

Losing Strength and/or Relevance? Trade Unions and Neo-liberalism

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Labour market institutions, both formal and informal, have long played an important role in the theoretical as well as empirical discussions about the performance of the industrial sectors of the developing nations.¹ It gained specific attention in the era of the opening of the generally closed economies of the developing world with an aim of 'getting prices right', i.e., the era of neo-liberalism. Trade unionism has been looked at as one of the major labour market institutions creating hindrance in gaining required labour flexibility to ensure efficient outcomes. Empirical facts, on the contrary, suggest that trade unions, to a certain extent, facilitate the change in the production organization ensuring flexibility. Oliver E Williamson in his seminal work in 1985 did see trade unions as one of the major institutions of capitalism that ultimately helped facilitate production organization. And as early as in the 1940s Ross conceptualised trade unions as the maximisers of self interests through maximising the insiders' benefits in the main. In this paper we look at some such empirical questions in the context of West Bengal (WB), a state well-known for its militant trade unionism but, which also has had the unique experience of having a 34 year-long uninterrupted left political regime (1977 to 2011).

The article is based on primary data from a survey conducted in 2009. Senior bureaucrats, management, trade union leaders at the state as well as at the unit levels of different affiliations and workers of different categories of selected firms were interviewed. Further, detailed information has been collected from

13 firms of different sizes from various sectors.

Decline in Manufacturing Sector in West Bengal

At independence, industrially advanced WB, started experiencing decline aggravated by the dislocations of the partition that severely affected the trade links between East and West Bengal. The most important industries in this region, jute and tea, were badly hit. After independence, two sets of central government policies—freight equalisation for coal and steel and emphasis on import-substitution—dealt a heavy blow to Bengal's industry. This was aggravated by the confrontationalist strategy on the part of the state—followed since the beginning of Congress rule and carried on by the Left Front Government (LFG)—which prevented it from lobbying pragmatically to obtain licences and industrial investment. Further deterrents emerged in the form of a radical trade unionism backed by leftist intellectual support, and central government disinvestment in the infrastructure sector in the mid-1960s, which badly hit WB's engineering industry and precipitated large-scale unemployment in formal manufacturing in the state. In this context, WB manufacturing firms tended to get locked in a low-productivity-low-wage segment of the spectrum of products dominated by the small firms, largely in the informal sector. Large-scale entrepreneurs started farming out production to the small-scale units in general and the informal sector in particular. Thus, they could avoid the militant trade unionism while simultaneously grabbing the incentives enjoyed by the small

firms. Consequently, unorganised manufacturing in the state emerged as an important sector. Against this backdrop of industrial decline, the LFG came to power in 1977 and continued the important agrarian reforms programme initiated by the Congress, and subsequently backed by the Panchayat Raj Act of 1973.

As a result of prolonged neglect, large-scale formal manufacturing was nearly reaching stagnation by the late 1980s. Also continued decline in traditional industries led to a significant retrenchment. Alternative job prospects were bleak as no new industrial initiatives were coming up in the formal sector. Consequently, it has been argued that the working class became vulnerable in the hands of the industrialists and that this made trade unions agree to such terms of settlements in the 1980s which in the past would have been unthinkable. The significant decline in the number of strikes since the left government assumed office and the spectacular rise in the number of lockouts—when all other Indian states showed a decline in both, do give support to the vulnerability hypothesis. Second, the continuous defeat of the LFG in the urban areas made it clear that the government was getting alienated from the urban middle class, particularly the unemployed educated youth aspiring for industrial jobs (Chakravarty 2008). In this context the already liberalising Indian economy took a more specific turn towards an altered macro-economic regime involving the dismantling of the licence Raj and opening of the Indian economy to the world market in a significant way. While there was initial hesitation on the part of the then ruling party in the state, the liberal line within the party and the state could see the positive implications for industrial development of a) the abolition of licences on the one hand and b) removal of the Freight Equalisation policy on the other. Forgetting its age-old opposition to private capital, the state welcomed foreign technology and investment through its new industrial policy of 1994. Despite these changes in the policy initiatives and an apparently tamed workforce not much improvement took place in the performance of the formal manufacturing.

Institutional Stickiness: The Case of Trade Union Behaviour

How far could the 'vulnerable workforce' be a factor in determining the non-performance of large-scale industry giving way to the

informal sector? (Ahsan et al. 2008) highlights that the use of contract labour is increasing in formal manufacturing the country over. WB was no exception. All the firms in this study show not only an extremely high share of contract employment but also an increase in the share within a short span of two years. The management of one large firm that had experienced the sharpest increase in the contract labour, maintained that in the years 2007–08 and 2008–09, a large number of permanent employees retired through the voluntary retirement scheme and that the firm never filled those vacancies as they could conveniently transfer production responsibilities to easily available contract/casual workers at much lower wages. Some of the workers of the older firms surveyed maintained that the practice of not filling up of the permanent workers' positions in the organised manufacturing units had started since the early 1980s. Few new permanent jobs had been created in the worker's category in subsequent years. Moreover, frequent declaration of lockouts in different sectors, mainly jute, led to the absolute decline in the formal workforce in the state.

Our field data also suggest that the majority of the large and medium firms farm out their production considerably. A Kolkata-based, high profit-making, boutique cum manufacturer–exporter of traditional Bengal weaves, is a case in point. Around 60 per cent of its products are acquired from numerous weavers spread across villages of Bengal. Farming out production in traditional weaves is easier than in other sectors as numerous skilled weavers in this craft are available in clusters of interior Bengal. When asked how trade unions reacted to this work organisation especially as the firm is Kolkata-based, the management responded that it was successful in keeping trade unions at bay since its inception in 1997, particularly through a strategy of keeping the number of permanent workers as low as possible. The altered stance of the then ruling party in not being as supportive of its trade union organ since the mid-1990s helped in this regard. While ancillarisation as against vertical integration has a long tradition in Bengal industry, particularly in engineering and transport, organised large-scale purchase of traditional Bengal weaves especially for exports is a feature which came along with the liberalisation policies of the 1990s. Moreover, improvement in road conditions in the post-1994–95 period also made distant villages

accessible and permitted tapping of unexplored possibilities.

How did the trade unions look at these facts? This question assumes particular relevance as it was found that even the contract workers were members of the same unions. How was it possible that the larger firms could increasingly farm out a substantial amount of production when their production capacity was not 100 per cent utilised? Does this mean that the workers' unions had become so weak as to accept the situation passively? And this seemed facilitated by the changed attitude of the state in favour of business in the post-1994–95 period. But, then, why was it not possible to get the work done by the permanent workers by utilising the existing capacity of the firm? Is it then the lack of infrastructure again that decided the outcome or was it something more? All the large firms indicated that while all other aspects of regulation improved in the state, the question of labour rigidity remained the same when it came to the shop floor. This is interesting as E.A. Ramaswamy notes:

Ascendancy to political power appears to remove the last vestiges of radicalism from Marxist unions. CITU has undergone a veritable metamorphosis in Bengal since 1977 when their party came to power. The new policy of moderation and responsibility received formal blessing from party and union ideologues in a union conference in 1980. The 'gherao' which terrorized managers in the sixties and seventies is no longer in evidence. The number of strikes has declined sharply. (Ramaswamy 1999: 5)

According to the management, the militancy in the bargaining process diminished significantly as the patronage from the state leadership in favour of pressure tactics was later unavailable. However, the unions still bargained quite adamantly for higher wages but were not insistent on filling up vacancies or making the contract workers permanent. Obviously, the trade unions prioritised insiders' interests (permanent workers') over the outsiders' (non-permanent workers).

The management maintained that the union leaders always resisted any workload increase even for a short while under emergency especially in the private firms. Though the contracts between the permanent workers and the management were always a written one it was difficult to make it complete in every sense considering all contingencies explicitly.

The permanent workers often took advantage of this incompleteness. Consequently, management of all large firms mentioned that they were wary of taking the permanent workers in confidence to promote technical modernisation on a large-scale. In the changed scenario of post-1994–95 industrial policy the senior leaders of the ruling party's trade union CITU were seeking to improve the work ethic among permanent workers. But the management felt that the permanent workers had become much too habituated not to work and to work only on overtime payment. In Bengal, 'overtime' virtually meant extra payment without extra hours of work. In the post-1994–95 period while senior leaders at the state level asked cadres and unit-level leaders to cooperate with the management at the shop floor, the workers continued to resist passively. The management recorded a significant increase of absenteeism among permanent workers in later years. Could the permanent workers, accustomed to wages without work, start working sincerely at the instance of the party whip?

It may be pertinent to note here that according to some business associations even under the altered dispensation of the LF regime, labour was seen to believe in exerting a new kind of indirect or surreptitious pressure; the 'new' motto appeared to be 'go slow on work'. The management often did not even have the discretion to reject an application for leave. Let us remember that all the large units surveyed, either have, or were establishing, units outside the state. They felt that it was not viable to establish a technologically more-advanced unit in the state because of the passive resistance from the permanent workers. Rather it was easier to continue some less technology intensive work and farm out production to the informal sector and if required employ contract workers at a much cheaper rate.

Firm level workers and the unit level leaders understood that if the management could reduce the production cost by way of hiring contract workers or farming out production partly to the informal sector, it would be easier to bargain for better wages. This finding does question the hypothesis of 'vulnerability of organised workers' directly. Further, in order to be confirmed, a worker needs to work on contract or casual basis in a firm. Trade unions play a very important role in this process of confirmation. According to management the union leaders understood that it was thus easier to control the workers

as long as they were on the contract/casual basis. Incidentally, Sarkar (2006) argues that people in WB depend on the political parties in a fundamental way for their livelihoods. It is their vulnerability which compels them to do so. Further, an independent trade union leader mentioned that in some cases the permanent workers (and the unit level leaders) themselves practiced subcontracting with the existing contract labourers and did some other business during the office hours, safeguarded by the representative union. As the contract/casual labourers were also union members, the question of union membership and membership levy did not pose a real problem for the union as contractualisation was perpetuated.

What was the rationale from the contract workers' point of view? The management of the large units, irrespective of market-orientation, maintained that they could not recruit contract workers directly. It is through the union that they got their contract workers. Moreover, according to some independent trade unionists and ex-employees, the unions also played a role in determining the renewal of the contracts for these workers. These direct reasons apart, there was a more subtle one as well. Working in close association with the local party, the trade union leaders often helped the retrenched workers to get a rickshaw or an auto-rickshaw licence or even a job as helper in the construction sector. A patron-client relationship thus developed especially with proliferation of jobless workers. Incidentally, CITU had the largest membership in the construction sector which is basically unorganised. In another context, Bardhan et al. (2009) showed how this patron-client relationship helped CPI(M) to remain in power in rural Bengal till recently.

However, a basic question remains: why did a highly centralised party like CPI(M) or its mass organisation CITU let the unit level workers behave this way for so long? First, the union leaders could not put pressure on the firm level units as there was ample chance of losing support and consequently the vote bank. Recent political experience seems to confirm that the CPI(M) was in no position to risk its voter support. There was a second related reason. A retired personnel manager of Firm K noted that the large-scale retrenchment of the organised workers in the state and the increasing number of lockouts had created a sort of distrust about the CITU leadership among the workers. This may partly explain

why the main opposition to the LF, the Trinamool Congress (TMC) started gaining strength in both urban and rural areas since the mid-1990s.

TMC came to power in 2011. Unfortunately, nothing changed much in the industrial scenario. While the large unions have lost almost all importance, different industry-based syndicates emerged, run by the local goons and backed by the party in power, that continued the rent seeking practices. Hardly any new investment has taken place in manufacturing in the last few years.

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Endnote

1. 'This paper is largely based on an earlier paper of mine: Trade Unions and Business Firms: Unorganized manufacturing in West Bengal', 2010. EPW. 45(6).

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