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PATTERNS OF EMPLOYMENT RELATIONS IN INDIA

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ABSTRACT

Worldwide changes in employer-employee relations or employment relations now indicate growing dissimilarities in employment practices across firms within countries and growing similarities in employment relations across countries. The dissimilarities and similarities are best described in terms of differences in firms' employment relation systems, where each employment relation system is described by a set of interrelated components such as organizational structures; rights of workers, unions, and managers; and nature of work practices. In this approach, difference in employment relation systems across firms arise because of differences in the components of their systems and differences in the relationships of the components.

KEYWORDS- Employment Relations , homogenizing , structural adjustment program .

INTRODUCTION :

Over the last three decades, increased competition has changed the behaviors of workers, managers, unions,

and other stake holder and institutions. Faster flow of information and knowledge has led firms to adopt practices that have been successful in other firms. The changes have put pressure on firm's employment relation systems and have led to increasing differences in employment relations across firms. In this changing environment, while globalization has a homogenizing effect on firm's employment relation systems across countries, there are also forces in operation that are leading to divergences in employment relations within countries. In India, the environment in which firms operate has changed dramatically with the initiation of the structural adjustment program in 1991. This paper examines changes in employment relations in the post liberalization period and identifies the dominant patterns of employment relation systems in India.

The study uses the term 'employment relations'. The term is now being increasingly used in the literature to reflect the growing interconnectedness of industrial relations (IR) and human resource management (HRM)¹. It encompasses aspects of both industrial relations and human resource management. The theoretical analysis in this paper draws from past work on changes in industrial relations and human resource management, and includes some recent studies in employment relations. The study uses a 'system approach' in which an employment relation system is seen as a set of interrelated elements (inputs, processes, and outcomes) that emphasize interactions and connectedness of the elements. The study is important because much of the literature on the changing patterns of employment relations have focused on developed economies and only a few covers developing countries. In the global context, this study is particularly important because India's entry to the global market is relatively recent and there has been increased involvement of MNCs in India in the post –reform period. The study is not



only important for the academics in the field, it is also important for the professionals and policy makers. The inquiry examines the dominant patterns of employment relation systems in India by identifying some combinations of inputs, processes, and outcomes. Employment relation systems are in equilibrium with inner consistency between their parts. A significant change in one of the elements displaces an old equilibrium and creates a new position. Employment relation systems are dynamic entities as they continually interact with the environment, change, and adapt to develop congruence between people, process, structure, and external environment (Cummings 1980: 76-77). Economic, technical, legal, social, political, and physical environments in which firms operate influence their employment relation systems.

IV. CHANGES IN EMPLOYMENT RELATIONS IN INDIA.

Employment relation practices that existed in the initial years of industrialization in India were no different from the employment relation practices in the United States or Britain at the turn of the 20th century. In these systems, power was essentially devolved to foremen, who virtually had complete authority to hire, fire, and pay employees. Employment conditions under such arrangement appeared both arbitrary and uncertain, and varied across foremen and over time for the same foreman. Pressures to increase production and reduce production uncertainties led employers to apply the principles of scientific management in work organizations and adopt standard rules and procedures. In India, the state played an important role in the process of rationalizing and standardizing employment practices and trade unions added to the pressures. In the first four decades of independent India, the state intervention through political and institutional considerations in determination of wages and working conditions gained dominance and industrial wage boards and tripartite industry-wide agreements became the ideal norms. The system that emerged represented the employment relations system in India just before economic liberalization (Rudolph and Rudolph 1987).

Characteristics of employment systems that existed in India before the 1990s (preliberalization period) were similar to those found in industrialized countries before their dramatic changes in the 1970s and 1980s. The models of internal labor markets best describe the systems. In this arrangement, managers make all the important decisions and non-managers implement the decisions. Firms hire unskilled and inexperienced workers for entry-level work and training is mostly on the job training. Most often, workers start with simple unskilled jobs, such as helpers, and over time they acquire skills for higher paid jobs. Promotion is most often seniority based and merit rarely influences the decisions. In the system, both managers and workers enjoy high level of job security and workers' wages vary according to job title and seniority with almost no linkages to individual performance. The organizational structure is hierarchical with multiple levels in hierarchy between production workers and chief executive officers and separate hierarchy for each function. Principles of scientific management determine the structure of work organization which clearly specified job descriptions for each job, and workers have no autonomy or variety in their job. There are different explanations for development of the internal systems—some argue that management introduced the system because it was efficient and it institutionalized management control, others argue that it developed because of bargaining between capital and labor (Marglin 1974; Edward 1979; Burawoy 1979). In India, there is support for all the above explanations, but most importantly, the state policy and the restrictive labor legislation played an important role in the emergence of internal systems and similarities in employment relations across firms. The internal systems are still common in many firms in India, but there is evidence that they are disintegrating with increasing pressures of competition.

Policy changes initiated in the mid-1980s that accelerated in the 1990 represented a gradual retreat of the state not only from the economic arena, but also from the industrial relations arena. Employment relation practices that developed and existed in the preliberalization period were never uniform across the entire economy, but they were both relatively stable over time and consistent across large sections of industry. They included

6. Growing wage inequality

There is now increasing variations in wages. This is seen even if one does not include incentive wages.

7. Union strategy

Management is increasingly adopting union-avoidance or union-substitution strategies. The preference is now for independent and internal union.

8. Productivity and quality

There is now increased emphasis and union involvement in improvement of production, productivity, and product quality.

9. Training

There is now increased emphasis on employee training. Some firms have annual training plans and some even have long-term training plans for individuals.

10. New Practices

Some firms, particularly the MNCs and reputed Indian firms are increasingly adopting practices that have been successful in industrialized countries.

We have indicated above some of the important changes in employment relations and workplace practices. One of the important issues has been the reduction in employment and adjustment of workforce. Employers have demanded an exit policy, but successive governments could not come up with such unpopular policy. So, employers adopted new strategies by reducing regular workers through voluntary retirement and expanding the periphery through contracting out of jobs¹¹. The changes have reduced job security and growth of non-regular workers. The organizations that emerged from such restructuring are flatter and have very different employer-employee relations than the old traditional firms. The new models of organizing work include concepts like decentralization of control over work, worker empowerment, autonomous work groups, performance-based pay, and total quality management. Quality control, quality circles, multi-skill development, and teams are now popular terms in employee management. The changes have dramatically altered the industrial relations landscape in India. The changes, however, are not uniform across firms. Some firms with more ability and opportunity to restructure (multinationals and reputed Indian firms) have changed drastically; while many firms still follow their traditional practices. This has led to increasing variations in employment relations across firms.

V. EMERGING PATTERNS OF EMPLOYMENT RELATION SYSTEMS IN INDIA.

Changes in global and national contexts over the last two decades have led to changes in employment relations in all types of firms in India. Globalization with policies of liberalization, deregulation, and privatization has increased domestic and international competition and has increased involvement of MNCs in Indian economy. The changes in national contexts are in terms of changes in economic, technological, legal, social, and political contexts. The most important of all the changes in the national contexts has been the changes in economic and industrialization policies introduced through the economic reform program in 1991. This indicates a change in a new direction with a major shift from the policies that prevailed since independence to 1980s. The changes in global and national contexts have induced many changes in the functioning of firms and have changed firms' employment relations. The changes are not uniform across firms. This is partly because environment and contexts differ across firms. Some industrial sectors and some firms face intense competition from imported goods or foreign competitors; while others producing for local markets and using low-level technology still operate in a relatively insulated environment¹². Employment relations of firms in some industries like jute mills and textile mills have experienced only small changes over a long period of time. In contrast, many capital-intensive firms have seen dramatic changes in their employment relations. Overall, the changes collectively show growing dissimilarities in firms' employment relations within India. Further, as some firms in India adopt employment relation practices of firms in other countries, they contribute to growing similarities in employment relations across countries.

Most studies on changes in employment relations in industrialized countries have especially focused on automobile and telecommunication industries. This is because these two industries are important in

industrialized countries both in shares of employment and in total industrial production. In Indian context, the different patterns of employment relations can be best studied by examining the firms in the textile industry. Indian textile industry engages a large number of workers, contributes a large proportion of industrial output, and plays an important role in the economy. Further, wide variations across textile firms in products, size, technology use, unionization, and management strategy make it an ideal sector for such study. Das (2010) identifies four dominant patterns of employment relations in the Indian textile industry –the low-wage pattern, the conflict pattern, the joint team-based pattern, and the HRM pattern. The four patterns are described below. In the past, employment relation practices were broadly uniform across textile firms in India with centralized tripartite wage agreements and bounded amount of conflicts between capital and labor. The emergence of the four patterns indicates a departure from the past practices.

1. Low-wage Pattern

The main characteristics of the pattern are relatively low wages and low fringe benefits, informal personnel policies, and substantial discretion to operating managers in matters of leave, discipline, and payment of wages. Employment is often temporary with limited employee commitment or promotional opportunities, absence of seniority-based pay, and high labor turnover. The pattern is common in small firms and in labor intensive firms producing poor quality products for the domestic market.

2. Conflict Pattern

In this pattern labor and management are engaged in continuous struggle over their basic rights. Because of high costs of conflicts, the pattern is often unstable. Labor conflict is a transitory phase in most firms, but in some firms it is perennial and continues for long periods. In India, this pattern of employment relation is seen in some textile mills, jute mills, and steel rolling mills that have low wages in the union setting. Most often these firms experience frequent strikes, suspension of work, or lockouts.

3. Joint Team-based Pattern

This pattern indicates cooperative relation between labor and management in union setting and with formal personnel policies. There is more involvement of workers and unions in business decisions and particularly in matters like productivity and quality improvements and increase in flexibility and productivity linked wages. In India, this pattern is seen mostly in firms that recognize single union and maintain good relations with their workers and unions. Some of these firms also introduce modern workplace practices like team work and quality circle.

4. HRM Pattern

This pattern relies heavily on formal personnel policies. However, the nature of the policies differs from those seen in traditional nonunion firms. The pattern typically involves knowledge or skill based pay, elaborate employee communication and complaint procedure, and team form of work organizations. The pattern developed in nonunion setting, but it has also expanded in union setting. The management strategy towards unionization is either union avoidance or union substitution. Some MNCs and capital intensive high technology firms exhibit this pattern (Katz and Darbishire 2000: 21-27).

The four patterns are not only common in the textile industry; they are also seen in other industries. In India, about 90% of all workers work in the small-firm sector or informal sector. Our analysis will thus remain incomplete if we do not discuss about the employment relations in the small firm sector. Employment relation in the small firm sector. Employment relation in the small firm sector is represented by the low-wage pattern. In most small firms employee control is simple control, where employers directly control all aspects of workers' work life without any external influences. Their employment relations are described as 'simple paternalistic chemical industries (Das 2010). In order to examine the overall variations in employment relation practices in India, we argue that the overall variations in employment relations in a country can be seen as the aggregate of the variations in employment relations within different industrial sectors and the differences in employment relations across the industrial sectors.¹⁴ There are differences in firms' employment relations across industrial

sectors. The differences in employment relation practices across industrial sectors are in terms of number of the dominant patterns in the sectors (extent of divergence) and the types of the dominant patterns in each sector. The best examples of the inter-industry differences can be given by comparing employment relations in the textile industry and the IT-enabled service sector firms. The two industries differ widely in terms of their timing of evolution, products, skill of employees engaged, and technology used. The textile industry represents a traditional industry with a history of about a century and still contributing a substantial portion of the country's industrial production and employment and caters to both export and domestic markets. In contrast, the IT-enabled service industry in India became popular only in the last decade. It used modern technology and is highly dependent on external markets. The study shows that in place of the four dominant employment patterns in the textile industry, the IT-enabled service sector is relatively homogeneous with little or no difference in employment relations across firms. It exhibits only one dominant employment pattern: the HRM pattern or more precisely the mass customized HRM pattern. This explains the inter-industry differences in employment relations across firms. Within the small farm sector there are now some differences in firms' employment relations as some small firms are facing external influences that restrict employers' absolute authority. The restrictions are of different types and they differ across industrial sectors and even within the sectors. Employment relations of small firms that experience external influences are different from the simple paternalistic pattern. Their employment relations are best described as 'coordinated paternalistic pattern'. The external influences are imposed by labor laws, trade unions, and employers' associations. Most often the influences are weak, but sometimes the influences are strong like those seen in the 'industrial districts'. There are thus two types of the coordinated pattern—loosely coordinated paternalistic pattern and highly coordinated paternalistic pattern.

(a) Low-wages simple Paternalistic Pattern

It represents the simplest form of employment relation system, with unadulterated interaction between employers and employees and no formal rules to regulate employer or employee behavior.

b) Low –wages coordinated Paternalistic Pattern

It is in many ways similar to the simple paternalistic pattern, but employers' authority is no longer absolute. It is constrained by government rules, trade unions, and employers' associations.

HRM pattern is mostly seen in capital intensive firms. However, it is also seen (though sparingly) in some labor intensive firms (Das 2010). Further, there are some differences across firms in use of the HRM approach and firms differ in implementation of the HRM practices. The differences are also because some firms adopt American HRM practices and some firms adopt Japanese HRM practices. In the American model of HRM, the management strategy towards unionization is that of union avoidance and it promotes individualistic approach. In the Japanese model of HRM, the management sponsors internal unions and promotes collectivist cultural values and social habits. Further, the HRM pattern in the IT-enabled service sector firms is different from the HRM patterns discussed above. The HRM pattern in the textile or engineering industries evolved from the industrial model of employment relations, while in the IT-enabled service, it developed from the salaried model¹³. Employment relations in IT-enabled service firms are best described as mass customized HRM pattern, which has some aspects of the conventional HRM pattern but it departs in other aspects. This hybrid form is characterized by precise hiring criteria, training for job proficiency, limited career opportunity, and a greater element of performance/skill-based pay. The control relations are characterized by strong reliance on use of IT for supervision and control, which is often referred to as "info-normative control" (Frenkel 1998).

The identification of the four patterns of employment relations in India is based on the study of the textile industry. The patterns are also seen in firms in the engineering,

VI. CONCLUSIONS.

The changes in employment relation practices in industrialized countries indicate growing variations in employment relation practices within the countries and increasing similarities in employment relation practices across countries (Katz and Darbishire 2000). The changes in employment relation practices across firms within

India also indicate increasing variations in employment relation practices across firms. Das (2010) describes the variations in employment relations within different sectors and between the sectors. The variations are seen in a number of ways. There are increasing variations in employment relations practices both within (example: textiles, chemicals, and engineering sectors) and across industrial sectors (example: between textile and ITO-enabled service sectors), within the capital-intensive sector and in the labor-intensive sector, within the union sector and non-union sector. As multinational corporations introduce new workplace practices that are not common in local firms., they contribute to increased variations in employment practices amongst local firms. Further, as the union sector with relatively uniform employment conditions shrinks and union firms adopt practices of nonunion firms, they contribute to increasing variation in employment relations. In the small-scale sector, the emergence of the coordinated paternalistic pattern has increased the variations in employment practices. In aggregate, the increased variations in employment relation practices in the different sectors have contributed to overall variations in employment relations in India.

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