COLLECTIVE BARGAINING INSTITUTIONS IN INDIAN INDUSTRY: A COMPARISON OF MUMBAI AND KOLKATA

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Introduction
The paper examines labour-management relations in Indian industries to provide an alternative analysis of labour market reform priorities. Using a combination of micro level data collected from field research in Mumbai (Bombay) and Kolkata (Calcutta), complemented by secondary evidence on the wider social and historical context, the reproduction and transformation of different types of LMIs are explained in terms of their location within changing patron-client politics. The paper challenges the common argument that industrial performance in Mumbai was better because it enjoyed professional company-based unions compared to unions organised at industry level and affiliated to political parties in Kolkata. Our interpretation is that the causality is at least partially in the opposite direction, with dynamic regions providing strong incentives for unions to organise to seek company based ‘rents’ rather than to gain from political redistribution that are more attractive in less industrially dynamic regions. This approach contrasts with some mainstream theories that focus on informational and transaction costs and policy failures as the main determinants of LMIs. Many mainstream models that inform policy assume that LMIs precede growth and misleadingly treat

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them as ‘exogenous’ variables. An important implication of the paper is that
LMIs are ‘endogenous’ variables and therefore a broader set of reforms are
required for sustaining economic growth.

1. Debates on Collective Bargaining Institutions in India

Since the mid-1980s there has been an on-going debate on labour market
reforms in India, mainly focusing on the so-called ‘labour flexibility’ debate,
which broadly mirrors Freedman’s (1993) ‘distortionist’ vs. ‘institutionalist’
perspectives. On the one hand, the proponents of labour law reforms have
focused on \textit{de jure} labour market ‘rigidity’, which leads to both static and
dynamic inefficiency, and ultimately to reduction of welfare for society as a
whole (Agarwarla 1983; Lucas 1988; Ahluwalia 1991; Fallon and Lucas 1991;
Debroy 2000; 2004; 2005; World Bank 2000; Sundaram and Tendulkar 2002;
Srinivasan 2003; Besley and Burgess 2004; Anant 2005). This ‘distortionist’
perspective in mainstream economics strongly informed labour market
reforms and the so-called ‘exit policy’ by both the Congress government and
the National Democratic Alliance (NDA) coalition, more recently in the

On the other hand, critiques of labour market reforms have suggested
existence of \textit{de facto} labour market ‘flexibility’ highlighting poor compliance
with regulation, their weak and uneven implementation, corruption and
collusion with coercive elements in society (Mathur 1991; Papola 1994;
Bhattacharjea 2009). Many of these authors adopts an ‘institutionalist’
perspective, focusing on the role played by trade unions and labour laws in
creating conditions for economic development, for example by acting as a
channel of ‘voice’ by collective information about employees preferences and
using it for negotiation with the employers (Freeman and Medoff 1984), by
establishing long-term cooperative relations on which human capital
development and efficiency enhancing measures can be instigated, and
forcing capital investment and technological improvement by imposing higher than market clearing wages (Standing 1992; Calmfors et al. 2001).

In the past decade there has been a gradual shift away from the above ‘flexibility’ debate, with what appears to be an emerging policy consensus in the orthodoxy, which places greater emphasis on the so-called ‘good governance’ and ‘social capital’ aspects of labour market institutions (LMIs). This latest consensus focuses on aspects such as trust, democratic accountability and transparency as pre-conditions for LMIs to exercise their ‘voice’ effects. Paradoxically, this has led to further attempts to ‘depoliticise’ LMIs by arguing for a limited role played by the state in disputes resolutions and discouraging trade union affiliation to political parties (Pencavel 1995; Banerji, Campos and Sabot 1995), replaced by promoting ‘social capital’ and ‘trust’ as alternative mechanism for enforcing contracts while eliminating rent-seeking (Aidt and Tzanattos 2002; GoI 2002; 2007; Anant 2009).

What is common to both camps of the ‘flexibility’ debate as well as the more recent convergence of the two policy perspectives is the conception of LMIs as being ‘exogenous’ to the process of economic development by implicitly assuming that LMIs precede growth. This represents an internal inconsistency in the boundary of ‘endogenous’ and ‘exogenous’ within the economic analysis of institutions (Przeworski 2004), especially those in the new institutional economics (NIE) framework, in which the emergence and existence of institutions are on the one hand explained as a rational response to market imperfections, and therefore forms of institutions depend on the particular conditions under which they appear and persist, while on the other hand, in order for institutions to ‘matter’ and thus influence behaviour and outcomes, institutions are assumed to generate specific outcomes independently of the given conditions. A consequence of this inconsistency has been to explain the existence and persistence of apparently unproductive institutions to the initial market failure, which itself is attributed either to
initial condition and path dependence, or cognitive problems, or both (Fine and Milonakis 2009). This is not only self-fulfilling and tautological (existence or otherwise of the idea of market is presupposed to explain the rise of particular non-market organisations that in turn explains the extent of market distortions), it is also extremely unhelpful as policy propositions.

With these broad concerns in mind, this paper is part of our attempt to develop an alternative political economic framework, which understand LMIs as forms of capitalist social relation which reflects particular process of economic development in general, and the mode of organising and managing the labour-process in particular, but which take different forms under different social and historical contexts. Different types of LMIs are thus interpreted as reflecting economic as well as socio-political conditions that shape the opportunities, incentives and constraints for bargaining agents.

2. Methodology

The on-going policy debates on LMIs in Indian industry are often based on stylised images and popular perceptions about trade unions and organised labour. Much of the evidence on the apparently rigid and politicised LMIs draws on problematic macro-level statistics on unionisation and industrial disputes, media reports on labour unrests, and business perceptions about protective labour laws, rather than on detailed empirical studies on what unions and other bargaining agents do, which is relatively lacking especially in economics. While we do not pretend that our present research offers resolution to this gap in research, at least it is a contribution to the emerging list of micro-level studies that highlight the diverse and complex modalities of trade unionism and organised industrial labour, such as those collected in Davala (1992) or Parry, Breman and Kapadia (1999), which challenge the perceived notion of LMIs in India. More importantly, the objective of this paper is not only to provide detailed empirical observations about the diversity of LMIs, but also to explain the different types of LMIs across
sectors and regions by specifying the structural opportunities and constraints for bargaining agents, and thereby offer alternative analysis of labour market reform priorities.

Given these aims of our paper, it was necessary for us to carry out fieldwork in multiple sites, both geographically and sector-wise, interview managers and unionists, not only at the top of their organisations but also those closer to the point of production, and collect information on the ways in which bargaining agents and other social actors are involved in the process of controlling and managing the labour process.

The fieldwork took place between 4 February and 12 June 2001; the first two months in Kolkata (Calcutta) and the last two and half months in Mumbai (Bombay). Within the 60 days in Kolkata, data on 11 establishments were collected. For these units, 66 interviews in total were conducted; amongst which 35 were structured interview to unionists, 22 were structured interview to managers, and 9 to workers. In Mumbai, 27 individuals in total were interviewed, 18 trade unionists and 9 managers, in 12 units.

Any field research involves two stages of sampling in the selection of respondents: identifying a sampling frame and choosing the sample (Devereux and Hoddinott 1993). Given the objective of identifying and examining different types of LMIs in Indian industries, the fieldwork could not be confined to one single factory or even a particular location. The strategy employed by the author was to study a number of mills and factories in two cities, Kolkata and Mumbai, and in a variety of sectors that ranges from ‘traditional’ industries such as jute and cotton textile to more ‘modern’ light engineering and processing industries. Therefore the units in our sample can be broadly categorised into 4 ‘strata’ or ‘clusters’: Kolkata ‘traditional’, Kolkata ‘modern’, Mumbai ‘traditional’ and Mumbai ‘modern’.
The selection of Kolkata and Mumbai as locations of fieldwork was motivated by three factors. First, both Kolkata and Mumbai are amongst the oldest industrial centres where industrial capital and organised labour emerged during the colonial period, to the extent that the two regions were considered to have “dual dominance” (Singha 2005:44) in the early industrial development in India. Second, however, since the late 1970s or early 1980s there seems to have been a divergence in the patterns of economic development in the two regions, with dynamic and ‘uneven’ process of growth led to structural change in the economy, whereas Kolkata is characterised by industrial stagnation. This divergence in economic performance is generally perceived to have been a result of differing ‘investment climate’ and ‘governance’ structure, with LMIs considered to be one of the key elements of them. In contrast, our hypothesis is that the causality is at least partially in the opposite direction, with types of LMIs reflecting the differing patterns of accumulation and types of redistributitional conflicts.

The category of ‘traditional’ and ‘modern’ (for want of a better term) was used as a measure to select units with comparable technological and production organisational conditions as well as industrial history. The jute manufacturing in Kolkata and the cotton textile industry in Mumbai provide interesting comparison in that both have their historical roots in the 1850s with significant influence of the British colonial rule, and were sites for the emergence of industrial capital and organised labour, even if the subsequent development in the two industries are different. The term ‘traditional’ can be used to characterise the labour-intensive nature of production, with obsolete and ‘backward’ technology used in the majority in the units of these sectors, although as we shall see, there are a small number of ‘progressive’ units in Mumbai who have adopted new labour-replacing technology. More importantly for our purpose, the term can also refer to the perceived type of labour-management bargaining and unionism, which is characterised by
‘traditional’ state-dominated politicised LMIs. In our fieldwork, 3 units were covered for jute manufacturing: two mills located in the Hooghly district, and one mill based in the Kalyani area, both in the northern outskirt of Kolkata; whereas for the textile industry, we interviewed managers and union leaders from 5 units, all of which located in the Girangaun area in central Mumbai.

These two industrial sectors are contrasted with our ‘modern’ sector, which includes a range of different types of manufacturing firms that are characterised by being new (in relative terms, some of these companies were established as early as the 1920s and 30s), and being more capital-intensive: although none of these factories are ‘hi-tech’ in the sense of operating at the production frontier, many of the production processes require much higher-level of technology and skills than in jute and textile industries. Once again, however, the term ‘modern’ is also used with reference to the so-called “new unionism” that emerged in these firms, especially in Mumbai, which is characterised by decentralised company-based bargaining and employees’ unionism. Given the diverse nature of our ‘modern’ sector category, where possible, we have tried to select companies that have production units in both Kolkata and Mumbai, with comparable production process.

Given that the ‘object’ of our research is defined by our 4 ‘strata’ characterised by their regions and sectors, in theory we can take a census or large scale surveys as the sampling frame and draw probability samples, which has obvious advantage of being able to rely on statistical theory of sampling distribution, standard errors and confidence intervals in our analysis. In practice, however, field research of this type relies heavily on the cooperation and goodwill of key individuals in firms and organisations. The structured interview with managers and unionists take at least 30 minutes to conduct, and therefore it inevitably cause disruptions to their activities. The issue of confidentiality and privacy may also be a concern for many, and therefore finding respondents who are prepared to put up with such research process is
in itself the greatest challenge of conducting a fieldwork (Kiyokawa 2003: 49). Therefore, the selection of the sample often depends heavily on recommendations by local personal contacts, and the feasibility of conducting the data collection.

At the same time, as already pointed out, the objective of our field work was to include a wide variety of industrial activities, mainly in manufacturing, that are comparable in the two regions. Therefore, jute manufacturing in Kolkata was analysed with the comparison with cotton textile industry in Mumbai in mind, and some companies were studied more closely than others because of the possibility to compare their plants located in the two cities. Also within a particular sector, we tried to survey units that reflect the range of technological and market conditions. For example in Kolkata jute, we attempted to study “performing” mills as well as less performing, if not “sick”, mills (categories according to the Indian Jute Mills Association or IJMA). Similarly, in Mumbai’s cotton textile industry, we surveyed a number of public sector National Textile Corporation (NTC) mills as well as privately owned mills, which have contrasting patterns of development. In this sense, our sampling method can be termed ‘judgemental’ or ‘purposive’ in the sense that the researcher selects the sample based on predetermined criteria.

Like any non-probability sampling methods, the sample selected in the purposive method may not provide ‘representation’ of the population. Therefore the conclusions reached on the basis of our sample must be carefully evaluated through comparison with other existing studies and interpreted within its social and political contexts.

3. A Tale of Two Cities: from ‘Dual Dominance’ to Divergence

Since the early stages of industrialisation in the 19th century under British colonial rule until the mid-1960s, Maharashtra (called Bombay State before 1960) and (West) Bengal were two of the most industrially advanced regions in India. The first cotton textile mill was established in 1851 by a Bombay
merchant C. N. Davar, and by the end of 1860 at least ten mill companies had been organised in the city (Morris 1983: 574). In Bengal, George Acland, an English entrepreneur established the first modern jute-spinning firm in 1855. Importantly, while the majority of the shareholders of cotton mills in Bombay were local merchants such as Parsis, the jute mills were predominantly controlled by British investors. Morris suggests that “much smaller quantities of native capital in Bengal were available for industrial ventures than was the case in Bombay. This may have something to do with the fact that the scale of Indian commercial enterprise in eastern India before 1914 also was relatively small” (op cit.: 567-9). This difference in the early pattern of industrial capital is important, since it partly explains the relatively weak political power of industrial capital in Kolkata today as we argue in the next section.

 Nonetheless, Sinha (2005: 44) points out that there was a “clear ‘dual dominance’ of Bengal and Bombay in the industrial field arising out of colonialism”. She cites that in 1913-14, the total number of companies in Bengal was 973, and the same for the Bombay province was 613, which accounted for about 35 per cent and 22 per cent respectively of the industrial and commercial activities in India. Also Bombay had the highest productive capital employed, closely followed by Bengal, and the two regions employed about 62 per cent of the total productive capital in India during this period. A decade after Independence, in 1956, the share of all India productive capital in West Bengal was 21 per cent, while Bombay state’s was 30 per cent. Move forward to 1997-98, and Maharashtra’s share of productive capital is 18.81 per cent, whereas the same for West Bengal is 6.03 per cent. Although these figures cannot be directly compared\(^2\), and of course the declining share partly indicates the widespread distribution of industrial and commercial activities.

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\(^2\) Significantly, Bombay province included Maharashtra and Gujarat until 1960. Gujarat’s share of productive capital in 1997-98 was 13.90 per cent, which puts together with Maharashtra’s share of 18.81 per cent, compares favourably to the 1956 figure.
across India since Independence, one can immediately note the contrasting tales of the two cities.

The divergence in the economic status between Maharashtra and West Bengal was certainly evident by the end of the 1970s. Figure 1 shows that in 1980 the average per capita income in Maharashtra was 2675.5 rupees compared to 1913.4 rupees in West Bengal, which was marginally favourable to the all India average of 1808.1 rupees. We can also observe that since the second half of the 1980s, economic growth in Maharashtra has accelerated much faster than that in West Bengal, which followed the all India trend closely, resulting in a wider economic gap in the two states.

**Figure 1 Per capita income in Maharashtra and West Bengal, 1980 – 1996**

![Figure 1 Per capita income in Maharashtra and West Bengal, 1980 – 1996](image)

A closer inspection of the state-level economic data reveals that, not only had the growth rate and the average income level diverged in the two regions, the composition of the economic activities in the two states differed over time as well. Note that the two graphs in Figure 2, which shows the net state domestic product (NSDP) at factor cost measured in 1980-81 constant prices, have different vertical scale reflecting the gap in economic wealth between the

two States. From the figures we also notice a contrasting pattern in the contribution of manufacturing production to the overall domestic economy between the two states. If we compare the State-level product of the manufacturing sector in Maharashtra, the net product of the manufacturing sector in 1980 was Rs. 415,197 lakh, which grew to Rs. 1,132,605 lakh in 1995 (measured at constant 1980-81 price). This implies that the output in the manufacturing sector has increased by 172.9 per cent in 15 years. However, if we consider the proportion of manufacturing production in NSDP, we find that it only has risen from 27.4 percent in 1980 to 29.2 percent in 1995. Nonetheless, this is a more significant growth that the industrial performance in West Bengal. The manufacturing production in West Bengal has increased from Rs. 201,619 lakh in 1980 to Rs. 325,853 lakh in 1995, implying a 61.6 percent growth, which in terms of the proportion of manufacturing production to NSDP has declined from 21 percent in 1980 to 16.6 percent in 1995.

Note that in both Maharashtra and West Bengal, but particularly in Maharashtra, the type of economic activity that rapidly expanded in recent decades is banking and insurance. In Maharashtra, the output from the banking and insurance sector increased from Rs. 81,177 lakh in 1980 to Rs 582,748 lakh in 1995, more than 7 times of the output 15 years before. Proportionally, the contribution of the bank and insurance sector to NSDP in Maharashtra has increased from 5.4 per cent to 15 percent. Similarly, in West Bengal, the output from banking and insurance has increased by nearly 200 percent, and the proportional contribution to NSDP has increased from 5.4 percent to 7.7 percent.

In the context of this paper, which focuses on the differential types of labour market institutions (LMIs) in Mumbai and Kolkata, this observation of contrasting economic performance and industrial development generates two opposing hypotheses regarding the relationships between the LMIs and
economic growth. The first hypothesis emphasises the impact of LMIs on economic efficiency and productivity, and postulates that the particular types of LMIs in the two regions account for their diverging economic development. We shall explore the problem of this perspective in the next section, which is influential in the mainstream economic literature that informs the on-going policy debates in India. Our argument is that many mainstream models that assume that LMIs precede growth as in the first hypothesis misleadingly treats them as ‘exogenous’ variables. This leads to the second alternative hypothesis with a focus on LMIs as a reflection of the particular patterns of economic development, which we shall explore in section 5.

4. Conventional perspectives on labour market institutions and ‘investment climate’ in Maharashtra and West Bengal

In this section, we shall examine several popular hypotheses which focus on the issue of governance in explaining the differing patterns of investment in Maharashtra and West Bengal. In recent years, a number of indices on ‘economic freedom’ and the ‘investment climate’ have been published, and have been used as evidence of institutional ‘distortion’ to the ‘efficient’ functioning of market mechanisms, which can then be used to justify institutional reforms.

It is therefore not a coincidence that one of such indices was developed by Bibek Debroy, who is amongst the most vocal proponents of labour market reforms. The Economic Freedom Index for India (Debroy, Gangopadhyay and Bhandari 2004) evaluates “the unfettered ability of an individual to make economic choices” in 20 states in India, measured in 50 variables, grouped into 13 categories, which includes industrial relations as a constraint on control over business. Perhaps not surprisingly, the constructed index corroborates with the popular perception that Maharashtra is associated with a business-friendly outlook, while West Bengal is allied with the image of
being ruled by radical left-wing parties and less attractive to private investors. Indeed, from Table 1, we can see that the index gives Maharashtra the highest mark for its ‘good investment climate’ which includes better industrial relations scenario, a larger number of regulated and unregulated markets, and lower taxation, while West Bengal is given a low mark for its low work-participation rates and poor law and order situation.

### Table 1: Debroy’s Economic Freedom Index for India

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Economic Freedom Index</th>
<th>Rank</th>
<th>State</th>
<th>Economic Freedom Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tamil Nadu</td>
<td>0.44</td>
<td>11</td>
<td>Jammu &amp; Kashmir</td>
<td>0.27</td>
</tr>
<tr>
<td>2</td>
<td>Maharashtra</td>
<td>0.44</td>
<td>12</td>
<td>Haryana</td>
<td>0.26</td>
</tr>
<tr>
<td>3</td>
<td>Gujarat</td>
<td>0.40</td>
<td>13</td>
<td>West Bengal</td>
<td>0.22</td>
</tr>
<tr>
<td>4</td>
<td>Punjab</td>
<td>0.39</td>
<td>14</td>
<td>Uttar Pradesh</td>
<td>0.21</td>
</tr>
<tr>
<td>5</td>
<td>Andhra Pradesh</td>
<td>0.36</td>
<td>15</td>
<td>Madhya Pradesh</td>
<td>0.19</td>
</tr>
<tr>
<td>6</td>
<td>Karnataka</td>
<td>0.35</td>
<td>16</td>
<td>Orissa</td>
<td>0.18</td>
</tr>
<tr>
<td>7</td>
<td>Kerala</td>
<td>0.35</td>
<td>17</td>
<td>Assam</td>
<td>0.17</td>
</tr>
<tr>
<td>8</td>
<td>Uttaranchal</td>
<td>0.29</td>
<td>18</td>
<td>Jharkhand</td>
<td>0.16</td>
</tr>
<tr>
<td>9</td>
<td>Himachal Pradesh</td>
<td>0.29</td>
<td>19</td>
<td>Chhattisgarh</td>
<td>0.14</td>
</tr>
<tr>
<td>10</td>
<td>Rajasthan</td>
<td>0.27</td>
<td>20</td>
<td>Bihar</td>
<td>0.11</td>
</tr>
</tbody>
</table>

Source: Debroy, Gangopadhyay and Bhandari (2004: 585).

A similar attempt to measure the differential business environment can be found in the World Bank’s Firm Analysis and Competitiveness Survey (FACS) of India, carried out by the employers association, the Confederation of Indian Industry (CII), in 2000 and 2002, in which business managers and accountants are asked to identify states that they thought had a better or worse business climate than their own state. Figure 3 shows the result of the 2000 survey in terms of the percentage of respondents who identified a state’s investment climate as better or worse than that of their current state in the 2000 survey, which lists Maharashtra as the most favoured state in terms of the perception of the investment climate, whereas West Bengal is considered as one of the least favourable in this regard.3

3 The scope of the survey expanded from 10 provincial states in the 2000 survey to 12 in 2002. However, the ranking of the states in the two surveys is “not significantly different from one another” (Veeramani and Goldar 2004:3). Indeed in FACS 2002, Maharashtra again receives the more
Such attempts to measure the extent of market distortions, economic freedom and the investment climate are evidently related to the so-called ‘good governance’ agenda in the current development literature, whereby improving transparency and democratic accountability, tackling corruption and anti-competitive practices, and empowering the ‘citizens’, together with the traditional ‘Washington consensus’ agendas such as market liberalisation and decentralisation, are seen as key reforms to enhance growth and alleviate poverty (Fine 2001).

These indices suffer from various measurement issues. For example, the publication of the economic freedom index provoked debate on what ‘economic freedom’ actually means in a society such as India. It is not clear whether the lack of roads or power, or social restrictions on women and those from the lower castes are indications of a lack of economic freedom, or
whether they simply signal low level of development. The resulting indices are sensitive to how economic freedom is defined, and therefore to small changes in the data (Seetha 2004). Similarly since the index on investment climate is based on the opinion of business managers and accountants, it suffers from the obvious problem of the index ultimately being based on subjective perceptions.

A more significant concern is one of interdependence and causality between the variables. Studies such as Dollar et al. (2002) and Debroy et al. (2004) implicitly assume a causal relationship between the business environment, for example represented by the volatility of industrial relations, as the independent variable and economic efficiency and growth as the dependent variable. However it is also likely that high income and rapid economic growth lead to a reduction of the perceptions of distortion to the market and good business environment. The key issue is not that the perception is subjective, which it is, but that it is tautological because perceptions on good governance, economic freedom, and a good business environment are closely connected to successful economic growth. Managers and investors are more likely to complain about industrial relations constraining their activities if the business is not doing well. If this is the case, it is not surprising that indices on market distortion, economic freedom and a good investment climate appear to be positively correlated with economic growth. Indeed from a political economic perspective, the type of industrial relations or LMIs should not be treated as independent or ‘exogenous’ variables that can be ‘chosen’ by agents, but rather are seen as reflections of structural problems which constrain the opportunities and incentives, as well as facilitate the actions, of bargaining agents.

Despite these problems, these indices are very popular and influential in policy circles, to the extent that recently the CPI(M)-led government invited the World Bank to visit West Bengal and get recommendations on improving
its investment climate rating (Kamboj 2005). More importantly, the difference in investment climates or governance capacities, which includes LMIs such as trade unionism and state and institutional interventions in industrial relations, are perceived as explanatory factors that influence and explain the difference in economic status and performance across regions, say the divergence between Maharashtra and West Bengal. This is for example reflected in a series of newspaper articles authored by prominent Bengali economists, in which labour market policies as well as the political economy of organised labour were identified amongst the reasons for the industrial decline in West Bengal (cited in Bhattacherjee 2001b). The critical question is, then, what determines the investment climate or ‘good governance’? The tendency in the mainstream literature is to implicitly refer to some cultural difference, such as the Bengali mentality and their sub-nationalism, or the communist ideology that is supposed to be guiding the regulatory framework and state intervention by the Communist Part of India (Marxist), or CPI(M), government, which are contrasted with the Congress-rule in Maharashtra based on the political dominance and “elite-pluralist hegemony” of the Maratha caste (Lele 1990; Harriss 1999). While cultural differences and ideological traditions no doubt exist, they are inadequate as an explanation for the divergence in the two regions on their own, without examining how such culture and ideology are rooted in the particular balance of power in the two regions.

A related hypothesis regarding the diverging trends in investment and industrial development in Maharashtra and West Bengal is that the patterns of investment inflow into the regions differed because of the national-level redistributional politics. Especially popular amongst political actors, firm managers and trade unionists in West Bengal to account for the lack of investment into the state is the notion of ‘central discrimination’ towards states ruled by opposition parties, which is perceived to have occurred
through uneven distribution of licences or of public sector spending controlled by central ministries (Sinha 2005: 55-56).

Despite the well documented tensions between the centre and West Bengal government, the centre’s discrimination is at best a partial explanation for the lack of investment, not least since the centre-state tension existed even before the CPI(M) came into power during Congress rule between 1947 and 1967 (Jha and Mishra 1993; Banerjee 1996) with issues ranging from refugee problems after the second partition of Bengal to the jute tax. Once again, in order to explain the uneven distribution of resources at the national-level, we need to go beyond the ideology-based assertions, and explain why Maharashtra was able to extract or attract investments better than West Bengal over time, by focusing on the particular balance of power and types of distributional coalitions that dominate the internal politics of the two regions.

5. Types of Collective Bargaining Institutions in Mumbai and Kolkata

The objective of this section is to identify and analyse the different types of LMIs in Kolkata and Mumbai using data obtained from our field research on the types of unionism and bargaining: the level of bargaining, the types of union leadership and external bargaining agents, and the ownership of the firm.

While empirical research on the diversity of India’s LMIs across regions and industrial sectors is still limited, two sharply contrasting typologies can be extracted from the existing literature. On one hand, influential writers such as Pencavel (1995); and Banerji, Campos and Sabot (1995) in the current policy debates on LMIs are concerned with ‘traditional’ unionism and bargaining relations characterised as “state-dominated” or “involuted pluralism” (Rudolph and Rudolph 1987; Bhattacherjee 1999), which is thought to have followed from the state-led industrialisation strategies of the 1950s. This model of LMIs is characterised by politically affiliated unionism, and in some cases multiple unions fragmented along political party and factional lines,
centralised bargaining structure at the region-cum-industry level and tri-partitism with the central or regional governments acting as active participants in collective bargaining. Despite the general perception that the state is increasingly curtailing its role in mediating industrial relations, regularised state intervention continues in some industrial sectors, most notably the jute and engineering industry in West Bengal (Venkata Ratnam 1996: 79; Sen 1992a; 1992b) and the public sector cotton textile industry in Maharashtra (Ramaswamy 1988: 215; Bhattacherjee 1989; 1999; Dash 1996).

On the other hand, since the 1980s ‘independent’ unionism and ‘modern’ bargaining relations have become more prevalent, especially in Mumbai, which was previously limited to a few multinational companies. This type of LMI is characterised by a ‘decentralised and fragmented’ bargaining structure, whereby employees in different units are covered by separate agreements even within the same enterprise, and in some cases even between different departments within the same unit; and enterprise-level or company-based unions representing the whole workforce at the unit led by internal employee activists or outside trade unionists who avoid being politically labelled. This ‘modern’ sector covers a wide range of economic activities ranging from consumer goods to capital goods and intermediate goods industries, but this type of unionism is most well-known in multinational companies such as Hindustan Lever and Philips, as well as the chemical and pharmaceutical industry (Ramaswamy 1988; 2000; Banaji and Hensman 1990: 47; Davala 1992; Dash 1996: 313; Bhattacherjee 1999)

These two typologies that emerge from existing studies represent the polar extremes in Indian industry within which we would expect diverse combinations of differential types of bargaining structure, union leadership and bargaining agencies. How these different aspects of collective bargaining and unionism link to one another to form differing types of bargaining
relations in a particular unit, and more importantly how the types of LMIs interact with structural factors can only be examined empirically.

As a statistical method to characterise the typology of LMIs in our surveyed units, we have used multidimensional scaling (MDS) to reduce the number of dimensions in our data and categorise the types of LMIs in our surveyed units. MDS is a mathematical tool that enables us to represent the proximities between variables spatially as in a ‘map’ (Dillon and Goldstein 1984: 108). The resulting typology of LMIs and the ‘mapping’ of surveyed units is presented in Figure 4.

Our analysis from the MDS indicates that the typology of LMIs in our surveyed units is characterised by two dimensions: (i) the extent of centralisation of bargaining and (ii) the extent of ‘politicised’ or external unionism, which are the two dimensions identified from the MDS procedure. At the same time, our analysis suggests that there are at least three or four different types of LMIs that can be characterised by these two dimensions, rather than a single stylised type of LMI, an aspect underestimated in the mainstream debates. In particular we have indicated four ‘clusters’ of units categorised by their region (Mumbai and Kolkata) and broad industrial sectors (modern and traditional).
FIGURE 4 TYPOLOGY OF LMIs AND MAPPING OF SURVEYED UNITS
Figure 4 illustrates the mapping of our surveyed units and summarises the results of the two-dimensional MDS solution, with the extent of centralisation on the horizontal axis, and ‘politicism’ or ‘externalisation’ of union leadership on the vertical axis. Therefore, observations located to the right of the diagram indicate the tendency for collective bargaining to be negotiated at industry-level, typically with the involvement of the state, whereas observations located to the left of the diagram imply more localised plant-level settlements. Similarly, observations located at the top of the diagram indicate that the union is affiliated to political party or have union leadership from outside the unit, whereas observations at the bottom suggest company-based unions with internal leadership.

The typology identified here is a useful way for us to illustrate the diversity of LMIs in Indian industries. It is however misleading to treat these types as being a static characteristic or portray them as exogenously determined, as often implied in the mainstream theories and policy debates. For example, a static reading of Figure 4 may lead to attributing the typology of LMIs to “tradition and culture” (Ramaswamy 1988: 215). This is inadequate since the typology of LMIs is reduced to subjective classification rather than explanation based on material reality. Instead, our objective is to interpret the typology of LMIs in our surveyed units as dynamic and systematic consequences of specific economic and political conditions within which the labour-management bargaining takes place.

From our ‘mapping’ in Figure 4, we find that in both ‘traditional’ and ‘modern’ sectors, the types of LMIs in Kolkata units are similar, relatively easier to characterise them in a ‘cluster’, whereas we find more diversity in the LMIs for Mumbai units. Our interpretation is that the dynamic but ‘uneven’ economic development in Mumbai provided incentives for bargaining agents to organise to seek company-based ‘within-firm rents’ and therefore to organise LMIs
differently according to their local conditions, rather than to seek politically created ‘outside-firm rents’ that are more attractive in less industrially dynamic regions such as Kolkata, where industrial capital and labour are more keen to secure wages and employment in return for a ‘disciplined’ industrial relations through politically controlled unionism.

5.1 ‘Traditional’ sectors in Mumbai and Kolkata

Several observations can be highlighted from our mapping in Figure 4. First, let us focus on the units we categorised as ‘traditional’ sector units, the majority of which are located in the upper-right corner of our diagram, indicating that the LMIs in these units are characterised by centralised tri-partite bargaining and union affiliation to political parties. From Figure 4 we can see that all three of the privately-run jute manufacturing mills in Kolkata are positioned close to each other in the diagram, reflecting similarity in their collective bargaining patterns and unionism. In all of these jute mills, multiple (as many as 14) unions co-existed in each unit divided along political party and factional lines, and industry-level collective bargaining was negotiated, which deals with issues such as wages, fringe benefits, and dearness allowances. At the same time, in some mills, including K4 and K5 in our sample, separate mill-level settlements were signed between the mill management and the unions, with bargaining revolving around discipline, workload, working complement and productivity issues.

We also can observe from Figure 4 that all of the nationalised cotton textile mills in Mumbai under the control of National Textile Corporation (NTC) are also identified in a similar area of the diagram, characterised by centralised tri-partite bargaining and party-affiliated unions. In all of these Mumbai textile mills, the ‘representative’ union is the Congress-affiliated Rashtriya Mill Mazdoor Sangh (RMMS), due to the Bombay Industrial Relations (BIR) Act of 1946, which imposes an industry-cum-regional settlement with the sole ‘representative’ union,
although, as in Kolkata jute, a mill-level settlement is negotiated separated in some mills, including M3 in our sample. In reality other unions exist in the industry, including the Girni Kamgar Sena (GKS) affiliated to the communal Shiv Sena party, Datta Samant’s ‘independent’ Mumbai/Maharashtra Girni Kamgar Union (MGKU), and more recently Girni Kamgar Sangharsh Samiti (GKSS), but given their ‘unrecognised’ status as bargaining agents, many of these unions function as organisations to voice grievances not taken up by the RMMS or as workers co-operatives.

The type of LMIs represented here corresponds to one that is often portrayed as “state-dominated” or “involuted pluralism” (Rudolph and Rudolph 1987; Bhattacherjee 1999), characterised by state intervention at every stage of the labour-management relations, whereby the “state is armed with the power to take note of industrial disputes, force labour and management to give notice of their intention to strike or lockout, conciliate to resolve their difference, decide whether the dispute should be referred for a judicial decision if conciliation fails, set up the courts which will adjudicate disputes, hand out interim solutions pending final disposal by the courts, ban strikes and lockouts, and compel labour to get back to work and the management to run the enterprise on pain of prosecution” (Ramaswamy 1988: 212-3). It is however simplistic to assume that labour and management have no active role to play in this state-controlled system of industrial relations. While the state intervention has sometimes meant promotion of political muscle of the party in power and its allies in the labour movement, Ramaswamy (op cit: 214) argues that the employers also have been ‘politically opportunistic’ building relationship with the political party in power at the time, whilst using tactics such as lockouts against their union federations, and exploiting the procedure of conciliation and adjudication to buy time when it suits their purpose. Also some workers have similarly become allegedly “shrewdly calculative” creating opportunistic alliances with political parties in order to
“extract the most out of the system” for example by securing patronage and protection in the case of personal grievances. This is particularly the case in the Kolkata jute manufacturing where workers may declare ‘loyalty’ to several of the multiple trade unions active in their mill. Sen (1992a: 47) reports that at least 14-15 percent of workers admitted having dual or triple membership, in the sense of paying membership dues to more than one union, in the two jute mills she surveyed, which is broadly consistent with the information collected during our fieldwork.

This ‘state patronage’ approach to industrial relations takes place in the economic context in which the industry is afflicted by ‘sickness’ characterised by low productivity, “backward” and outdated technologies, and general deceleration in the growth of demand for their products (Chandrasekhar 1984). All of our studied units in the ‘traditional’ sector had negative profits, with very low sales and export performances, combined with low capital/labour ratio. This is consistent with table 2, taken from a study on the jute industry based on a larger sample, whereby profit per sales and profit per asset were both negative for most of the 1990s. The poor demand for the jute goods is also reflected in the stagnant (but fluctuating) production and declining ratio of export shown in figure 5. The decline in demand for the jute goods is partly due to competition from alternative synthetic packaging materials, such as ‘polysacks’, as well as trade competition from Bangladesh and China. In addition, the poor financial performance of jute mills is also due to the low productivity, which measured in man-days per tonne is reported to be 45-46 man-days per tonne in Kolkata’s jute industry (Government of West Bengal 1999), which the Indian Jute Mills Association (IJMA) compares with the reported figure of 25 man-days per tonne in China.
Table 2 Financial ratio of selected jute companies: 1990-91 to 1996-97

<table>
<thead>
<tr>
<th>Year</th>
<th>No of companies</th>
<th>Profit after tax / Net sales</th>
<th>Profit after tax / Assets</th>
<th>Value of production / Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>15</td>
<td>-8.8</td>
<td>-19.9</td>
<td>2.283</td>
</tr>
<tr>
<td>1991-92</td>
<td>19</td>
<td>-6.9</td>
<td>-14.0</td>
<td>2.020</td>
</tr>
<tr>
<td>1992-93</td>
<td>19</td>
<td>0.3</td>
<td>0.5</td>
<td>2.045</td>
</tr>
<tr>
<td>1993-94</td>
<td>23</td>
<td>-1.7</td>
<td>-3.0</td>
<td>1.819</td>
</tr>
<tr>
<td>1994-95</td>
<td>26</td>
<td>-0.7</td>
<td>-1.3</td>
<td>1.841</td>
</tr>
<tr>
<td>1995-96</td>
<td>22</td>
<td>-2.0</td>
<td>-3.4</td>
<td>1.744</td>
</tr>
<tr>
<td>1996-97</td>
<td>14</td>
<td>-3.3</td>
<td>-4.2</td>
<td>1.268</td>
</tr>
</tbody>
</table>

Source: Government of West Bengal (1999: 2)

Figure 5 Share of export in despatched jute goods from mills, 1944-5 to 1997-98

Source: IJMA (1999: 71-3)
In the case of textile industry, the competition comes from the decentralised hand-loom and small-scale power-loom sectors, which accounts for about 80 percent of the total production of fabrics in India, as shown in Table 3. In response to this, several oligopolistic “progressive companies” have modernised and expanded their production capacities by introducing new technology in dyeing and other processing facilities, and have diversified a significant component of their output by concentrating on quality products for the domestic upper class and export market (Chhachhi and Kurian 1982; Chandresekhar 1984; Bhattacherjee *op cit.*). However because the cost of new technology is very high, such ‘modernisation’ has not been introduced in the majority of the textile mills. In Datta’s (1999) study on the impact of new technology in the Mumbai textile industry, it is reported that the cost of new technology in the spinning process is around 6 times of that of the old technology, as shown in table 4. Similarly in
the same study, Datta estimates that the cost of new technology in weaving is also approximately 10 times more than in the old technology. Note also that the new technology reduces the labour requirement in production process as indicated by the lower average employment per day under the new technology. Datta reveals that the introduction of new technology also coincides with elimination of certain production process, such as winding, in which the employment of women has been drastically reduced. He also observes that the modernisation process intensifies the labour process because many of the skill-intensive tasks involved in spinning are carried out by the new machines, and workers are reduced to an ‘operator’ whose main task is to “take care of the machine” (op cit.: L43).

The outcome of this productivity increase driven by new technology since the 1970s in the Mumbai textile industry is a dynamic but highly ‘uneven’ development, with a large gap emerging between the “better-off” and “backward” mills. The implication for LMIs is the collapse of the industry-wide collective bargaining in the Mumbai cotton textile industry after the Datta Samant-led Mumbai textile strike of 1982-83, when division emerged amongst private sector mills in the employer association, the Bombay Mill Owners’ Association (BMOA), between the oligopolistic and non-oligopolistic mills (Bhattacherjee 1989: M-70).

**Table 5** **Sales Performance in M9 Textile Mills During 2000** (Unit in crores Rs.)

<table>
<thead>
<tr>
<th></th>
<th>Cloth</th>
<th>Yarn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export</td>
<td>202.72</td>
<td>2.38</td>
</tr>
<tr>
<td>Local</td>
<td>129.01</td>
<td>4.96</td>
</tr>
</tbody>
</table>

Note: 1 crore is unit of 10 million = 10,000,000. 1 crore = 100 lakh.
Source: Author’s fieldwork.

This is reflected in two units, M9 and M6, which do not fit into the ‘cluster’ of Mumbai ‘traditional’ sector in Figure 4. Both of these units are privately-owned or privatised cotton textile mills in Mumbai, characterised by localised mill-level
labour-management relations. M9 is one of the several abovementioned oligopolistic “progressive companies” with ‘modernised’ production capacities and focus on fabric production for the high-end market. The company claims a share of 10.1 percent in the India’s cotton textile export, which is also consistent with Table 5, which shows the sales of cloth and yarn produced at the M9 mills during 2000, with export accounting for the majority of sales. M9’s sales figure is over 40% higher than that in any of the NTC mills surveyed in our survey. In contrast, M6 represents the opposite case of ‘weaker’ private sector mills characterised by obsolete technology, low levels of productivity and ‘industrial sickness’ in the face of competition from hand-loom and power-loom sectors. Many of these ‘sick’ mills have either closed down or been operating irregularly with partial capacity, and the focus of the owners has shifted to speculative activities in real estate investment and the construction of residential and amusement facilities for the urban upper class in Mumbai. Indeed, M6 has not been operating regularly since the mid-1990s, with the company submitting ‘rehabilitation scheme’ to the Board of Industrial Financial Reconstruction (BIFR) under the Sick Industries and Companies Act of 1986. Out of M6 mill’s 49,599 square meters of land at the Byculla district at the heart of Mumbai, 23,066.07 square meters was still retained for the mill, with the rest of land given permission for recreational, residential and commercial development (Pinto and Fernandes 1997: 62). D’Monte (2002: 183) reports that the gross profit from the sale for yarn is estimated as Rs. 2.9 crore compared to Rs. 26 crore from real estate, with the preservation of around 3-400 workers and continuance of spinning activity at the mill used as “a fig-leaf to cover what is a full-fledged diversion into real estate”. While the real estate investment is clearly lucrative given the production condition of these non-oligopolistic mills, this profit figure can be compared to 339.07 crore raised from sales of cloth and yarn (from both export and domestic) by M9 during 2000 as shown in Table 5.
For the present purpose of characterising the typology of LMIs, note that the decentralised bargaining, indicated by these two units being located to the left along the horizontal axis in Figure 4, has not necessarily meant ‘internalisation’ of union leadership, as observed by these units being located at a similar level or higher to the NTC mills along the vertical axis in the diagram. This implies the so-called ‘independent’ or ‘new’ unionism in Mumbai is in fact diverse in their character, as we shall discuss further below.

Our hypothesis is that the centralised tri-partite collective bargaining in the majority of ‘traditional’ sectors reflects the state controlled industrial relations, whereby workers are provided with relatively stable wages and employment in return for ‘disciplined’ unionism, at the backdrop of limited scope of ‘within-firm rents’ in the industry. However, the decentralisation of bargaining-level in private textile mills in Mumbai, where the opportunity to appropriate ‘rents’ specific to local conditions was provided, either through productivity growth driven by the introduction of capital-intensive technology and the intensification of the labour process, or due to ‘rehabilitation’ by exploiting the rising prices for mill land in the commercial districts. Note that even in the private Mumbai mills where the industry-wide bargaining collapsed, significant involvement of external agency in trade unions has remained, rather than the ‘employees’ unionism’ that emerged in other sectors of Mumbai. No doubt, legislation such as the BIR Act that prevents unions other than the RMMS to be recognised as bargaining agents limits the scope for alternative labour movement. Also, as van Wersch (1992: 404-413) have argued, many of the workers’ preference for mill-level negotiation as a mean to seek economic demands, over developing an alternative political movement, may imply weak class consciousness. From our analytical perspective, the reproduction and transformation of LMIs are explained by the location of industrial capital and labour in the changing patron-client politics, which in turn reflects the particular patterns of accumulation. Therefore the failure of the rank-
and-file unionism to make significant impact in Mumbai textile industry, and more generally the decline of the politically articulated working class movement in the city, must be understood within the wider social context of the region’s redistributitional politics that has increasingly become mobilised along caste and communal lines.

5.2 Kolkata's ‘modern’ sector

Let us next turn to the type of LMIs in the ‘modern sector’. From figure 4, we can confirm that all except one of the ‘modern’ sector units based in Kolkata are ‘clustered’ at the top of the diagram, indicating a strong orientation towards politicised unionism, but without centralisation of bargaining. Following our discussion in the previous sections, our hypothesis is that the decentralised bargaining structure in Kolkata ‘modern’ sector can be explained by the greater opportunity for bargaining agents to make significant gains from seeking ‘within-firm rents’ compared to their counterparts in ‘traditional’ sectors such as jute. Similarly, we argue that the politicised LMIs in Kolkata are better understood as a reflection of the politically created ‘outside-firm rents’ in the context in which the state and the Communist Party of India (Marxist) or CPI(M), which has controlled over West Bengal since 1977, actively and continuously controls the industrial relations, and its trade union wing, the Centre for Indian Trade Unions (CITU). This state controlled bargaining relations and unionism are outcome of the state’s accumulation strategy, which relies on subsidies and direct intervention, at the backdrop of the fragmented redistributitional coalitions and the need to accommodate a wide section of the society for the state to maintain its political legitimacy.

Returning to Figure 4, it is striking how these units with very different products, technology and production organisation all have similar aspects to their LMIs: K1 is a light engineering firm that produces electronic ceiling and portable fans for
the domestic market, with 357 workers and staff at the time of the survey; K7 is a multinational firm that supplies industrial and medical oxygen, with 59 workers; K8 is a music cassette tape factory with about 540 workers; the main operation in K9 factory is the remelting and rolling of aluminium sheet with about 800 operators; and K10 is a light engineering factory that produces lamps with 144 workers at the time of survey. All 5 of these units are private firms with company-based, in many cases multiple, unions affiliated to political parties. That units based in Kolkata with diverse operations have similar LMIs implies the importance of the local political context in which the labour-management bargaining takes place.

The comparison between the ‘traditional’ and ‘modern’ sector units in Kolkata is important in understanding how technological and political factors interact in a complex way to provide opportunities, incentives and constraints for bargaining agents, while also determining their capacity for different mobilisation strategies. The difference in the type of LMIs in the two sectors in Kolkata is in the extent of centralisation of bargaining and the ‘formal’ role of the state in tripartite collective bargaining, but not in the extent of the politicisation of unionism. The tendency of industry-level bargaining or wage settlement through conciliation and adjudication is towards levelling and homogenising the compensation structure for similar work across the sector, with reference to traditionally agreed pay required for labour to sustain and reproduce itself. In this sense, our hypothesis is that the decentralised collective bargaining reflects the more favourable economic conditions these ‘modern’ sector firms enjoy, which on the one hand allow trade unions to extract potentially greater pay and benefits for their members, and on the other hand enables firms to reorganise their workforce according to their local needs, which in turn reflects the market forces and pressures more closely (Ramaswamy 1988: 217-8).
However, such potential for greater gains from localising the bargaining structure have not led to the ‘depoliticisation’ of unionism in these ‘modern’ sector units in Kolkata. Our hypothesis is consistent with Ramaswamy’s (op cit.: 175-188) observation that workers in Kolkata are less likely to disclaim alliances with political parties, particularly with the party in power, as long as they redress workers’ grievances and secure gains. He also suggests that, although managers in Kolkata often complain about the political opportunism of such unionism, they also tend to support the trade union of whichever party is in power, since the parties can exercise control and discipline over their unions and their members, a sentiment we have come across during our field research as well.

In this context, it is important to note that the difference between the relatively similar types of LMIs amongst Kolkata’s ‘modern’ sector and the more diverse types of unionism amongst their Mumbai counterparts, as we point out in the next section. Our hypothesis is that this relative similarity in the LMIs amongst units based in Kolkata can be understood by the pattern of economic growth in the region, whereby the accumulation within the sector has been relatively homogenous, compared to the more ‘uneven’ pattern of development in the industrially more dynamic Maharashtra, combined with the type of redistributional coalitions in West Bengal whereby middle and low-income groups are mobilised along partisan lines to capture politically created state resources. Our hypothesis is that, in Kolkata, where the opportunity for productivity growth through the drastic reorganisation of labour-management relations at the plant-level is balanced against gains from ‘staying with the regime’, both industrial capital and labour are more likely to sustain their link to politically created ‘outside-firm rents’ by being accommodated in the nexus of patron-client relations and utilising their position within the wider distributive conflict.
Before turning to the observations on the ‘modern’ sectors in Mumbai in the next section, let us briefly comment on two ‘outliers’ in relation to the cluster of Kolkata ‘modern’ units in figure 4: K2 and K11, both of which place our previous observation in context and which indicate how the difference in the economic activities relates to the types of LMIs in a complex way. Although the focus of our current field research was on the manufacturing industry, the inclusion of K2, a public sector bank, located in Kolkata was an important point of reference for us to gain a broader understanding of LMIs, not least because of the increased ‘financialisation’ of capitalist development. Indeed the position of K2 in our two-dimensional mapping indicates that the types of LMIs may be very different in the banking sector, which is characterised by a combination of centralised national-level bargaining and employees’ unionism with no directly declared affiliation to political parties or external organisations, although many of the union activists at the Kolkata branch were active members of the Communist Party of India (Marxist) or CPI(M). Traditionally, wages and employment conditions in banking were under direct state control, and collective bargaining only started in 1966 with negotiation taking place at the national-level (Mankidy 1997). K2 negotiates a separate company-level settlement with the employees’ federation since the dispute over computerisation in banking operation in the 1990s, but again at the national-level (Ramaswamy 2000: 179). Given the increasing diversification of banking activities, it is likely that the bargaining relations and institutions vary significantly within the sector, which is an area under-researched and a task for future research. For example, the mode and issues in labour management in the nationalised K2 which primarily focuses on traditional roles of financial intermediaries (bank credit provision, deposit erasing and lending) may be different from banks that are venturing into diverse business, such as mutual funds, venture capital, portfolio management and credit cards (Khandelwal 1997). At the least, the inclusion of K2 in our sample, allows us to
put our typology of LMIs in context of the wider industrial relations scene in India.

In contrast, the observation from K11 is interesting because, as the company name suggests, it is an engineering firm that produces machinery for jute manufacturing, and despite it being a machinery manufacturing factory, the type of bargaining relations and unionism is very similar to that of ‘traditional’ sectors such as Kolkata jute manufacturing and Mumbai cotton textile mills. K11 was a public sector firm until 2000 when it was privatised (or ‘disinvested’) and when the author visited the factory, was run by the family who owns K5. However, the labour-management agreement in effect at the time was still the tri-partite industry-level settlement for public sector engineering firms in West Bengal and a separate plant-level bi-partite settlement, both signed in 1997, which is reflected by its high degree of centralisation of bargaining in Figure 4. While an inclusion of one unit does not allow us to generalise about the type of LMIs in public sector engineering firms in Kolkata, the observation offers us a point of reference with the private engineering firms with plant-level bargaining. As discussed earlier, our hypothesis is that the extent of centralisation of collective bargaining at least in part reflects the relative size of ‘within-firm rents’ and the potential for bargaining agents to appropriate greater share of the surplus generated from production. This of course needs to be understood in the wider context of the accumulation strategy at the macro-level in West Bengal, where there has been reliance on subsidies and direct state intervention to maintain industrialisation as a mean to create employment and sustain the legitimacy of the political regime.

5.3 Mumbai’s ‘modern’ sector
Having commented on the ‘modern’ sector industry in Kolkata, let us now turn to its Mumbai counterpart. From figure 4, in contrast to the relatively concentrated ‘cluster’ that characterised the Kolkata modern industry, we can
observe a greater diversity in the types of LMIs in Mumbai. We suggest that the diverse types of LMIs reflect the vitality and volatility of labour-management relations in Mumbai’s ‘modern’ sector, whereby labour and employers seek to reorganise the bargaining relations and unionism in response to local economic conditions. M1 and M7 represent one side of the ‘stylised’ image of “the most evolved Indian version of business trade unionism” in Mumbai (Ramaswamy 1988: 17), characterised by a combination of decentralised plant-level bi-partite bargaining and company-based unionism and union leaders “who disclaim allegiance to political parties”. In contrast to these two units, M2, M10, M11, and even more notably, M8 all have either politically affiliated unions or external union leaders, while still retaining the aspect of plant-level collective bargaining. The diversity in the types of LMIs in the Mumbai modern sector reflects another aspect of the “voluntarism” in the more profitable sectors of the economy, which is the increasing volatility of union leadership, whereby “free-floating workers not only shift easily from one union to another but even choose different unions for different purposes” driven by a “heightened sense of economism, [the] absence of ideology not merely of a political kind but also of a trade union one, [and] competitive bidding by-leaders for labour support and handsome benefits coupled with return commitments” (Ramaswamy 1988: 42-3). The types of bargaining relations and unionism in these units have been unstable over much of the period since the 1960s.

Our hypothesis is that this diversity in the type of unionism in Mumbai can be explained by the opportunities, incentives and constraints for, as well as capacities of, bargaining agents to focus their mobilisation strategy to localised bilateral bargaining as a result of a combination of two factors at the macro political economy of the region. On the one hand, a ‘bureaucratic liberalist’ approach to accumulation, whereby the state provides infrastructure and institutions to facilitate and ‘guide’ development, rather than to intervene directly in productive
activities, led to dynamic but highly ‘uneven’ economic growth in the region. On the other hand, the logic of redistributive politics in Maharashtra was such that factional coalition has been organised along caste and communal lines. While there are examples such as the emergence of the Shiv Sena in the 1980s that played significant role in mobilising workers on linguistic grounds against immigrants from southern States and Muslims, and more broadly recruitment of organised and unorganised workers as well as increased number of self-employed for militant communal groups and street gangs (Pendse 2003), generally the organised labour movement has not been at the centre of such factional mobilisation. Similarly, while industrial capital have employed mafia gangs for private protection of their business, the logic of political mobilisation is if anything driven by the decline and sickness of many of the ‘traditional’ industrial sectors, and the increasing commercialisation and financialisation of the economy. Thus we suggest that the scope for industrial capital and organised labour to appropriate ‘outside-firm rents’ was relatively limited in Mumbai, which led to greater compulsion for bargaining agents to increase their gains from ‘within-firm rents’. We argue that this dynamic but contradictory pattern of accumulation in Mumbai can be explained by the balance of power amongst social groups, which led to a coalition of the ‘elite’ cluster of castes and classes that enabled the state to promote ‘business-friendly’ economic policies and opened space for a range of accumulating activities, including organised crime. The purpose of the discussion here is to examine the implication of this pattern of capitalist development and the shifting balance of power in the region that led to the continuous restructuring of unionism and bargaining relations by industrial capital and organised labour in Mumbai.

M10 is a well documented case of workers shifting its alliance with a number of external leaders almost continuously since its formation (Banaji and Hensman 1990; Banaji 2000; Hensman and Banaji 2001; Ramaswamy 1988; 2000).
Sewree factory in Mumbai was established in 1934 and is the largest unit of the company both in terms of production and manpower, and manufactures soap, detergents, chemicals and personal care products. The company union was founded in 1948 by socialist leaders, which then came under the Communist Party of India-affiliated AITUC. When the internal leaders with leanings to the management controlled the union, it was affiliated to the Congress’s INTUC. Later it came under the Bombay Labour Union led by the socialist and left leaning George Fernandes, before moving further ‘left’ to the CPI(M) affiliated CITU, and in 1980 became an independent union led by the external leader, Datta Samant. In the background of this transition of union leadership was a dispute over sub-contracting and the problem of temporary workers, which the CITU leadership treated with indifference, and which led young militant activists to campaign to expose the unpopularity of the CITU. Since the murder of Datta Samant in 1997, the union is led by another external leader D. Thankappan who gained fame from the worker take-over of Kamani Tubes (Ramasaway 1988: 50-8; 2000: 67).

M8 offers an interesting case of an ‘independent’ union that recently shifted its alliance to a political party. Originally founded in 1935, M8 is a pharmaceutical company known internationally for producing low-cost anti-AIDS drugs in developing countries. From 1979 to 1994, the representative company union, formed in 1979, had external leadership affiliated to the Socialist Party. A new group of radical activists emerged around 1991 and eventually took over the union leadership in 1994. The new Employees Union was initially under the control of a non-political external leader Datta Samant and then affiliated to TUCI under the influence of the ‘ultra-left’ Communist Party of India (Marxist-Leninist) or CPI-ML in 2000. This transition of the union leadership and political affiliation took place as the backdrop to intense industrial conflicts, characterised
by prolonged lockouts, over productivity issues and the reorganisation of the work force.

M7, which manufactures light bulbs, offers a contrasting case to M10 and M8 in that management contributed much more significantly to the changes in unionism (Banaji and Hensman 1990; Hensman and Banaji 2001; Ramaswamy 1988; 2000). The main company union for workers, M7A, was formed at the Kalwa factory in 1968, having separated from the pre-existing staff union, which was formed in 1962. In the mid-1980s, when disputes over productivity demands led to prolonged lockouts, new company management was brought in which instigated a split in the workers union and encouraged supervisors to join a management-sponsored staff union, M7B. This coincided with the formation of a union federation that was formed in the 1960s and brought together the units in Mumbai, Kolkata and Pune, being legally dismembered in 1986, and bargaining decentralised to the plant-level. At the time of the survey, the two unions were active in both Kolkata’s K10 and Mumbai’s M7 plants, but whereas the M7B was affiliated to the CITU in Kolkata, it maintained ‘independence’ in Mumbai, reflecting the distinct political conditions in which the labour-management relations take place in the two regions.

M11, a Mumbai-based vehicles manufacturer founded in 1944, which has entered into a technical collaboration with an Italian automobile manufacturer, is another case where the company-based union was led by Datta Samant in the 1980s but was later removed by labour-management conflict. In the mid-1990s the company experienced industrial conflicts over productivity demands as well as poor dealer services that led to several high-profile criminal cases, which continued into the early 2000s. Following a prolonged lock-out in 1998, a new internal union leadership at the company union are representing the workers at the plant.
What is common in all of these cases is that the transition of LMIs is associated with struggles over the mode of controlling the labour-process; in the form of linking wages to productivity, or using subcontracting and temporary workers. In the background of such disputes is the potential of productivity growth and thus extracting further surplus value, especially in the context of dynamic economic growth in the region. This provides strong incentives for bargaining agents to organise their labour-management relations to seek company-based ‘within-firm rents’, especially in the context of the macro political economy in which the scope for industrial capital and organised labour to gain from ‘outside-firm rents’ was limited. On the one hand, employers have tried to engineer unions and union leadership who commit to and enforce revision of work norms, reorganisation of manning levels (including promotion of ‘voluntary’ retirement) and the enhancement of productivity. On the other hand, workers have sought leaders who can effectively voice the significant issues that concerns workers and win them greater potential pay and benefits.

The comparison of the three factories, K9, M1 and M2, all belonging to the same aluminium processing company, provides further illustration of the dynamic and complex ways in which economic and political conditions determine the type of LMIs. The company was established in 1938, and enjoys a leading market position in aluminium production in India with its operation covering all stages of aluminium production, from mining, refining and smelting, to the manufacturing of semi-fabricated products of sheet and foil. After the acquisition of the Kolkata plant in 1998, the company formally came under the control of one of the domestic oligopoly capital’s ‘business empire’ in 2000. At the time of our survey, K9 plant in Kolkata had two unions: one union, K9A, which claims to be independent and apolitical, but many of its core members are CPI(M) party members and unofficially participating in many political events organised by its labour wing CITU; and the other union, K9B, affiliated to the congress-led
INTUC. In the M1 plant in Mumbai, there was a unique independent union led by internal leaders and representing workers at the plant level. Leaders and core members of the union were linked with various political parties but as a union, they did not have any specific political linkage. In contrast, workers in the M2 factory, also located in Greater Mumbai, were represented by an external union, Association of Engineering Workers, which was a regional non-political federation set up by Datta Samant in 1978.

Although our fieldwork data is not sufficiently equipped to offer a comprehensive analysis of the determinants of LMIs, we can propose some hypotheses by interpreting the diverse types of union leadership in different plants of the same company in the context of their technological and market conditions, and political factors within which labour-management bargaining takes place. Both K9 and M1 plants operate in relatively ‘up-stream’ production process, where aluminium is re-melted and rolled into a sheet. On the other hand, the M2 plant buys rolled aluminium sheets, some from company’s sister plants and some from outside, further roll them into foil and convert them into aluminium packages used in pharmaceutical products, tobacco, sweets, ice creams and other consumer goods.

In this sense the M2 plant operates in a much more ‘down-stream’ operation compared to the other two units, and because of this, capturing new market and adapting to new market conditions becomes important for the survival of the plant. Not only are bargaining agents in the M2 plant in a more favourable position to extract a greater share of the surplus or ‘within-firm rents’ generated, due to their advantageous position in the production ‘stream’, but also the technological and skill levels involved in the production process is much higher compared to their K9 and M1 counterparts. The implication is that workers in the M2 plant are able to exercise a far greater and credible threat to impose
significant costs on the company’s operation, which provides incentives for the external union leadership to use their power, which comes from them not being on the payroll of the firm, to extract substantial benefits for their members in the long-run. At the same time, external leadership may be preferred at M2 from the management’s viewpoint as well, since external unions are less likely to interfere in the day-to-day operation once the settlements are negotiated, even if it means monetary costs in terms of buying workers support at times of settlement.

In contrast, the implications of a more ‘up-stream’ operation in K9 and M1 plants are that their immediate welfare is less directly subjected to the opportunities and compulsions from the consumer market, and that the scope for bargaining agents to extract a significant long-term share of the surplus or ‘within-firm rents’ is relatively smaller. Gains are more likely to be secured from ‘everyday struggles’ to extract the most out of the system, rather than engaging in belligerent negotiation or the exercise of their power. This may take the form of utilising the linkage with political parties as in the K9 factory, or the form of internal union leadership as in M1 plant, depending on the role of the state and other political actors in controlling and managing the labour process in the wider context. This of course does not mean that the industrial relations are necessarily more ‘harmonious’. In fact none of the three aluminium processing plants have experienced major strikes or lockouts since the mid-1980s. Rather our interpretation of the observations is that the different economic and political conditions offer opportunities, incentives and constraints for LMIs to be organised differently, as well as provide structural capacities of bargaining agents to adopt different mobilisation strategies accordingly.

6. Summary and discussion
This paper examined the typology of LMIs in our surveyed sample in Mumbai and Kolkata, and pointed out that the types of LMIs can be broadly classified by
reference to two dimensions: (i) the extent to which collective bargaining is centralised and involves state interventions in the form of tri-partism; and (ii) the extent to which trade unions are formally affiliated to political parties or external leadership are involved in unions. We have also identified that types of LMIs within our surveyed units are broadly ‘clustered’ around regional (Mumbai vs. Kolkata) and sector (‘traditional’ vs. ‘modern’) categories. Our broad categorisations are consistent with the findings in other studies such as Ramaswamy (1988; 2000), Davala (1992), Venkata Ratnam (1996), Venkataraman and Verma (1997) and Bhattacherjee (1999).

At one level, this attempt to empirically identify the diverse types of LMIs that exist in Indian industry is in and of itself an important intervention in the ongoing debates on LMIs in India, where much of the policy prescriptions is discussed with the particular ‘stylised image’ of Indian LMIs. Our analysis in this paper at the least suggests that labour market reforms of the type considered in the policy circle must pay careful attention to the diversity of labour-management relations and unionism across regions and sectors.

However, the purpose of our empirical examination in this thesis is not merely to provide typologies and classifications, but to provide a materialist explanation of these differential types of LMIs. Our hypothesis is that types of LMIs are to be interpreted as reflections of the historically specific ways in which industrial development proceeded in different regions and the balance of power at the macro-level that underpins them. We have argued that the typology of LMIs can be interpreted as a consequence of bargaining agents organising labour-management relations and unionism differently in response to technological, economic and political factors, which interact in complex and dynamic ways. For example, we have pointed out that the bargaining structure is more likely to be centralised, say, at the industry or regional-level in units where the scope for
bargaining agents to achieve substantial gains from plant-level bargaining is limited, especially in the context of low productivity, “backward” technologies, and a decline in demand for their products. This was exemplified by the majority of cotton textile mills in Mumbai and Kolkata jute manufacturing clustered in this category. In addition, the decentralisation of collective bargaining to mill-level in private sector cotton textile units in Mumbai demonstrates the strong incentive for bargaining agents to seek ‘within-firm rents’ as a result of uneven development in the sector.

We have also interpreted the political affiliation of unionism or the presence of external union leadership as a manifestation of differential organisations of distributional conflicts over politically created ‘outside-firm rents’ at the macro political economy, against which the potential gains from bargaining over potential ‘within-firm rents’ are weighed. The comparison of ‘modern’ sector units in Kolkata and Mumbai is illustrative. In Kolkata, where the general pattern of industrialisation and accumulation is less dynamic, and where both industrial capital and labour are accommodated within the organisation of redistributional conflict over politically created resources, ‘modern’ sector unions have tended to maintain formal affiliations to political parties even when collective bargaining is typically of a bi-partite nature and takes place at the plant-level. In contrast, in the Mumbai ‘modern’ sector, where industrial development is more dynamic but also ‘uneven’, the types of union leadership is found to be extremely diverse, reflecting the complex and particular ways in which technological, economic and political factors interact.

Our findings highlight an important fact that the political affiliation of unionism or presence of external union leadership on their own cannot distinguish between very different industrial relations. For example, the domination of political affiliated unionism in Kolkata is a reflection of a stagnant labour movement
explained by the comparatively less dynamic industrial development in the region, and its particular factional organisation of distributive politics that enables bargaining agents to seek ‘outside-firm rents’ and gives them political capacity to resist change. In contrast, when political labels and/or external leadership are sought or abandoned by bargaining agents in Mumbai this can be interpreted as a sign of a vibrant but volatile and fragmented industrial relations whereby ‘reshuffles’ of union leadership is a form in which workers and/or employers express their disapproval (Ramaswamy 1988: 42; 1992: 9). This suggests that bargaining agents perceive greater scope for negotiating significant gains from reorganising the bargaining relations, and to put it differently, the macro political conflicts are such that it cannot offer sufficient payoffs to bargaining agents and there is a greater compulsion for increasing productivity and maximising the ‘within-firm rents’. This raises important questions with regards to the validity of some policy prescriptions promoted in the on-going debates in India, say in the Second National Commission of Labour (SNCL), whereby considerable attention is paid in curbing union’s linkages to political parties or influence over external leaders. Our analysis suggests that the issue is not so much whether there is affiliation to political parties or involvement of external unionists, but how and why this occurs.
BIBLIOGRAPHY


