

## **Trade Union Movement in India and the aftermath of Liberalised Economic Policy of 1991**

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**Abstract:** *This paper is a study of various aspects of trade union movement in India. Not much study is available to us on the conditions of workers in Indian industries and failure of trade union to improve the same. An attempt has been made to assess the impact of economic liberalisation policy of 1991 on trade unions in Indian Industry. This paper also illustrates the role trade unions have played in the Indian industries and propose their ultimate course of action. The findings of this paper are based on secondary sources of data.*

**Keywords:** *association, capital, collective bargaining, economic growth, economic liberalisation, labour, trade union.*

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### **I. Introduction**

Trade Union is an organized association of workers in a trade, group of trades, or profession, formed to protect and further the rights and interests of its members. More broadly trade union is an organization of workers who have come together to achieve common goals such as protecting the integrity of their trade, achieving higher pay, increasing the number of employees an employer hires and better working conditions. The trade union, through its leadership, bargains with the employer on behalf of union members and negotiates labour contracts with employers. The most common purpose of these associations or unions is maintaining or improving the conditions of their employment. This may include the negotiation of wages, work rules, complaint procedures, rules governing hiring, firing and promotion of workers, fringe benefits, workplace safety and policies. Trade unions have become an indispensable part of the modern corporate world.

There have been innumerable instances in history in which manual workers have associated together for a short time against their social superiors. However, none of these associations fall into the definition of trade unions. The history of trade unionism commences from the beginning of eighteenth century before which the existence of anything falling in the definition of trade union cannot be traced. Moreover, although it is suggested that analogous associations may have existed during the Middle ages in various parts of the continent of Europe, we have no reason to suppose that such institutions exercised any influence whatever upon the rise and development of the Trade Union Movement of modern days. Trade unions may be considered to have originated during industrial revolution in Europe when there was a separation of manual worker from the means of production due to the introduction of machinery and the factory system.

The individual employee possesses very little bargaining power as compared to that of his employer. If he is not satisfied with the wage and other conditions of employment, he can leave the job. It is not practicable to continually resign from one job after another when he is dissatisfied. This imposes a great financial and emotional burden upon the worker. The better course for him is to join a union that can take concerted action against the employer. The threat or actuality of a strike by a union is a powerful tool that often causes the employer to accept the demands of the workers for better conditions of employment. The decisions regarding pay, work, transfer, promotion, etc. are highly subjective in nature. The personal relationships existing between the supervisor and each of his subordinates may influence the management. Thus, there are chances of favouritisms and discriminations. A trade union can compel the management to formulate personnel policies that press for equality of treatment to the workers. All the labour decisions of the management are under close scrutiny of the labour union to minimise favouritism and discrimination. The employees may join the unions because of their belief that it is an effective way to secure adequate protection from various types of hazards and income insecurity such as accident, injury, illness, unemployment, etc. The trade union secure retirement benefits of the workers and compel the management to invest in welfare services for the benefit of the workers. The desire for self-expression is a fundamental human drive for most people. All of us wish to share our feelings, ideas and opinions with others. Similarly the workers also want the management to listen to them. A trade union provides such a forum where the feelings, ideas and opinions of the workers could be discussed. It can also transmit the feelings, ideas, opinions and complaints of the workers to the management. The collective voice of the workers is heard by the management and given due consideration while taking policy decisions by the management. Another reason for employees joining unions is that employees feel that unions can fulfil the

important need for adequate machinery for proper maintenance of employer-employee relations. Unions help in betterment of industrial relations among management and workers by solving the problems peacefully.

## **II. Historical Development Of Trade Union In India**

### **2.1 Development of Trade union:-**

As in most parts of the world, in India also trade unions originated as an outcome of the modern factory system. The necessity of trade unions was felt in the latter half of the nineteenth century in India. The development of industries in this period led to large-scale production on the one hand and social evils like employment and exploitation of women, child labour and the deplorable conditions at work place on the other. Early efforts were made by philanthropists and social workers like Shri Sorabji Shapurji Bengali and Shri N M Lokhande on compassionate grounds. On the recommendations of the First Factory Commission which was appointed in the year 1875 the First Factories Act was passed by the British Government in 1881. However, this act could not do much for the welfare of the workers and its drawbacks compelled the workers in Bombay textile industry to demand for reduced hours of work, weekly rest days, midday recess and compensation for injury. The Bombay Mill Owner's Association didn't accept all the demands of the workers as a result of this under the leadership of NM Lokhande Bombay Mill Hands Association was formed in 1890. This was the first workers union in India. Since then many association of workers emerged, some of these were the Printers' Union, Calcutta in 1905, Bombay Postal Union in 1907 and the Social Service League in 1910. Most of these associations could not serve the purpose of trade union and perished before the First World War.

Industrial unrest grew up as a result of grave economic difficulties created by the First World War. The rising cost of living prompted the workers to demand higher wages for which they started uniting themselves. Thus the social, economic and political conditions of the country and the formation of International Labour Organisation (ILO) in 1919 further influenced the growth of trade union movement in India. In 1919 Madras Labour Union was formed which is considered as the first organised trade union in India. All India Trade Union Congress (AITUC) was formed in 1920 to give Indian representation at the League Of Nations' ILO and also for coordination of activities of various trade unions. The central Labour Board, Bombay and the Bengal Trade Union Federation was formed in 1922. The All India Railwaymen's Federation was formed in the same year and this was followed by the creation of both Provincial and Central federations of unions of postal and telegraph employees. In 1928, All India Trade Union Federation (AITUF) was formed.

With the emergence of independent India in 1947 the partition of country affected the trade union movement particularly in Bengal and Punjab. By 1949, four central trade union organizations were functioning in the country:

The All India Trade Union Congress,  
The Indian National Trade Union Congress,  
The Hindu Mazdoor Sangh, and  
The United Trade Union Congress

In India the Trade Union movement is generally divided on political lines. Indian national trade Union Congress (INTUC) may be considered as the trade union arm of the Congress Party. Similarly, the AITUC is the trade union arm of the Communist Party of India. Besides workers, white-collar employees, supervisors and managers are also organized by the trade unions, as for example in the Banking, Insurance and Petroleum industries. According to data published by the Ministry of Labour, trade unions had a combined membership of 9,573 thousand in 2008 out of which 2,153 thousand were women and 7,420 thousand were men. As of now there are 12 Central Trade Union Organisations recognised by the Ministry of Labour. They are

All India Trade Union Congress (AITUC)  
Bharatiya Mazdoor Sangh (BMS)  
Centre of Indian Trade Unions (CITU)  
Hind Mazdoor Kisan Panchayat (HMKP)  
Hind Mazdoor Sabha (HMS)  
Indian Federation of Free Trade Unions (IFFTU)  
Indian National Trade Union Congress (INTUC)  
National Front of Indian Trade Unions (NFITU)  
National Labor Organization (NLO)  
Trade Unions Co-ordination Centre (TUCC)  
United Trade Union Congress (UTUC) and  
United Trade Union Congress - Lenin Sarani (UTUC - LS)

### **2.2 Indian Trade Union Act 1926:-**

The historic Buckingham Mill case of 1921 in which the Madras High Court granted an interim injunction against the Strike Committee of the Madras Labour Union forbidding them to induce certain workers

to break their contracts of employment by refusing to return to work. Trade Union leaders found that they were liable to prosecution and imprisonment for bona fide union activities and it was felt that some legislation for the protection of trade union was necessary. In March 1921, Shri N. M. Joshi, then General Secretary of the All India Trade Union Congress, successfully moved a resolution in the Central Legislative Assembly recommending that Government should introduce legislation for the registration and protection of trade unions. Opposition from employers to the adoption of such a measure was however, so great that it was not until 1926 that the Indian Trade Unions Act was passed.

Indian Trade Unions Act, 1926 summarizes all modalities pertaining to registration of trade union to decision of trade related disputes. This act sets guidelines for both the workers and the industrialists. The Act deals with the registration of trade unions, their rights, their liabilities and responsibilities as well as ensures that their funds are utilised properly. It gives legal and corporate status to the registered trade unions. It also seeks to protect them from civil or criminal prosecution so that they could carry on their legitimate activities for the benefit of the working class. The Act is applicable not only to the union of workers but also to the association of employers. It extends to whole of India. Also, certain Acts namely, the Societies Registration Act, 1860; the Co-operative Societies Act, 1912; and the Companies Act, 1956 shall not apply to any registered trade union, and that the registration of any such trade union under any such Act shall be void.

### **III. Trade Unions In Pre-Liberalisation Period (Till 1991)**

#### **3.1 Approach prior to liberalisation:-**

Prior to economic liberalisation policy of 1991, the industrial relations system in India sought to control conflicts and disputes through excessive labour legislations. These labour laws were protective in nature and covered a wide range of aspects of workplace industrial relations like laws on health and safety of labours, layoffs and retrenchment policies, industrial disputes and the like. The basic purpose of these laws was to protect labours. However, these protectionist policies created an atmosphere that led to increased inefficiency in firms, over employment and inability to introduce effectiveness.

For the betterment of the position of their members in relation to their employment the trade unions aimed to ensure adequate wages, secure better conditions of work and employment, get better treatment from employers, etc. When the unions failed to accomplish these aims by the method of collective bargaining and negotiations, they adopted an approach and put up a fight with the management in the form of go-slow tactics, strike, boycott, gherao, etc. Trade unions aimed at rendering help to its members in times of need, and improving their efficiency. Trade unions tried to foster a spirit of cooperation and promote friendly industrial relations and diffuse education and culture among their members. They took up welfare measures for improving the morale of workers and generate self confidence among them. They also arranged for legal assistance to its members, if necessary. Besides, these, they undertook many welfare measures for their members, e.g., school for the education of children, library, reading-rooms, in-door and out-door games, and other recreational facilities. Some trade unions even undertook publication of some magazine or journal. These activities depended on the availability of funds, which the unions raise by subscription from members and donations from outsiders and also on their competent and enlightened leadership.

The central function of a trade unions performed was to represent people at work. But they also had a wider role in protecting their interests. They also played an important educational role, organizing courses for their members on a wide range of matters. Seeking a healthy and safe working environment was also prominent feature of union activity. Trade unions helped in accelerated pace of economic development in many ways. Workers have to adjust themselves to the new working conditions, the new rules and policies. Workers coming from different backgrounds may become disorganized, unsatisfied and frustrated. Unions helped them in such adjustment. Trade unions also argued against improper implementation of personnel policies in respect of selection of employees for recruitment, selection, promotions, transfers, training, layoffs, retrenchment etc..

#### **3.2 The First National Commission on Labour:-**

The first National Commission on Labour was set up on 24 December 1966 under the Chairmanship of Justice Pralhad Balacharya Gajendragadkar. The Commission submitted its report in August 1969 after detailed examination of all aspects of labour problems, both in the organised and unorganised sectors. The recommendations covered issues like recruitment agencies and practices, employment service administration, training and workers education, working conditions, labour welfare, housing, social security, wages and earnings, wage policy, bonus, workers/employers organisations, industrial relations machinery etc. Important recommendations of the Labour Commission have been implemented through amendments to certain labour laws like the Workmen's Compensation Act, 1923 ( for removal of wage ceiling for coverage), the Industrial Disputes Act, 1947 ( mainly in respect of the unfair labour practices). The Employees State Insurance Act, 1948 enhancement in the wage limit for exemption from payment of Employees' Contribution), Factories Act, 1948 ( for making penalties more stringent for violation of safety requirements and provision of Welfare facilities), and

the Employees Provident Funds and Miscellaneous Provisions Act, 1952 (enhancement in the rate of contribution and making default of dues a cognizable offence). Certain new laws have also been enacted like the Contract Labour (Regulation and Abolition) Act, 1970, Limestone and Dolomite Mines Labour Welfare Fund Act, 1972, Iron Ore, Manganese Ore and Chrome Ore Mines Labour Welfare Fund Act, 1976. Equal Remuneration Act, 1976 and Child Labour ( Prohibition & Regulation ) Act, 1986. In the areas of wage policy and minimum wages, employment services, vocational training, labour statistics and research and workers' education also, the recommendations made by the Commission have been largely taken into account in modifying the policies, procedures and programmes of the Government. The National Labour Institute was set up in 1972 in pursuance of the recommendations of the Commission.

#### **IV. Trade Unions In Post-Liberalisation Period (Since 1991)**

##### **4.1 Change in approach post liberalisation:-**

With the advent of liberalization in 1991, the industrial relations policy began to change. Now, the policy was tilted towards employers. Employers opted for workforce reduction, introduced policies of voluntary retirement schemes and flexibility in workplace also increased. The age old policy of protectionism proved inadequate for Indian industry to remain competitive as the lack of flexibility posed a serious threat to manufacturers because they had to compete in the international market. Thus, globalization brought major changes in industrial relations policy in India. The main characteristics of the trade unionism after globalisation became small size of membership, lack of adequate finance, non fulfilment of welfare schemes, control of political parties and other outside interference in the activities of trade unions.

Collective bargaining in India has mostly been decentralized, but now in sectors where it was not so, are also facing pressures to follow decentralization. Some industries are cutting employment to a significant extent to cope with the domestic and foreign competition e.g. pharmaceuticals. On the other hand, in other industries where the demand for employment is increasing are experiencing employment growths. In the expansionary economy there is a clear shortage of managers and skilled labour. The number of local and enterprise level unions has increased and there is a significant reduction in the influence of the unions. Under pressure some unions and federations are putting up a united front e.g. banking. Another trend is that the employers have started to push for internal unions i.e. no outside affiliation. Trade unions are a part of society and as such, have to take into consideration the national integration as well. Some important social responsibilities of trade unions are promoting and maintaining national integration by reducing the number of industrial disputes and incorporating a sense of corporate social responsibility in workers and thereby achieving industrial peace

HR policies and forms of work are emerging that include, multi-skills, variable compensation, job rotation etc. These new policies are difficult to implement in place of old practices as the institutional set up still needs to be changed. HRM is seen as a key component of business strategy. Training and skill development is also receiving attention in a number of industries, especially banking and information technology. During the last few years, trade unions have increased the range of services they offer to their members. Most unions run training courses for their members on employment rights, health and safety and other issues. Some unions also help members who have left school with little education by offering courses on basic skills and courses leading to professional qualifications. As well as offering legal advice on employment issues, some unions give help with personal matters, like housing, wills and debt. People can get discounts on mortgages, insurance and loans from unions. One of the earliest functions of trade unions was to look after members who hit hard times. Some of the older unions offer financial help to their members when they are sick or unemployed.

##### **4.2 The Second National Commission on Labour:-**

Government of India set up 2nd National commission of Labour under chairmanship of Mr. Ravindra Verma (a) to suggest measures about rationalisation of labour laws (b) to suggest umbrella legislation for ensuring a minimum level of protection to the workers in the organised sector.

The need for setting up of the Second National Commission on Labour had been felt because during the period of three decades since setting up of the First National Commission on Labour, there has been an enormous increase in number of labour force because of the pace of industrialisation and urbanisation. After the implementation of new economic policy in 1991, changes have taken place in the economic environment of the country which have in turn brought about radical changes in the domestic industrial climate and labour market. Changes have occurred at the work places, changes in the industry and character of employment, changes in hours of work and overall change in the scenario of industrial relations. These changes have resulted in certain uncertainties in the labour market requiring a new look to the labour laws.

NCL suggested following definition for Rationalisation "Rationalisation means only making laws more consistent with the context more consistent with each other, less cumbersome, simple and more transparent." The commission believes the level of wages depend on economic efficiency of an undertaking. The commission

further adds workers have to be interested in productivity as the management is. The interest on work depends upon proper inspiration from management how management can impose upon the workers work, ethics and culture. It has been seen many entities in Indian Work scenario employ a worker for 12 to 15 hours in a day at this era of globalisation. But in terms of wages they have not adequately been compensated. The Second Labour Commission made recommendations on issues like separate laws for protection of highly paid jobs other than workers, all settlement clauses to be binding on every party, labour laws to give well defined social security, certain level of protection to managerial employees, basic, da and other perks to be included in wages, workers not to hired as casual worker for more than three years, no permission for layoffs etc.

The basic approach of the report is to discourage trade unions from adopting confrontationist tactics. It mentions negotiating agents and has recommended that provisions be made in the law for determining such agents, particularly on behalf of workers. The negotiating agents will adjudicate disputes and may take the shape of labour courts and labour relations commissions to be set up at the State and Central levels. A trade union too can be the negotiating agent, but only if 66 per cent of the workforce endorses its authority. It also suggests that where bilateral agreements are not possible, a third party other than the government be brought into the adjudication process. The general tenor of the report is against strike action. It recommends the much-abhorred system of strike ballot in the case of essential services such as water supply, medical services, sanitation, electricity and transport in the event of an unsettled dispute between employer and employee. Strikes, as a rule, can be called only by the recognized negotiating agent, that too only with the support of 51 per cent of the workers in a strike ballot. The trade unions have opposed the concept of a strike ballot because it can be used by managements to divide employees. It would also make employees vulnerable to victimisation or even persecution by rival employees. The formation of unions will also be difficult as the Commission has recommended that only a union that has at least 10 per cent of employees in a unit as its members would have the right to represent the workers in various forums. The Industrial Disputes Act will be suitably amended to incorporate this provision. In the section on workers in the unorganised sector, the report recommends, among other things, the implementation of social security measures such as healthcare, maternity and childcare, provident fund benefits, family benefits and post-retirement benefits. However, it does not mention the nature of funding of the schemes, that is, whether they would be funded by the government, the employers or the already ill-paid employees.

Objective of the report is not to strengthen the arms of labour in order to ensure that it has a legitimate place in the mode of production and better bargaining power. The irony is that it has been envisaged in a situation of declining work participation rates in both urban and rural areas, steady decline in the proportion of self-employed people and an increase in the proportion of casual labour in rural areas, stagnancy in handloom production and employment, a crisis in the plantation and coal industries and so on. The NCL report admits that employment generation had actually fallen since the 1980s despite the growth in the economy. It also notes that around the same period employers began to outsource production work from the unorganised sector. It is a matter of time before the recommendations of the NCL are translated into legislation, either by amending existing provisions or by introducing new labour laws. The worst fears of the trade unions and the working class may come true in the months to come when ways and means to create an atmosphere that is conducive to economic growth at the cost of labour will be devised.

#### **4.3 Penetration of Trade Unions in Indian Workforce:-**

As per the Census 2001, the Indian workforce is over 400 million strong, which constitutes 39.1 % of the total population of the country. The workers comprise 312 million main workers and 88 million marginal workers (i.e., those who did not work for at least 183 days in the preceding 12 months to the census taking) Sex differential among the number of male and female worker in the total workforce is significant. Of the total 402 million workers, 275 million are males and 127 million females. This would mean that 51.7 percent of the total males and 25.6 percent of the total females are workers. The number of female workers is about less than half the number of male workers. In terms of proportion, 68.4 percent of the workers are males and 31.6 percent females.

Main workers constitute 77.8 percent of the total workers. The remaining are marginal workers. Among the main workers, female workers, are only 23.3 % and 76.7% are male workers. Majority of female workers (87.3 percent) are from rural areas. This is also twice that of male workers, which may be due to their being employed predominantly in activities like cultivation and agricultural labour. In the urban areas, majority of female workers are engaged in Households industry and other work.

Interestingly, among marginal workers females outnumber the males. In three of the four categories, viz. cultivators, agricultural labourers and household industries, female marginal workers outnumber male workers.

Category	Persons	Male	Female
Total population	1,028,610	532,157	496,453
Total workers	402,235	275,015	127,220
Main workers	313,005	240,148	72,857
Marginal workers	89,230	34,867	54,363
Non-workers	626,376	257,142	369,234
Cultivation	127,313	85,417	41,896
Agricultural labourers	106,957	57,329	49,446
Household industry workers	16,957	8,744	8,213
Other workers	151,190	123,525	27,665
Source: Census of India 2001			

The workers have been classified by the type of economic activity into broad the type of economic activity into nine broad categories as per National Industrial Classification, 1998. Distribution of main workers by industrial category shows that agriculture sector still employs largest number of workers. The dependence on agriculture is brought out by the fact that of the 313 million main workers in the country, 166 million (56.6%) has been engaged in 'Agricultural and allied activities'. This is followed by 'Manufacturing Industries', which employed about 42 million (13.4%). There are 31.1 million workers in the services sector forming 10 % of the total main workers with similar number engaged in 'Wholesale retail trade and repair work, Hotel and restaurant.

Distribution of Workforce by different Industrial Categories		
Industrial Category	Workers (in thousands)	Percentage (%)
Total main workers *	312,972	100.0
Agricultural & allied activities	176,979	56.6
Mining & quarrying	1,908	0.6
Manufacturing	41,848	13.4
Electricity, gas and water supply	1,546	0.5
Construction	11,583	3.7
Wholesale, retail trade & repair work, Hotel and restaurants	29,333	9.4
Transport, storage & communications	12,535	4.0
Financial intermediation, Real estate, business activities	6,109	2.0
Other services	31,131	10.0
Source: Industrial classification data based on sample		

Note:\* Total main workers is based on actual values of cultivators and Agricultural labourers from full count (included in agricultural & allied activities) and estimated values for industrial categories  
 Number and Membership of Workers Union in 2008

Numbers of Union Submitting returns	Membership in thousand		
	Men	Women	Total
9702	7,420	2,153	9,573

The above data is based on the membership survey of the trade unions. The membership survey is important because these figures decide the importance given to the views of various unions in deciding labour-related policy matters and also the proportion of their representation in various bipartite and tripartite committees related to labour issues formed by the government from time to time. The figures are of the 2001 membership survey which was published in 2008.

The total work force in India which is approximately 312 million and total membership of unions is approximately 9.5 million. Thus less than 3 percent of the total work force in India only is member of any trade union. Alternatively, trade unions in India bargain only for less than 3 percent of India's total work force.

## V. Conclusions

Over the past 20 years we have witnessed unprecedented technological advances in the means of transport and communication which has given impetus to the ongoing process of liberalisation and globalisation. The world's ultimate colonisation is underway. It seems that the governments are helpless and are facilitating industrial interests at the cost of diluting labour legislation. In the digital world, this leads to a shift of power from governments to companies. As a result of these processes, capital is now in a position to suppress the labour as never before. Capital is no longer interested in social and political compromises; it wants complete predominance over labour. We are unfortunately, no longer in the era of social partnership and social peace that existed between labour and capital. In such a context, times are hard for the trade union movement; much harder than ever before. The challenges are even more gigantic. Trade unions are facing immense responsibilities given the political inability to control capital.

There is no doubt that presence of trade union in various industries increased the bargaining power of the workers with their employers and have played pivotal role in improving the living standards of the workers in their respective industries. However, when we see the overall picture of total work force in India the bargaining capacity of trade unions presents a dismal picture altogether. Union Leaders are negotiating without any velocity these days. It will no longer be enough to enable the workers to advance. We can draw inspiration from the best practices in labour struggles. Trade unions will have to organise themselves counter-offensive, which is necessary and urgent for a radical change. A revived, combative trade unionism represents only hope of survival and fulfilment for the labour. Strategic campaigns, cross industry solidarity and national protest against inhuman working conditions are steps towards reviving trade unionism and must be vigorously supported by activists. The major task lies ahead is encouraging the emergence of a new generation of young trade unionists, who consider trade union work to be a mission and not just a job. They must rediscover bottom-up trade unionism and with committed activists who are willing to risk their jobs for the cause of membership. We must not surrender to despair. We must, instead, face up to realities. In the words of Karl Marx, “Men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past.”

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