further. In the meantime, management and unions should get together and review their past positions and attitudes towards the problems and come to an understanding in mutual interest.

Human Aspect. Human resource considerations form an integral part of reform measures. Governments are concerned about unemployment, union pressures, equity and social order. Pressure groups such as trade unions may propose a variety of safeguards such as the following on social, legal and moral grounds:

- Job security for all or a certain percentage of those already on rolls with/without protection of rank, pay and benefits
- Preferential government reemployment with/without consideration for qualifications/ availability of jobs
- Special compensation for early retirement, termination, etc.
- Special arrangements for purchase of equity shares by employees.

The approaches to security of employment and employment conditions in the wake of privatization, for example, vary from country to country (Venkata Ratnam, 1991a). Broadly, the different approaches discerned so far may be classified as follows in the descending order of security:

- No employee would lose job as a result of privatization and no one would suffer deterioration in conditions of employment. The employee if given the option to remain in public employment or join the new employer. Those who join the new employer are generally offered better terms but job security is guaranteed not for life, but for five years. In either case, employees can opt to retire early, subject to certain age restrictions, but those employed in private sector can, after retirement, seek reemployment with the same employer on a contract basis (See: Guidelines on Privatization, Malaysia).
- Transfer of business does not affect the continuity of service of an employee (Section 18 of Employment Act, Singapore).
- Layoffs may be inevitable, but government engages surplus staff temporarily or provides assistance for preferential employment and retraining for alternative jobs or self-employment and retraining (Japanese National Railway).
- Protection of income to those laid off for a limited period (say 1 to 3 years), followed by possibility of supplementary benefits up to seven years before being eligible for old age pension. This does not seem to have been attempted in any case of privatization as yet. But similar provisions exist in the United Kingdom Redundant Mineworkers Act.
- Employees of privatized firms who are not reemployed by the new employer would be eligible for payment of compensation and gratuity as determined by the appropriate Minister (Sri Lanka).
- Lay-offs may be inevitable. Concerned employer and/or government actively assists affected employees through prior consultation, counselling, retraining and active assistance in relocation without any grievances. This has been practised by British Steel since mid-70s when it was being readied for rationalization and privatization. It has set up a subsidiary company to create job opportunities in areas affected by plant closures and redundancies, which reportedly generated over 30,000 jobs.
- Automatic termination of employer-employee relations upon privatization. Normal termination benefits will accrue to the laid-off employees (Philippines).
- Surplus employees laid off. Since costs of meeting compensation are high, payments are deferred over 3 or more years (Ghana, for example).
- Laid-off employees or those opting for voluntary retirement may draw a salary with accompanying

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and the economies are vibrant. Employment is relatively low, trade unions are strong. The unemployment situation, the extent of power of the trade unions and employees. Some countries, particularly in Africa, seem to have problems in paying the usual compensation and have tried to devise alternative ways to defer payments, over a period.

Third World countries beset with high unemployment, weak trade unions and stagnant or worsening economic situation could not provide guarantees, because they just could not afford this. Countries which insisted that new investors must maintain existing staff levels (Pakistan, for instance) could not effectively implement privatization programmes because the requirement is unfeasible from the enterprise point of view, though it is desirable from the viewpoint of trade unions and employees. Some countries, particularly in Africa, seem to have problems in paying the usual compensation and have tried to devise alternative ways to defer payments, over a period.

It thus becomes clear that each guarantee should be weighed properly as to its pros and cons, not only from the employee and organizational point of view but also in a wider perspective taking into account the macro-economic scenario of employment, public finances, effects on income distribution opportunities for disadvantaged groups in the society, etc. We need to draw lessons from the earlier experiences of empty promises (as in the case of Right to Work, for instance) and exercise restraint in setting pragmatic safeguards so that the promises made need not necessarily be honoured only in breach.

Trade Union Rights and Trade Union Security. The industrialized countries do not normally distinguish between private and public sectors as far as trade union rights are concerned. However, in the UK, particularly, the views of the tripartite actors seem to converge on the thesis that privatization is intended among others to reduce the political leverage that public sector trade unions supposedly possess (Venkata Ratnam, 1991a). In contrast, in several developing countries, the right to organize, the right to collective bargaining and the right to strike have been restricted or denied not only in public services but also in public utilities and other state-owned enterprises like railways, gas, electricity, airlines, banks. Quite a few countries provide for discretion to influence final decisions on matters concerning pay and working conditions even in public utilities and state-owned enterprises.

The ILO's Governing Body Committee on Freedom of Association and the Committee of Experts on the Application of Conventions and Recommendations have recognized the workers' right to strike and held that strike prohibitions may be applied in times of acute national crisis and in respect of essential services and public servants acting in their capacity as agents of public authority. Essential services are those where the impact of direction would endanger life, personal safety or health of the population. The Committee also admitted that where the duration and spread in time and geographical coverage were extreme, the service concerned might be considered essential. However, several countries, including India, have declared a wide variety of services as essential. In several countries which once restricted the right of association and the right to strike of public sector workers but have now put in motion a process of privatization, the workers have gained these rights once the ownership changed from public to private or when their economies opened up. The most striking examples relate to Indonesia and the USSR. The government in Indonesia declared that workers in state-owned enterprises can have rights to organize, bargain and strike once they become private. In the USSR, the 1990 legislation grants workers the right to choose their representatives. The right to strike has already been granted to Soviet workers, though with certain restrictions.

Trade unions maintain, however, that although workers' rights concerning freedom of association and collective bargaining are not affected by privatization and even improved in certain developing countries and centrally planned economies, in practice, employers in the private sector are more likely to be hostile to unionization than in the public sector. The current levels and conditions of employment too might decline due to privatization and other forms of enterprise restructuring. Also, in centrally planned economies and socialist countries like Yugoslavia, private business still represents a small share of the economy, and the unions have remained largely unorganized in the private sector. It may take time for the unions to grow in strength and maturity and bargain on equal footing with employers. Besides changes at macro-level, develop-
ments at the micro-level during the period of transition will determine the future course of relationship between employers and unions in the private sector.

Trade unions are worried too about the rights of workers in the event of transfer of ownership from one employer to another and also about the prospect of the negotiated protections being annulled by special legislations / proclamations concerning privatization. Proclamation No. 50 by the President of the Philippines and the freedom of association case of Cebu Plaza Hotel highlight that union concerns are not necessarily unfounded. The ILO's Committee on Freedom of Association held in this case that proprietorial change shall not remove the right to collective bargaining from employees and does not directly or indirectly threaten unionized workers and their organizations. The possibilities for changes in trade union dynamics, inter and intra-union relations and unfair labour practices become apparent in the case of the privatization of the Japanese National Railway. It is also evident that employment may actually rise after privatization if the firm became viable at the time of privatization, and remains so and grows thereafter (for case studies referred to here, see: Venkata Ratnam, 1991a).

Employee/Union Involvement and Communications. There is need for tripartite consultation on all aspects concerning the possible effects the economic changes can have on human resources at the micro-level. Due attention has to be given to the typical concerns of employees in this context.

Why are the changes being considered?
Will I lose my job, job security, earnings...?
Will I get another? Where and what kind of job will it be? Who will help?
Will I be able to perform on the new job...?
What happens to my past service, retirement benefits, etc.?

Then there are a series of issues concerning the policy, procedures, and the processes. While tripartite consultations are necessary to arrive at consensus on major issues and in developing a policy framework and appropriate guidelines at the enterprise level, bipartite consultations between employer and unions should result in agreements covering a wide range of issues such as the following:

- objectives/purpose of restructuring or privatization
- range of options for revival, rehabilitation, divestment
- action plan highlighting the prerequisites for enterprise survival
- right of (first?) preference to employees to buy shares with or without special considerations
- job and income security (specify, if absolute securities are not possible)
- job changes (changes in job descriptions, job contexts, location, etc.)
- job redundancies, lay-offs/terminations: nature, extent and procedural aspects thereof (spell out criteria and procedure for termination, compensation, priority for rehiring within specified time limits, implications for retention of seniority to those rehired within specified time period, etc.)
- alternatives for averting or minimizing job redundancies (early retirement schemes, modified working patterns, retraining, redeployment, etc.)
- assistance in relocation (as in Japanese Railways and British Steel, for instance) through special funds, training schemes, outplacement, intrapreneurship, etc.
- trade union security (employers to recognize the workers' right to organize and the workers to accept the employers' right to recognize the most representative union as per national law practice)
- collective bargaining in good faith (treatment of already negotiated rights: if considered unviable they be renegotiated).

Employee Ownership. The concept of employee ownership is gaining currency in many countries in the wake of economic turbulence at macro and micro levels. The message in such cases (see Blassi, 1987) seems to be that if employees are concerned about the uncertainty hanging over their future, let them be the masters of their destiny. This was tried out with a good measure of success and popularity in the privatization programme of the UK. BIFR in India too has often considered employee ownership as an alternative to make potentially viable sick units turn around. Experiences of Jaipur Metals & Electricals and Kamani Tubes Limited, among others, seem to be encouraging. While employee ownership in itself is no guarantee for labour-management cooperation or productivity improvement, governments in several countries have offered a variety of concessions such as those listed below to the employees in divested/rehabilitated firms who would purchase shares:
• a specified number of shares free to employees with a minimum period of service and/or in a certain proportion weighted to their length of service
• a free share for every specified number of shares
• shares at a discount
• easy terms of payments/installments
• bonus shares to those who hold shares purchased for a minimum stipulated period
• tax concessions for investment in shares.

Some governments enact special legislation (as attempted, for instance, in Costa Rica) or provide guidelines to encourage Employee Stock Ownership Programmes (ESOPs).

It is argued in certain quarters that employees in the organized sector constitute the privileged lot of a society and therefore extending concessions of the type described above may run counter to the doctrine of distributive justice. Such criticism was answered by others who aver that there is every justification to show special consideration to those who are going to be immediately affected by privatization.

**Workforce Reduction.** Workers and their unions generally argue that every effort should be made to avert or minimize workforce reductions. Employers too agree, but generally insist that it is possible only so long as the enterprise remains a viable entity. The Termination of Employment Convention (No.158) and Recommendation (No.166) was adopted by the Indian Labour Conference in 1982 in which in Part III of the Convention, certain guidelines regarding termination of employment for economic, technological, structural or similar reasons have been suggested. An employer who contemplates such termination must:

• provide the workers' representatives concerned in good time with relevant information including the reasons for the terminations contemplated, the number and categories of workers likely to be affected and the period over which the terminations are intended to be carried out.
• give, in accordance with national law and practice, the workers' representatives concerned, as early as possible, an opportunity for consultation on measures to be taken to avert or to minimize the terminations and measures to mitigate the adverse effects of any terminations on the workers concerned such as finding alternative employment.
• notify the competent authority of such terminations as early as possible, giving relevant information.

The Recommendation lists a number of measures that should be considered in order to avert or minimize terminations of employment, including restriction of hiring, spreading workforce reduction over a period of time, internal transfers, training and retraining, voluntary early retirement with appropriate income protection, restriction of overtime and reduction of normal hours of work. Where a reduction of normal hours is envisaged, it is recommended that there should be partial compensation for loss of wages for the normal hours not worked. The Recommendation also envisages establishing a well-defined criteria for selection, for termination and according priority of rehiring with retention of seniority rights, which may be limited to a specific period of time, to such terminated workers. It is important to note that while the ILO itself has realized that under certain circumstances such as those described above, workforce reductions may become imperative but need to be averted or minimized, the ILO resolution adopted nearly a quarter century ago on automation and mechanization in India rules out workforce reductions altogether. The changed circumstances warrant a relook at the above resolution.

Significantly, though the ILO adopted the Termination of Employment Convention, 1982 (No.158) by 356 votes in favour to 9 against, with 54 absentions, and the Termination of Employment Recommendation, 1982 (No.166) by 375 votes in favour to 0 against with 16 absentions, at the end of 1990, only 12 countries ratified the convention. However, there is growing evidence suggesting that employers and workers are seeking to address themselves to this vexing problem through collective bargaining (Yemen, 1982; ILO, 1985; and Venkata Ratnam, 1991b).

**Recent Trends in Collective Bargaining.** The periodic wage revisions, annual increments and dearness allowance in themselves, together, lead to doubling of wages once every 7 years or so. Since labour cost as a percentage of total cost varies from about 2 per cent in petrochemicals to about 60 per cent in coal, wage sensitivity varies across firms. Companies with substantially higher wage costs than the industry norms have become sick invariably. Yet, the government seems to be encouraging, particularly in the central public sector, a measure of uniformity in basic pay and dearness and other allowances thus making the capacity to pay altogether redundant. Companies which do not have the capacity to pay the minimum wages have no reason to continue to exist and in addition to this cannot close down on their own.

Fortunately, there are many instances where managements and unions have been able to see the writing on the wall. They realized that the massive
changes in an array of factors at national and international level are impinging on enterprise performance and they need to adjust themselves in order to survive. Concession bargaining in times of crisis providing for reduction in employment, wages and allowances, freeze in dearness allowance, changes in working patterns, stoppage or modification to incentive schemes, early retirement, lay-off/retrenchment, retraining and redeployment, has been spreading since the late 1980s. Companies like Bajaj Auto and ITC (productivity agreements), Kirloskar Oil Engines (change in work practices), TELCO (discipline), Thermax (multi-skilling) and Walchandnagar Industries (turnaround), among others, have entered into unique agreements. Indian Aluminium and English Electric have reasserted managerial rights through collective agreements. TISCO, Burnpur, in the public sector entered into a far reaching agreement on modernization with several national federations of trade unions. The textile mills association in South India entered into a productivity agreement with the unions after industrial engineering studies from either side. Some agreements provide proactively for certain situations whereby reference under section 2 A of the Industrial Disputes Act may not be necessary for introducing a change in work practice. Similarly, a few others provide for conditions when the company can declare temporary lay-off or lockout subject to payment of statutory and/or other mutually agreed obligations to employees. Pay and benefits are linked to output/turnover in some organizations even as incentive schemes under vogue are withdrawn. Some organizations like TI cycles found it feasible, several years ago, to link even clearness allowance with productivity rather than with inflation, even if for a short while. In juxtaposition, there are agreements signed which continue to restrict, further, managerial discretion, even in such spheres as application of computers in banks, for instance.

It is not clear from a survey of collective agreements (Venkata Ratnam, 1991b) as to what price management had to pay to get such unusual clauses written into the text of the agreements. What is clear, however, is that it is possible to work out creative solutions to chronic problems, if only management and unions jointly assess the situation with a view to overcoming the problems.

Trade Union Response and Industrial Relations

Global Trends

The free trade union movement in the world, it appears, initially found it difficult to oppose deregulation, privatization and related economic measures on ideological grounds. A challenge to the principle of privatization is portrayed as a challenge to the free enterprise system. In contrast, the left-led union movement was somewhat in disarray. Considering the major and often traumatic changes that were taking place in the centrally planned economies, they were unable, nationally, to rip the tide of market orientation that was taking place in their countries. The 1990 meet of the World Federation of Trade Unions (WFTU) at Moscow resolved that unions should keep off from political and ideological persuasions, develop themselves as democratic organizations fighting for the cause of the employees. The West European trade union movement raised fundamental issues about the relevance of public sector and public services and articulated the need for toning up the services by making public managements more responsible rather than merely transferring ownership of such services. Generally, the opposition to privatization was somewhat mild, except from Postal and Telecommunications and certain other public service employees unions. Among the industrialized countries, the burden of opposing privatization fell on the Trade Union Congress in the UK which also happened to be the centre stage for privatization programmes in the 1980s. When the TUC began to reflect on the future of public ownership, as the discussions in its annual congresses throughout the decade reveal, its leadership was distraught with the growing erosion of confidence in public services among the public and its own members. Therefore, it had to enlarge the scope of its campaign against privatization so that it will be seen more as a positive reaffirmation in public ownership manifesting a genuine concern of "Industries for People," than as an agitation by trade unions to merely safeguard the interests of their members.

The unions in developing countries, irrespective of the colour of their political and union affiliations nationally and internationally, have generally been opposed to privatization which stems partly from ideological considerations and largely out of concern for the security of their members' jobs and of the unions themselves. During the last two decades, in Europe and in North America, decline of unionism was associated with rise in unemployment and inflation. The same trends were discerned in the recent upheavals in central and eastern Europe where union membership has come down drastically since 1989. This development expedited the need for both management and the unions, particularly the latter, to shed adversarial attitudes and learn to cooperate. The adversarial stance of coal miners and the TUC to the British economic reforms since 1979 did not do any good to the union movement. Manage-
ments too felt the pressure to adjust in the wake of competitive pressures. But for this welcome realization on both sides, the trauma of economic and social changes could have resulted in the worst industrial conflict in the industrialized countries. That it did not happen confirms that the macro-economic changes brought about an element of compulsion to cooperate.

**Indian Scenario**

Early indications about the response of the trade unions in India are along the expected lines. Trade unions belonging to all colours and federations have been one in voicing their opposition to the proposed changes. The Union Labour Minister indicated that in the first six months of 1991, already about one lakh workers have been affected by closures and lock-outs in over 100 establishments. Over 50 per cent of the officers in the State Trading Corporation (STC) had to voluntarily retire in the wake of the recent policy reforms which reduced the STC's role substantially. Reports indicate that all the Bangalore-based central public sector establishments applied to the government for permission to lay off large numbers of workers in the face of import restrictions and consequent contraction in business. Though workforce reductions are not confined to the public sector alone, the settled notion that employment is secure in public sector is now getting disturbed and causing greater worry to those who are affected and/or likely to be affected.

Over Rs 90,000 crores has been invested in the 244 central public enterprises which employ about 22 lakh persons. More than half of them report losses, and a large majority have negative networth and huge accumulated losses. The nationalized coal companies account for over 6 lakhs employees and the nationalized textile and jute mills for about 1.5 lakhs. The Delhi Transport Corporation (DTC), The Indian Iron and Steel Corporation Ltd., and the nationalized corporations in West Bengal employ another one lakh persons.

Almost all these enterprises were once in the private sector and were subsequently nationalized since their performance was poor in the private sector. To privatize them now because their performance has been poor in the public sector is to forget the lessons of history. Mere change in ownership would not make an enterprise viable. While there can be no two views about the need for hard options, one can argue whether they should begin and end with workforce reductions. Also, why should workers alone pay the price each time mismanagement is the cause, callously or calculatedly? What is done to bring such managements to book? Should entrepreneurs who make units deliberately or otherwise sick be allowed to enter and exit at will, repeat their (mis)deeds and reap benefits? Is there anything in the government policy to bar and ban sick (sick?) entrepreneurs from borrowing public funds and spreading the sickness?

About 20 other public enterprises like the Hindustan Shipyard, Scooters India Ltd., Heavy Engineering Corporation, Hotels Corporation Ltd., Hindustan Fertilizers Corporation, Indian Drugs and Pharmaceuticals Ltd., which together employ over one lakh persons can be considered prime targets for liquidation or divestment in view of their dismal performance over the years. All these firms, except the Shipyard, have competing firms in the private sector which have shown a good record of performance to suggest that basically the sickness was not the result of industry characteristics or business recession. Even in the profit earning companies such as steel, manning is about 40 times more than the number employed by the world's best steel mills for similar output. Technological differences are there and employment-unemployment contexts are dissimilar to permit straitjacket comparisons. But the question is: can employment be generated and maintained without commensurate returns?

**Concluding Observations**

If social objectives are overriding, would it not be worthwhile to consider closure of unviable units, pay compensation to provide relief to the affected workers along the lines suggested in the Andhra Pradesh Bill referred to earlier and use the balance money to invest in infrastructure building activities which have the maximum potential to generate employment and produce multiplier effect? Managements and trade unions in the organized sector in India have, in recent times, colluded in many instances to get substantially higher wages and other benefits to those already on the union rolls and pay the other non-union workers and non-formal employees as little as possible (Ramaswamy, 1988). With the result, employment in the organized private sector had showed a decline in absolute terms while in the public sector, the rate of growth of employment per unit of capital employed decelerated during successive plan periods. In three core sector public enterprises in the central sphere — steel, coal, and ports (ports are not public enterprises as such) employment declined by about 70,000 during the 80s. Significant reductions in organized employment took place in Indian industry over the last two decades without any economic reform. The absence of a data base and the imperfections in information flows prevented us from discerning the disturbing trends.
well in time and considering optimal solutions to overcome the problems. While trade unions and other interest groups may and shall pool their resources to press for an employment generation policy, they will be doing a disservice to themselves and to the nation if they want to create and perpetuate an island of unproductive workforce whose skills and talents remain unharnessed for national good. It is time for trade unions in India to pause and reflect whether they can stem the tide of general economic factors and create and maintain a protective shelter for the employed in the organized sector or ask for a larger share for the working class in a vibrant economy. Recent trends in Indian industrial relations point to a decline in managerial discretion on the one hand and the scenario of employees not always acting through the unions even in unionized situations are opening up possibilities of unorthodoxy and fluid structures of interaction. The present workforce is young, literate, more skilled and is urban in origin. Workers of today also attach high importance to intrinsic factors such as lack of recognition for achievements, absence of adequate promotional facilities and opportunities for training and development. The managers, therefore, need to be responsive only to the lower level needs of workers, such as money and security, but also to their higher order socio-psychological and achievement needs. Trade union leaders too would have to draw their strength from the support of the rank and file (Sengupta, 1990).

In the last two decades, there has been a decline in employment in the agricultural and industrial sectors and a boom in the service sector. The resulting changes in the nature of work and the composition of workforce rendered the old beliefs concerning human resource management largely archaic, and resulted in structural contradictions between the hierarchical nature of managerial direction and control and point to the need for integration, consensus and commitment. Recent advances and changes in the work environment including the demographic profile of employees and the gradual shift from muscle to machine, brawl to brain power, have proved the ineffectiveness of managerial strategies to mobilize discretion, initiative, diligence and enthusiastic commitment of employees to corporate objectives that are so crucial in today's technologically oriented job environment. Therefore, it is little wonder that a momentum is building up to adopt managerial strategies not based on direction and control but those based on management through consent and commitment. This involves the principle of sharing information, power, authority and discretion through joint regulatory processes and a participatory climate rather than preponderance of participatory 'fads and mechanisms. Managements must learn to share their power and influence with the rank and file. There is need for a say and stake of workers and unions in the manner in which enterprises should be managed.

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