

Trade Unionism, Wage & Salary Administration in the Changing Industrial Scenario

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Over the years, many governments' enacted laws and adopted policies to provide for decent work and life, guarantee minimum wages, cushion against rise in cost of living, ensure equal remuneration and deter employers from making unfair and arbitrary deductions from wages. In recent years, due to the decline in union density, rise in competition, emergence of global production networks, withdrawal of state from policies of welfare state and deregulation in collective bargaining, the influence of trade unions is declining. Today unions realise that the competition is not with the employer, but for customers. The present article attempts to discuss these issues of trade union involvements and their limitations on different fronts in influencing wage and salary administration in present day organisations.

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Introduction

The gradual process of withdrawal of the state from economic activities, the surge of market economy, technological changes and forces of globalization, specially global production chains and business process outsourcing, have resulted in a situation where many started believing that trade union power is weakening. In the past, when the state pursued welfare policies in many countries, trade unions considered state as a dependable ally and started growing. When the state started pursuing a neutral policy, trade unions have become flat and stopped growing. When the state is pursuing policies to attract investors-not necessarily synonymous in all cases with anti-union policies-trade union density and their power and influence started declining and weakening. The rise of union power is almost synonymous with the growth of the modern factory in most cases. The decline in union density and power has become synonymous with the rise of service sector (Sheth, 1993). In countries like India, traditional service sector is unorganized and non-

unionized. Modern service sector-especially information technology (IT) and information technology enabled services (ITES), retail, private sector insurance and banking and transport and tourism, for instance, and in the export sector in special economic zones are either non-unionized or marginally unionized. In the aftermath of dotcom bust in the early years of the 21st century and the subsequent global economic meltdown and down turn, the cost cutting measures which mostly hurt working class, the workforce in some of the sectors (specially IT and ITES) saw the need for unionization not so much for collective bargaining and wage increases, as for protection against pink slips and sudden and arbitrary, if not unfair, dismissals (Ramaswamy, 2017). The new generation workforce, which is more short-term and cash benefits oriented and the growth of female workforce in modern sectors also contributed to a fall in union density because these groups are generally found to be less prone towards collectivism and unionization and tended to be individualistic (Das Gupta, 2015). The new modern human resource policies in several firms, specially, the multi-national corporations and some private sector firms, also favored treating the new workforce as individuals and began to pursue policies, which had the intended or unintended effect of reducing unionization. The contemporary human resource policies usually favored individual contracts to collective contracts, direct to indirect participation and greater involvement of employees in quality circles, kaizen, 5S and such other techniques. There is also much hype about delegation, decentrali-

zation and devolution of authority and creation of semi-autonomous workplaces through empowerment, but as Chrys Argaris observed long back in 1970s, empowered by and large remained like the emperor's clothes. In addition, global competitive pressures and the emergence of global production chain triggered lower than normal wage increases in several unionized firms and transfer of jobs from high wage locations to low wage countries. That even the global unions through their solidarity and web-based struggles could not prevent this points to the declining power of unions in determining wages and working conditions. Further, the 3Ds-disinvestment, deregulation and decentralization-contributed substantially to the weakening of union power (Srinivasan, 2019). In several developing countries and emerging economies, including India, trade unions enjoyed more rights in private employment but found it more difficult to their assertion. Deregulation meant gradual withdrawal of the state in the economic spheres with trade unions being left to deal directly with the employers. With the state also assuming the role of an employer which is getting increasingly conscious about profits, the trade unions are left high and dry in the era of the market economy. Decentralization resulted in lesser coordination of trade unions at the

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level of the industry or sector or nation. When industrial action moved from sector/national levels to firm level, trade unions power to disrupt had shrunk and so were their influence. Technology, as in banks and printing industry, for instance, resulted in an increase in wages but decrease in control over jobs and trade union power (Raman, 2017).

Role in Wage Determination

Choices and options for trade unions, unions' impact on general wage levels, structure of wage packages, the spillover effect, role of unions in wage and salary policies and practices impact of technological change on collective bargaining etc. can be identified as the trade union's role on wage determination. According to Matani (2002), several employer strategies influence the trade unions and the members in different ways. According to him, in the industries, where parallel production and outsourcing are possible, unions' position becomes vulnerable. The same study has also observed that the industries, where competition is severe, unions' bargaining power is also weakened. Changing basis of competition has also been identified as a major factor of unions' role on the wage determination. Where price is the major basis for competition, low-cost manufacturers have an advantage. Trade unions in such product markets usually face pressures due to constant efforts of employers to reduce labor content and labor costs. In recent years, the basis of competition is changing. Several non-price aspects such as quality, variety, service etc. are becoming more and more important. This is both

a challenge in work organization in the past-standardized or flexible work organization-thrust of multi-craft skills, new approaches to compensation and workplace governance, the new thrust on non-price competitive pressures make different kinds of demands on workers and their unions. Trade unions must try to ensure that the new systems create positive work environment and at the same time carry positive effects on their quality of work-life (Singh, 2012).

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The perspectives of workers and their trade unions and management and employers' organizations are quite divergent when it comes to the complex issue of wages. While employers' look at company balance sheets, trade unions look at family budget surveys. Generally, international trade unions look at how long a worker had to sweat it out to earn the livelihood and to improve on the prevailing wage rate. In the context of the European Union and the trend towards harmonizing social policies, action in the collective bargaining scene shifted from national to sectoral unions organized across the region and there is increasing evidence of the growing popularity of framework agreements (Peterson, 2016). If in the past such framework agreements used to take place at the national level across sectors, now they are taking place in the name of agreements used to take place at the national level across sectors, now they are taking place in the

name of global collective bargaining at the sectoral level across the countries in a region or globe. The institution of global workers' councils which is currently set up in over 100 multinational corporations in the world started the process of sharing and dissemination of information about the impact of business decisions on their human resource and industrial relations practices through a worker representative in each of the locations where they operate. The global workers' councils in large transnational corporations helped coordination of human resource policies across plants in different countries and continents helped coordination of human resource policies across plants in different countries and continents and tried to minimize adverse labor affects except with explicit consent of trade unions.

In India, way back in 1958, Indian Labor Conference which is a tripartite body comprising government, trade unions and employee organizations, unanimously resolved to follow a policy of need-based minimum wages. The need-based minimum wages were to be decided on the basis of a certain number of consumption units in a worker's family, and a basket of items for consumption. Though the resolution was unanimous, the government did not implement the same because as an employer it was not in a position to pay the need-based minimum wages at that time. More recently, when the Seventh Central Pay Commission set up by the Government was deliberating on wage revision proposals, the government found vast disparity in the calculations of the staff side (representing the

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employees in civil service) and the government's own calculations (Shah & Singh, 2020).

Unions' Impact on Wage Levels

Usually, unionized workers will have higher wages than their non-unionized counterparts, especially in the unionisable bargainable category. Of course, it is not unusual for some non-unionized companies to pursue a policy of paying more as a premium to keep the firm non-unionized. Union evasion policies will have the danger of attracting claims concerning unfair labor practices. Therefore, companies need to be careful. In most countries union density is low (Tripathy, 2019). For example, in India 93% of the workforce is in the unorganized sector and almost the entire unorganized sector is virtually non-unionized, despite, of late, the increasing trend towards unionization, unorganized sector is free from collective bargaining and coverage of many perspectives and welfare legislations. As a result, majority of the workforce in the unorganized sector does not enjoy even minimum wages and minimal social protection, not to speak of the additional benefits that might have accrued through collective bargaining. In developing countries, wages and benefits of the workforce in the lower rungs in the pub-

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lic sector is usually better in comparison with the private sector (Sen, 2009). It is assumed that to be 1.5 times better off in the case of workman in the public sector and civil services than their counterparts in the private sector. It is automatic to conclude that at the level of workers, in India, the civil service pay set the base mark for the public sector and the public sector sets the base mark for the private sector. Often there is competition, the collective bargaining with workers and trade unions in different sectors claiming for higher wages based on what is considered in other sectors (Ratnam, 2018). In the past, in some developed countries of Europe, there used to be a framework agreement at the national level (e.g., Belgium & Sweden). Such framework agreements used to be based on a concept of wage solidarity and wage moderation. Since not all sectors and sizes of companies will have the same capacity to pay, national federation of trade unions used to negotiate with national federation of employers and agree on a minimum rate of increase which is common for all workers covered by the agreement across different sectors. In several cases, there used to be a supplementary agreement at sectoral and/or company levels providing for supplementary wage increases. Over the years, the main framework agreements yielded very little increase and supplementary wage

agreements provided for much better rise. As such, the framework agreements are no longer taking place in many countries where it used to take place (Shah & Singh, 2020).

Structure of Wage Packages

Another compensation issue involves the job classification, grading and structuring of wage packages. One dimension of this issue concerns the division between direct wages and employee benefits. In unionized organizations, voluntary benefits (other than those legally required) constitute a significant portion, say 30 - 40 percent. Unlike in several OECD countries, in most developing countries and the emerging economies there is no statistical basis to indicate union influence on fringe benefits. But it is a common knowledge that many unionized organizations have over the years, tended to concede a variety of new fringe benefits. In multi-unit companies, it is common for unions to ask for different benefits in different units at a later stage (Bhattacharya, 2009). A related issue is the practice of some unions to yield to pressure from managements and agree for a two-tier wage structure which differentiate pay based upon hiring date. It means that new hires will start on a new, lower pay grade which previously did not exist. However, such differentiation can be identified and can be justified only in the short run based on the concept of learning curve and the notion that new recruits will take time to be fully productive. But to avoid unintended adverse effects on team work and productivity, most firms have learnt to

taper off the differences over a few years (Freeman & Rogers, 1999).

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Another dimension of the wage structure issue involves the relationship between worker wages and what their managers are paid in trade union and non-union environments. The gap between workers and their managers used to be nearly 20 times in 1970 in the central public sector undertakings. It was reduced to less than 6 times by early 1992. The first pay commit for public sector officers, headed by the justice Mohan, recommended the gap to be 1:10. But due to pressure and agitation from the workers' unions, the gap could not be extended. The narrowing of gap arises because workers' wages go up faster than managers' wages in unionized firms. Collective bargaining is there, even in several large private sector firms, for unorganized workers in the shop floor, but not for the office workers even though the later too are organized into a union or staff association. In such cases, it is common for the management to effect commensurate wage hikes, so that the staff do not feel neglected or suffer for want of a collective agreement. Similarly, managers in such unionized firms too receive higher wages than managers in non-unionized firms, perhaps as a bid to maintain internal equity.

Spillover Effects

The spillover effects refer to the decline in non-union wages that results from the displaced union workers supplying their services in non-union labor markets. Whether unions compress wage differentials depends on the position of unionized workers in the pay distribution. This also compresses union wage premium attached to different types of workers and the degree of centralization and coordination in collective bargaining. Several empirical evidences on unions point to reported job satisfaction being lower among union members vis-à-vis their non-member counterparts. However, unionization is no longer compulsory and membership is a choice made by employees. This 'open shop' model makes the multi-attribute good associated with unionization to be largely non-excludable, providing employees the incentive to free-ride; and paving the way for the coexistence of members and non-members, conditional on union presence. We argue that such coexistence may lead to negative spillover wellbeing effects on non-members, an issue that has not been addressed by the existing literature. The literature typically compares average differences in satisfaction between members and non-members. However, there may well be a link between wellbeing and unionization that goes beyond individual membership status. Recent evidence, for example (Bryson et al. 2006), indicates the importance of bargaining coverage at the workplace in explaining the link between membership and satisfaction. If members' bargaining power is a rising function of union density, something much of

the literature confirms, then non-members would be limiting the bargaining power of members. If so, non-members may risk being ostracized by members, which may reduce their wellbeing. Several potentially countervailing factors can have adverse effects on non-members' wellbeing. These include the exclusion of non-members from certain private goods, reputational costs, the costs of unionization as well as collective bargaining and the workplace environment it may create, among others. Such spillover wellbeing effects may also increase with workplace union density. The benefits from free-riding may potentially compensate for the spillover wellbeing effects of unionization. However, the net wellbeing effect of unionization on non-members remains an empirical question.

New Concerns

Developments both at the global and national levels led to fundamental transformations in the economy, industry, and industrial relations. It is instructive once again to learn from Germany as the pioneer of the Fourth Industrial Revolution and where the Government has engaged in extensive consultations with all stakeholders and issued a white paper on Work 4.0. India appears to be going in the opposite direction with the current spate of labor reforms and breakdown in social

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dialogue with central trade unions. Since the late 1980s and accelerating rapidly thereafter, there has been a shift in focus from social justice, equity, and balance of power between employers and employees towards enterprise efficiency, innovation, the role of technology, skills, productivity, and reduction of costs as a basis for competitiveness hence a correlated shift from a collective IR system (national, industry, union-level) to enterprise-based Human Resource Management (HRM). While the shift in the balance of power in favor of employers is not unique to India, Sen Gupta and Sett (2000) argue that "what is unique about the Indian experience is the way democratically elected governments used their enormous discretionary powers under the industrial statutes and subverted the functioning of dispute resolution machinery, to further their narrow political interests. In the process, growth of genuine trade union power base was stifled." Debi Saini (2019) additionally notes that today, the "state's priorities are more focused on efficiency, higher growth in GDP, and foreign direct investment rather than social justice. The present state of apparent cooperation in IR is symptomatic partly of a covert pressure on workers of the state's indifference to their cause." A healthy industry-worker relationship is the basis for increasing productivity and competitiveness. In order to make the transition to a competitive economy and adopt Industry 4.0 technologies, the industrial relations framework in India requires drastic reworking to evolve into a democratic and effective system based on a production system that is rooted in innovation and value

addition rather than relying solely on a low-labor-cost comparative advantage. A strand of the mainstream economic thought has produced studies that seek to quantify the number of jobs endangered by the expansion of Industry 4.0. The paper from Frey and Osborne (2013) is of foremost importance in this regard, because it has brought international attention to this type of research, inaugurating a whole subgenre of economic research whose focus is measuring occupation sensitivity to automation. Wage wise, the same brought significant impact on the transformation and salary structure of the salary and wage practices. Most of the wage structures are related to productivity that remains the center stage of trade unionism and industrial relations.

Conclusion

Role of trade unionism in deciding salary and wages administration in the changing industrial scenario has remained a matter of much debate and discussion. However, the research has reflected on the different perspectives and dimensions of the same mainly on the structure, pattern etc. More reflective researches are being expected which will highlight more untouched or less travelled perspectives, especially with the emergence of growing periphery, flexibility etc.

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