

Labour Reforms?

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There is a strong clarion call from India's strongest and influential quarters – the CII on the need to update the labour laws in vogue. One of the chief reasons given for the need for labour reforms is that many of the labour laws are quite irrelevant and do not reflect the requirements of the day. It must be admitted that there is much substance in this argument. The Industrial Disputes Act, the Trade Unions Act, among many others was authored in a time period when concepts like liberalization, globalization or privatization were not even fully understood, let alone practiced. A casual glance at the years in which these legislations came into existence, makes one wonder why there has been a complete neglect in updating these important legislations. True, there have been some attempts to bolster up the weaker sections of these legislations by various amendments from time to time. But, that cannot be construed as good enough.

Before going on to the issue of Labour reforms, one has to take stock of the recent developments in the industrial world. The developments are truly stupendous and mind boggling. Technology, business models, the size of business, the complexities of a global market, governmental requirements, the society as a stake holder are all challenges the modern industry has to contend with. Therefore, there is much justification on the part of the industry leaders asking for "legitimate space" to operate. All systems that need to be developed and put in place have got to be done without any further delay. Definitely, labour reforms is one issue that needs urgent attention. As we discuss this issue, comes in the news that in 2050 India will overtake Developed Nations. 2050 is not really that far off and the question is - are we prepared for this quantum leap?

It is now sufficiently established that there is a legitimate need for all round reforms – especially in the area of labour reforms. But, one has to proceed with caution in understanding what impact these labour reforms are expected to have. There is an unfortunate tendency to copy anything western, especially American when it comes to labour management. In business schools, young managers are briefed about the ‘bold’ move of AT&T in terminating the services of employees by the thousands, on one single day. What is conveniently forgotten is that ‘May Day’ and the accompanying legitimacy for worker rights came from these countries. It is also unfortunately forgotten that these countries have more stringent labour laws than many socialist countries – case in point, the minimum wages that are in vogue, the social security systems in place, etc. The more glaring mistake is in not understanding the differences in socio economic conditions that prevail in India and the other ‘model countries’. If today, the developed countries have given their industry leaders so much space, it is after having ensured that the social fabric is strong enough to support the vagaries, uncertainties and imponderables of development. By no stretch of imagination can we term India ready for these sweeping changes. Every step forward will have to factor in the unique conditions that prevail in this vastly diverse and complex country.

There is no need to go into the micro details of the labour reforms. What, however, is required is a detailed discussion on the impact of the intended labour reforms and then decide on what reforms are appropriate for our economy. The Honourable Prime Minister has listed the priorities of the industry, very rightly, by asking the industrial community to put the labour force first. To quote him **“First, have a healthy respect for your workers and invest in their welfare”**. He has called for a consensus amongst the key stake holders – the industry, the labour force and the monitoring agencies. That statement probably, is the preamble for the entire issue of labour reforms. Agreed, we need reforms. But every reform should make the playing field more even for all the players. Lame and unsustainable arguments of profits, economics or sustainability cannot justify

fleeing the labour force. There are enough case studies to prove the death of organizations is more due to poor management rather than labour unrest. The only litmus test needed to accept the merit of the intended reforms is - does it compromise on the welfare of employees? The resultant answer would determine the need for such reforms.

There is already a great share of controversies that need to be resolved before deciding on adding a few more to the inglorious list. Take for example; the ILO recognizes the right of employees to organize themselves and to even strike work. But our learned judiciary has a different opinion on these fundamental issues. When these burning issues are yet to be resolved can we afford to add fuel to this fire by rushing into reforms which have not been well debated. The purpose of raising this issue is to highlight the fragility of the situation at ground level.

The way forward could be by judiciously adopting the following steps:

1. ***Change in mind set:*** that is the immediate requirement of the day. Of course, the first initiative has to come from the industry. Talking to HR managers across the country, one is amazed at the rigid picture that they have etched in their minds about the role of trade unions and unionists. True, there is a lot of sense and truth in their argument. But that is the challenge! Doing away with trade unions is not the answer, because that would go against natural justice. Even if one can imagine, a situation where there are no trade unions and no protective legislations, can we let the fate of an entire labour force hang on the fickle thread of hope that the industry would treat its employees fairly? What is the guarantee that this system of implicit and explicit faith would not be mismanaged by the industry? Enron, Union Carbide, etc are names and images that cannot be conjured away easily. What is sauce for the goose is necessarily sauce for the gander. The change in mindset has to come in terms of extending the

trust radius to include employees in the main stream activities of the organization and simultaneously, engaging in serious confidence building measures like promoting transparency, equity and a sense of fair play.

- 2. *Educating the workforce:*** Having acknowledged the workforce as equal partners, it is imperative that they be educated on the emerging requirements of coexistence. A quick look at the emerging software and IT industry reveals the low level of unionization present there. The education did not take place inside a class room; rather it is seen in the tangible benefits enjoyed by the knowledge worker. However, different methods needs to be adopted for different industries and workforces.
- 3. *Float the idea:*** The idea of reforms can mean different things to different people. The industry, simply for the reason it initiated this debate, will have to clarify what it expects from these reforms. It has to necessarily spell out the positive and negative outcomes that the workforce can expect from these intended reforms. That would be a starting point. More forums for honest discussions and policy clarifications should be arranged. The government, the workers representatives and the industry should be fairly represented at these forums. The idea of changes and reforms should be gradually introduced to ensure there is enough time to read the situation and to respond.
- 4. *Invest in the future:*** the journey is going to be long and hard. Labour Reforms is not an easy task. The first 'go ahead' has to come from the labour force itself. Convincing them of the need for reforms is the first step. Gaining their confidence and acceptance comes gradually and in small increments (considering the less than conducive relationship prevailing). Initial failures should not derail the process. Much needs to be invested in terms of goodwill gestures, tangible benefits, safety networks,

etc before any significant improvements can be expected. Until then, patience and perseverance should be the guiding principles.

To conclude, every reform envisioned should aim at inclusive growth. That is the need of the hour for a resurgent and resilient Indian economy. We have enough examples to learn from around the world on how such inclusive growth can be ensured (the Scandinavian countries) or denied (any of the Asian Tigers who failed miserably). Let us take up the right models.