

## LABOUR ARRANGEMENTS AND BARGAINING OUTCOMES UNDER DIFFERENT MARKET CONDITIONS

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*It is the market conditions in a specific industry and/or in the economy in general, not the labour policy legislations and trade union practices, that take the lead role in determining the labour market outcomes. This is vindicated by the analysis in this paper which relates to some selected firms in the Indian textile industry.*

### I. INTRODUCTION

This paper attempts to understand the role of market conditions in determining certain labour arrangements and bargaining outcomes in some selected industrial firms in India. Since the early seventies most of the developing countries started going through macro economic policy restructuring which has led to technological modernization of the industrial sector in general and export oriented sectors in particular. This was also the time when computerization of modern machinery has substantially taken over the earlier production system worldwide but of course in different degrees. Opening up of the markets to the world market essentially increased the degree of competition in the home markets as well as in the international markets. Market conditions have thus changed substantially in the recent years. Any sustained modernization, both in terms of product and techniques, involves restructuring of the labour force. World Bank (1990, p. 8) argues that this process of restructuring can only come through a conscious policy effort: "The design of adjustment programmes should take into account the political support necessary to sustain the programme ... Compensatory measures, such as severance pay and job retraining, should encourage exit from groups that oppose reforms and entry into groups that benefit from (and will support) the programme".

Accordingly, in order to facilitate the economic reforms, the Government of India, every year, has been proposing removal of a set of labour legislations in the organized sector for the last few years. However, the State has not succeeded yet to implement those fully. On the other hand, changes in the labour market are quietly taking place with much less disputes reported in the national labour statistics. Even in the highly organized sectors, traditional industry-based trade unionism has lost its popularity and plant-based unions, which are more focussed on the productivity-wage gains, are making their way (Ratnam, 2000). On the contrary, workers in the traditionally unorganised power loom sectors are being successful in organizing themselves in the most well performing export oriented units (Roy, 1998). Incidentally studies have also pointed out a remarkable ability of the other developing country labour markets to adjust to the changes in the policy regime without having any significant change in their policy legislations (Harrison *et al.*, 1997; Gruber, 1997). Is it then that the changes in the market conditions surpass the policy barrier? If so, is there any reason to really bother about the 'stringent labour laws' in India?

We address these issues with respect to eight firms in the spinning industry in India. We are quite aware of the fact that the number of firms we are proposing to examine are not adequate

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enough to substantiate the large claims we have made above. Our justification lies in the fact that even the small number of firms under discussion in this paper might initiate important larger questions to be probed further. The paper begins with a brief introduction to sample firms. This is followed by an analysis of the labour arrangements and union behaviour in the highly organized textile mills both in the domestic and export markets.

## II. THE SAMPLE FIRMS

In order to understand the implications of changes in the market conditions for labour arrangements and bargaining outcomes we study a cross section of firms divided first on the basis of export orientation and then on the basis of technological modernization. For choosing the firms we have selected the organized spinning units under the textile industry. As a result of import liberalization and deregulation in the early 1990s, there has been a remarkable improvement of the technological base in some organized firms in the textile industry. These changes were, in fact, initiated by the 1985 Textile Policy. This industry is also a major player in the export market as far as India is concerned especially in the liberalized trade regime (Chakravarty, 2003). Moreover, militant trade union practices, supported by the large political parties, are noteworthy features of the organized sector of Indian textiles since the late 1920s (Kooiman, 1980).

Table 1a  
The Sample Firms

<i>Firm</i>	<i>Establishment year</i>	<i>Number of workers</i>	<i>Modernized or not</i>	<i>Percentage of exports in total sales</i>
Domestic market oriented firms				
A	1981	89	NM	0.00
B	1963	110	M	0.00
C	1974	770	NM	0.00
D	1948	999	M	10.00
Export market oriented firms				
E	1973	129	M	85.00
F	1936	805	M	90.00
G	1956	165	M	100.00
H	1946	409	M	100.00

*Note:* 'M' stands for modernized and 'NM' stands for non-modernized.

In order to maintain comparability we decided to choose the firms from the same geographical region. The spinning units of our sample are concentrated in and around the city of Coimbatore in Tamil Nadu, as maximum number of spinning units are situated in this region of India. For selecting the sample firms, this study has adopted a purposive sampling procedure, as we are not interested in quantitative generalization. Tables 1a and 1b provide some basic information about the firms in our sample.

It needs to be mentioned here that though we tried to find out non-modernized export units for the sake of contrast, but we were not successful. According to the South India Mills Association (SIMA, 1998) there were no non-modernized units among the export oriented spinning mills of Coimbatore. The data used in this study are mainly collected through personal interviews conducted with the management, trade union leaders and the workers during the

Table 1b  
The Sample Firms

<i>Firm</i>	<i>Performance</i>	<i>Ownership</i>	<i>Number of trade unions as reported by the management</i>	<i>Number of strikes in the last 5 years</i>
Domestic market oriented firms				
A	Loss making	Private Ltd.	3 (INTUC, NLO, MLF)	1 (unit level)
B	Well performing	Private Ltd.	4 (INTUC, CITU, MLF, HMS)	Nil
C	Loss making	Public Ltd. (NTC)	5 (INTUC, AITUC, CITU, HMS, NLO)	
D	Well performing	Public Ltd.	5 (CITU, MLF, HMS, AITUC, INTUC)	Nil
Export market oriented firms				
E	N.S.W. performing*	Private Ltd.	3 (CITU, INTUC, MLF)	Nil
F	N.S.W. performing*	Private Ltd.	4 (AITUC, CITU, INTUC, HMS)	Nil
G	Well performing	Private Ltd.	2 (INTUC, HMS)	Nil
H	Well performing	Public Ltd.	3 (INTUC, HMS, MLF)	Nil

*Note:* INTUC stands for Indian National Trade Union Congress, CITU for Centre for Indian Trade Unions, AITUC for All India Trade Union Congress, NLO for National Labour Organization, HMS for Hind Mazdoor Sabha and MLF for Marumalarchi Labour Front; NTC stands for National Textile Corporation; NSW Performing refers to not-so-well-performing units, which operate at the break even point.

primary survey. These primary sources apart, we have also looked at the secondary information collected from the sample firms, trade union offices, South India Textile Research Association (SITRA), South India Mills Association and the Tamil Nadu Government Gazettes.

### III. HOW RIGID ARE THE TRADE UNIONS IN THE DOMESTIC MARKET ORIENTED FIRMS?

In this section, we concentrate on the four spinning units in the domestic sector. We try to understand how technological modernization, a fallout of the changed market context influences the form of labour arrangements inside a firm. We have noted that in a sufficiently modernized unit such as firm D, almost all manual work has become redundant. Moreover, the burden of the routine, repetitive jobs also has been reduced significantly as a result of introduction of more sophisticated computerized machinery at the shopfloor. This has led to a considerable decline in the number of workers necessary for each shift in the production process. However, together with some remaining routine jobs, shopfloor workers often have to attend to some unforeseen problems of a minor scale in order to maintain an easy flow of production. This sort of mechanical snag occurs in non-modernized units too but with much less frequency, as the machines are quite simple and completely separated from each other.

As a consequence of technological modernization different departments under a spinning unit have become almost integrated with each other. Machines have become more automated and much more complex than in the non-modernized units. Detection of a source of a fault, in this context, needs thorough understanding of the production process and familiarity with different equipments used. It is not possible for the purely technical persons to attend to these snags every time. This calls for a situation when the workers especially the veteran ones need to be equipped with these skills at least to some extent. This change in the nature of skills has made the lines between the duties specified for different categories of workers blurred.<sup>1</sup>

Incidentally, the workload settlements for the non-modernized units define the duties in a specific as well as a rigid way along different categories of work within a specific department. On the contrary, the most recent agreement on workload distribution and duties, between the

workers and the management of the modernized firms, gives an indication of the overlap of duties and responsibilities among the workers, jobbers, supervisors and the management. If the system of allotment of duties and responsibilities in the non-advanced firms is viewed as clearly separated components, for the modernized ones, it is a kind of continuum. Clearly, in this process of integration, the management may have to depend (to a great extent) on a group of veteran workers, who will behave "reliably".

Workers acquire skills of handling the technologically advanced machineries mainly through long on-the-job training together with short off-the-job training. On-the-job training takes place through combining production, learning by doing and mentoring by more experienced colleagues or superiors. Consequently, a large part of this training process becomes intangible and makes it hard to specify them in advance and monitor the firm's compliance in individual cases. Also it is difficult for outsiders to observe the training practices inside the firm. While this is true generally for any kind of skill also, it has become all the more important in this case, where the "standardized" part of the skill content is very low. The potential employers will, therefore, be unwilling to employ new workers from other firms. Also, the present employer will not be interested to discontinue the employment relationship, as s/he is not sure about the other workers.

Table 2  
Percentage of Temporary Workers

<i>Firm</i>	<i>Mid 1980s</i>	<i>Early 1990s</i>	<i>Late 1990s</i>
A	0	10	12
B	0	NA	40
C	0	5	10
D	0	8	4

*Note:* NA: Data are not available.

*Source:* Collected from individual firms.

It is worth mentioning here that the preference for permanent workers is increasing in the substantially modernized firms in the context of an increasing casual labour practices in the non-modernized units consisting 70 percent of the industry. Table 2 gives the figures for our sample firms. The figures for firm B may be a little confusing, as we have categorized this firm as a modernized one. One may note here that not all departments of firm B could go for substantial modernization. In this firm only the card room and preparatory are being modernized considerably. Table 3 gives the percentage share of temporary workers in different departments of firm B. Data clearly reveal that the percentage of temporary workers has gone down in the modernized departments of firm B in the recent period. This increasing explicit preference for the permanent workers on the part of the technologically modernized firms of our sample shows that employers value a continuation of the employment relationship with their workers, may it be a small group.

Moreover, it is clear that the process of skill formation has become totally internalised. Consequently, workers also prefer to be with a single firm and acquire better skills through a series of on-the-job-training and short off-the-job-training, which, in turn, take them to a superior category of work with a better pay in the promotion line. In this way, a specific human asset condition evolves. It leads to labour market transactions for which continuity between firm and worker is valued (Williamson, 1985).<sup>2</sup> These permanent workers do earn a skill premium also. Table 4 gives a summary description of the wage rates in the four sample firms:

Table 3  
Percentage of Temporary Workers in Firm B (Department-wise)

Department	1992	1998
Blow room	12	30
Card room	11	6
Preparatory	12	6
Spinning	20	42
Cone-winding	Not available	41

Source: Collected from firm B.

Table 4  
Wage Rates of the Permanent Workers (Rs. Per Month)

Firm	Rs.
A	3000
B	4461
C	4061
D	4222

Note: Data for all firms except C is for the year 2000. For firm C, it relates to the year 1998.

Source: Collected from individual firms.

Accordingly, nature of employment contracts also varies between the modernized units with human asset specific conditions and the non-modernized ones without it. An example will suffice here. In "Awards and Settlements", compiled by SIMA (1984), it is mentioned that the line of promotion for a worker is not necessarily firm specific. In the case of backward mills even today, promotion rule considers seniority in terms of the length of service in the industry. What is important here is the experience of working in the same department but not so much in the same firm. On the contrary, for the technologically most modernized firm of our sample, seniority means the years of service in their firm. Clearly, the increase in the need for the change in the skills as a result of technological modernization in these firms has made seniority an entirely internal factor.

We have noticed that technological modernization has reduced the need for labour significantly in the advanced firms. The management got rid of the extra workers in these firms through a lucrative voluntary retirement scheme (VRS). In fact, it is well documented by a number of case studies that technological modernization has led to significant retrenchment of workers in the organized textile industries (Roychoudhuri, 1996; Dutta, 1996). This seems to be a little difficult to comprehend in the presence of a long tradition of strong trade union practices in the textile industry.

We have not come across any evidence of major disputes regarding the voluntary retirement schemes. In fact, according to Table 1, there is no evidence of a single strike in the modernized firms of our sample. According to the relevant union leaders, the industry has been going through a bad phase for the last few years for several reasons. The firms which have not been able to modernize have to either go out of the market or remain as sick units. In almost all cases of closure, the workers have not got any compensation. It is in the workers' interest that the unions have accepted the process of modernization and consequently the scheme of voluntary retirement. In this process, at least some of the workers could retain their jobs and the retrenched people could get considerable amounts of compensation. Here again, the issues are very particular to the firms. If the firms with different levels of technological modernization and financial capability

try to take a central decision about the retrenchment process, it may only increase transaction costs in the production process. The divergence emanated from technological modernization has typically led to the decentralized way of bargaining in the cases of modernized firms in our sample, and according to the knowledgeable people, in the textile industry not only in Coimbatore but also in Mumbai and Ahmedabad.

The union leaders have struck a balance by arranging some premium for the unskilled retrenched workers in the form of VRS and by pressuring the management to increase a skill premium for some of the retained workers. As the leadership's interest is the survival of the organization (Ross, 1944) and as the insiders are the only people who can be the members of the union, leaders will prefer to be with them. The union will not push the management off the demand curve to a point where the firm earns a negative profit—the firm will then be forced to go out of the market. This latter possibility will not be clearly acceptable for the more productive workers (insiders) as well as the union leaders. Incidentally, while there are a number of representative trade unions in the modernized firms of our sample it was difficult to trace much connection between the unit level leaders and the broader political parties.

On the contrary, in the case of technologically non-modernized firms workers are in favour of industry-wide bargaining as 70 per cent of the firms in the industry is technologically backward and has more or less similar work load distribution. Workers find it more effective to bargain together under a political umbrella rather than doing it separately when they do not possess typically specific skills. In almost all major issues worker's unions bargain together irrespective of the political affiliation. The extreme case of such situations is the non-modernized National Textile Corporation units. The direct state support for the union practices in these units leads not only to much lower temporary employment as compared to the other non-modernized units but also secures a higher pay in general. In our sample, firm C is a case in point.<sup>3</sup>

#### IV. EXPORT ORIENTED SPINNING UNITS

We now turn to the export oriented spinning units of our sample. Let us have a quick look at the status of technological modernization of these firms in comparison with the most advanced firm in the domestic sector.

Table 5  
Level of Technological Modernization in Export Oriented Firms

Department	Modernization	Firm E	Firm F	Firm G	Firm H	Firm D
Mixing	Cotton contamination process	N	N	N	Y	N
Blow room	Chute feed system	N	N	Y	Y	Y
Carding	Auto level cards	Y	Y	Y	Y	Y
Spinning	(1) Long frame	(1) Y,	(1) Y,	(1) Y,	(1) Y,	(1) Y,
	(2) Open end rotor spinning	(2) N	(2) N	(2) N	(2) Y	(2) N
Cone winding	Auto coner	Y	Y	Y	Y	Y

Note: 'Y' stands for 'Yes' means the specific modernization has taken place, 'N' stands for 'No' which indicates that the specific modernization has not taken place.

Table 5 clearly shows that all export oriented firms are technologically well advanced as we have mentioned before. While firm H turns out to be the most advanced unit in our sample, the level of technological modernization in other three firms is comparable with firm D. In the previous section, we have shown how contractual relationships got shaped, in the case of firm D as a result of modernization in the context of the domestic market. We have also argued why

firm D specifically opts for unit level bargaining. Incidentally, firm H and all the other three export oriented firms prefer and practice unit level bargaining too. Moreover, from our description of the technological modernization process in firm H, we may expect the same type of contractual relationships between workers and employers to prevail in these export-oriented firms.

Table 6 provides a summary description of the major features of employment contracts prevailing in the export oriented firms contrasting them with the ones practised in firm D.

Interestingly, employment contracts in the export oriented units in general show considerable differences from those of firm D. In order to bring out the contrasting features more sharply, we decided to highlight a few, concentrating on firms H and D.

Table 6  
Employment Contracts in Four Export-oriented Units and in Firm D

<i>Employment contracts</i>		<i>Firm D</i>	<i>Firm E</i>	<i>Firm F</i>	<i>Firm G</i>	<i>Firm H</i>
1. Hiring practices	a. Entry procedure	Informal	Informal	Informal	Informal	Formal
	b. Nature of works	Local	Migrant	Migrant	Migrant	Migrant
	c. Gender preference	Absent	Absent	Absent	Absent	Absent
2. Entry qualifications	a. Age	Below 22	N. S	N.S	18 to 22 years	18 to 22
	b. Education	SSLC years with ITI training	Needed	Needed	N.S SSLC, and ITI traing is preferable	years only SSLC Not needed
3. Duration of employment		Long term	Long term	Long term	Long term and short term contract basis	Only short term contract basis

*Note:* 'N.S' indicates not specified.

While, firm D prefers local labourers and particularly, the relatives of the existing workers, the management of firm H strictly prefer migrant workers mainly for two reasons. First, during times of festivals, the chance of a local labourer absenting herself/himself is much higher than in the case of a migrant labourer because it is quite costly for the latter to go home on such occasions. Besides, a migrant will be busy earning her/his living and will have less local support to go against the management. The chances of migrants associating themselves with unionism practices are also much less. But this can be true of firm D as well. The reason of firm D preferring local labourers perhaps lies in its attitude towards trade union practices. Contrary to firm H, the management of firm D is not at all bothered about the consequences of unionisation in their firm. Moreover, the increasing preference for permanent workers by firm D (as mentioned in the previous section) probably leads to a preference for local labourers who can be more accountable.

While there is no particular gender preference in the case of firm D, firm H specifically prefers women workers. In fact, women production workers take care of all the three shifts of production supervised by a few male supervisors. The management of firm H emphasized that women are more hard working and averse to trade union practices. However, according to the Indian Factories Act (1948), Section 60, women workers can work only between 6 am and 7 pm.<sup>4</sup>

In the case of firm D, we have observed that the percentage of permanent workers is increasing, while in the technologically backward units, it is in fact declining. We have seen how technological modernization has changed the nature of skill requirement and led to a human asset specificity condition in the case of firm D, which may be responsible for the increase in the percentage of permanent workers. As the technological advancement in firm H is even greater

as compared to firm D, it is expected that firm H will also prefer at least a certain number of permanent workers.

The management of firm H prefers a system of employment which can be called contract employment for a certain time period. This system has the features of both temporary and permanent employment. The workers employed under this system do not suffer from the fear of loss of job every day and the management is also protected from unwanted quits for a considerable period of time. At the same time, after the contract period is over, the management can terminate any worker without any hazard, unlike in the cases of permanent workers.<sup>5</sup> Incidentally, the rest of the export-oriented firms in our sample have a specific preference for the kind of employment arrangement practised by firm H. In fact, according to the information collected from SIMA and different trade union sources, employing contract labour is increasingly becoming a preferred practice for all export-oriented spinning units in Coimbatore and other districts of Tamil Nadu. In these units, it is the supervisors who take the role of veteran workers at the shop floor taking care of the unusual problems. Incidentally number of supervisors are much more in firm H as compared to firm D. While the salaries are significantly not higher for the supervisors of firm H as compared to firm D, the supervisors in firm H get a number of lucrative non-monitory benefits not common for the firms in Coimbatore. Moreover, according to the ex-workers, the duties and responsibilities for each production worker at the shopfloor are clearly specified more like a separated work organization as against an integrated one.

The reason for preferring a flexible labour contract, according to the entrepreneurs, lies in the risk involved in producing solely for the export market. It has been discussed at length by several researchers (for example, Chatterjee and Mohun, 1993) how the possibility of increases in the volume of exports or the sustenance of the attained level of exports by India depend largely on the international trade policy changes especially by the dominant importing countries. Moreover, a close look at the domestic policies reveals that, first, it is not easy to achieve the status of an export oriented unit. Secondly, the obligations of export oriented units are quite stringent and if the units cannot meet these obligations they may well lose the license or the quota for exporting.

While in the domestic market a well performing large firm can sometimes influence the price, in the export market it is solely a price taker. This is more so because of India's negligible share in the total world textile exports. As a result, Indian firms face a fierce competition both in terms of price and quality in the foreign markets. This has led all the exporting firms in our sample to have a special wing called the quality assurance unit. Moreover, It is extremely important to supply the required amount of product exactly within the stipulated date. Thus, it calls for an organizational efficiency together with continuous modernization.

The entrepreneur tries to shift some of these risks to the workers through flexible labour contract. In order to maintain this flexible arrangement of labour, it is quite likely for the management wanting to minimize the union activities in their firms. An obvious question emerges: why do the workers and their unions accept this situation? Incidentally, the production workers of this firm live in a hostel inside the mill premises and they are usually not supposed to come out of the mill premises. In the context of the long history of organized labour movements in the textile industry, it is even more intriguing to see the workers accepting this kind of a contract, almost amounting to servitude.

Though the management claimed that there were three representative trade unions in the firm, we have come to know from the trade union leaders and the ex workers of the firm that at present there is no union in this firm. The INTUC leader maintains that, till 1997 they had some



membership in this firm but now they are just not allowed to enter the mill premises. They have tried to contact the workers inside the firm, but it seems that the workers themselves are not very eager to communicate with the leaders.

Our confusion begins to clear when we look at the incentives the firm offers to its production workers. The incentives can be divided into two major categories: monetary incentives and non-monetary incentives. While the firms in Coimbatore generally have been paying Rs 80 to 85 per day to a permanent production worker in the recent years, firm H pays Rs 30 per day in the initial period of three/ four months of training and afterwards an increment of Rs 3 every six months for the rest of the contract period. However, it is true that an apprentice gets around Rs. 35/36 in case of firm D also, and according to the trade union leaders this is the general wage rate for the apprentices in other firms of Coimbatore. It takes at least three to four years to become permanent and get Rs. 90 per day even in the well-performing units in the domestic sector. This means that a worker in firm H is not losing in terms of daily wage but she loses in terms of experience because, the employment relationship will be terminated after the three years of contract period. According to the management, the employment contract is not renewed with any of these workers in the subsequent period. Is it because, if a worker works in the same place for a long time, she may claim a permanent job or try to be associated with the union leaders outside the mill premises? The management does not give any satisfactory answer to this question. Even in terms of experience does a worker really lose in the case of firm H? We have already noted in the previous section that all firms in Coimbatore are downsizing in terms of labour in the recent years. The well-performing firms introducing significant technological change do not need any more workers to do the purely manual work. It is rare for these firms to recruit even apprentices. The not-well-performing units are trying to employ casual workers only to get rid of the union hazards and pay them even less than what the apprentices get. Thus, given the general environment of the industry, the wage arrangement of firm H is not quite a bad arrangement.

It is true that these workers do not have the Provident Fund or other ESI benefits. But after the completion of the contract period, the workers get a lumpsum of Rs. 38000. The workers also get an annual production bonus of 30 per cent of their basic pay. However, this is also applicable to the workers of the other firms, including even the apprentices. But in those cases (the apprentices) the bonus percentage is much lower: it varies between 8 per cent to 20 per cent depending on the performance of the firm. As a result, the amount of bonus is significantly higher for these workers than that of the apprentices in other firms. However, these contract workers do not have the benefits of dearness allowance.

Besides these direct monetary benefits, there are some indirect benefits also. We have already mentioned that these workers stay in a hostel inside the mill premises. They do not have to pay any rent for their accommodation. Moreover, they have to pay only Rs. 2 for their three meals a day. If any worker falls sick, it is primarily the firm's responsibility to arrange all medical facilities for the worker without the worker spending anything on it.

Regarding the non-monetary benefits, the firm takes all responsibility of these young women, as they have to stay compulsorily inside the mill premises. Inside their hostel, the workers have different recreation facilities including television and some arrangements for different indoor games. The facilities offered remind one of a residential school rather than a textile mill. While visiting the firm we have seen a number of young girls from a distance. It is hard to describe them as textile factory workers and not as school-going girls. All of them are well dressed and none of them are bare-footed. After the working shifts of the workers, the firm arranges several

training courses inside the mill, such as tailoring, typewriting and some elementary computer courses.

According to an INTUC leader these contracts are generally unwritten and the trade unions have tried to find out if there has been a breach of contract from the side of the management. The question becomes all the more relevant because the management does have sufficient scope for breaching the contracts as only two parties of the contract know whether the contract in question has been honoured more in breach than in observance. However, the workers who have already worked for one contract period agree that the firm keeps all the promises they make.

The literature has focussed on two possible economic enforcement mechanisms: subsequent profitable relationship between the two contracting parties (repeated exchange) and reputation effects of contract performance that might alter subsequent contracting by other individuals and firms with the parties involved. In this case repeated exchange is not obviously the cause, simply because the firm does not renew the employment contracts with any of the production workers in accordance with their organizational principle. Reputation concern will be more significant here. In the case of implicit contracts, indirect, economic damages can be imposed on an individual who breaches the contract (Parsons, 1986). A dissatisfied employee is likely to communicate directly or indirectly with a potential employee of the firm. Again, the memory of an incident at a better known firm is also more likely to be persistent among uninvolved third parties.<sup>6</sup> In the same way, the case of a firm practicing an otherwise peculiar employment contract, is also likely to get known.

It is clear that the market forces in the case of exporting firms are significantly different from the domestic market oriented firms with otherwise similar conditions. This has caused a different employment arrangement making collective bargaining irrelevant in a limited way. Incidentally, in another context (see Chakravarty, 2005) of export oriented 'unorganised' garment manufacturing we found a completely different phenomenon. The units under consideration had typically small inventory-sales ratio for several reasons. At the same time the firms had to maintain the shipment dates strictly for the export obligations. In this context, it is extremely costly for these firms to lose a single day of production as a result of a strike or slow down. Workers were aware of this specific market condition and successfully bargained for much higher wages without any backing of the state as well as the traditional trade unions.

## V. CONCLUSION

To conclude, the study suggests that the market conditions in general are powerful in determining the bargaining outcomes in the labour market. The policy intervention can influence the process as long as it is in conformity with the market forces. However, this should be verified in the context of many more firms in different industries.

### *Notes*

1. A detailed discussion of the changes in the skills required as a result of technological modernization and its implications for the employment contracts can be found in Chakravarty (2002).
2. In every case technological modernisation may not take the same trajectory. In a technology intensive industry, technological upgradation may lead to flexible labour arrangements.
3. Firm C is a technologically backward unit of National Textile Corporation (NTC) where workers' unions are strong and the wages are much higher than the non-NTC technologically backward units.
4. But the state government may, by notification in the Official Gazette, vary the limits for employment of women between 10 am and 5 pm.

5. It is important to mention here that in 1970, use of contract labour was prohibited through the Contract Labour Regulation and Abolition Act. However, the Tandon Committee on export processing zones and 100 per cent export oriented units recommended in 1982 enhancement of the period of tax holiday from 5 years to 10 years and also recommended the exemption of labour legislation such as the Contract Labour Act. While the tax holiday was extended from 5 to 10 years in 1998, no relaxation was given in the operation of labour laws.
6. Allen, Clark and Summer (1984) have reported an empirical support to this hypothesis.

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