

Industrial relations and difference in wages: a state wise analysis

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Abstract

Objective: To analyse the factors that have changed the conditions of labour market and labour management relationship in three major states of India namely: Maharashtra, Tamil Nadu and Gujarat.

Methods: Also attempts to study differences in wages across these three major states in pre and post reform period. Disparities in employment and industrial conflicts in terms of disputes, strikes and lockouts are also analysed. The study covers the period of 35 years from 1980-81 to 2014-15.

Findings/Application: The results reveal that employment of workers and total persons engaged have increased substantially from pre to post reform period. Further, differences in employment across states are also found. The study has found the evidences of increasing wage disparity not only between states but also between skilled and unskilled workers. The study has concluded that man days lost due to industrial conflicts has been falling throughout the time period of the study.

Keywords: Wage Disparity, Industrial Relations, Employment, Major States, Reforms.

1. Introduction

Before 1991, India was largely isolated from the global markets, to protect its state led economy and to achieve the goal of self-reliance. Since 1991, India has started to integrate with the global economy which has enhanced the overall development of India. India has grown fastest among major economies worldwide in post reform period. At the same time, Indian labour markets have witnessed significant changes since the economic reforms in terms of industrial relations, employment patterns and wages of workers. Increasing privatization and foreign competition is creating pressure on owners to earn higher profits. This results in hiring of workers at lower wage rates and sometimes, even replacement of permanent workers with contract workers. Further, the concept of labour contractualisation has become more prevalent after the entry of foreign owned multinational companies in India. This has largely reduced the bargaining power of workers and has increased that of employers. Apart from the industrial relations, patterns of employment growth and wage have also changed across the different regions of the country. The high growth rate has contributed to a sustained increase in per capita income and improvement in standards of living. But at the same time there exist the vast regional wage disparity. Two workers are paid differently for the same work. Such inequalities in wages source perpetual inequalities in consumption, education, ownership of assets, health care and wellbeing of population.

Since Indian labour market is undergoing for huge changes in terms of industrial relation, trade unions, wage disparities, employment of contract workers, foreign investment etc. Therefore, this study attempts to analyse the trend and pattern of all these changes and determine their impact on working conditions of labour at the state level. This study covers the three major states of India namely: Maharashtra, Gujarat and Tamil Nadu. These three states account for more than 50% of India's total exports and their contribution in gross domestic product is also high. It is recognised that state level analysis provide a better picture of labour issues of a country. Further, regional analysis helps to frame policies which are more responsive to local market conditions. The present paper has six sections. Section two discusses the existing literature. In third section, objectives and methodology are discussed. Section four presents the trends in labour market. In section five results and discussion are given and the last section concludes the paper.

2. Literature survey

The problem of difference in wages and industrial relations has attracted the attention of the researchers since long. As a result, they have explored several dimensions of changes in wages and industrial disputes. In [1] has explored a regional study in India. The objective of the paper is to find the differences in state average earnings of the workers. The study was carried out for the year 1963. The analysis revealed that the average hourly earnings is greater than the national average in Madhya Pradesh, Maharashtra, Bihar, Orissa, Delhi, Gujarat, Madras and Rajasthan while it is less than the national average in Assam, Andhra Pradesh, West Bengal, Mysore, Punjab, UP and Kerala. The reason for the differences in the average hourly earnings at state level is due to the different industrial composition of every state. In [2] has studied the pattern of industrial disputes in the industrial sector of Maharashtra. The time period of the study is from 1974 to 1980. The author has found that industrial disputes in Maharashtra have increased over the period of study. When frequency of disputes in Maharashtra is compared with other states, it is found that Maharashtra has highest disputes followed by West Bengal. Indiscipline and violence are found to be the most significant reasons of industrial disputes in Maharashtra.

Another important work is done by [3]. He has conducted a study to analyse the role of asymmetric information on the negotiations between the worker unions and firm managers in the manufacturing sector of United States. The time period of the study is from 1973 to 1977. The study has concluded that if the worker unions are more uncertain about the firm's profitability, then it increases the frequency and duration of industrial strikes. Author has also recognised the role of firm specific uncertainty in increasing the strike activity. In [4] has studied the wage differentials in small scale industries in Gujarat for 1987-88. The results have revealed that the average wage rates in this sector are higher as compared to the national average. It is also explored that the units which require skilled labour such as textiles, chemicals and electrical have paid relatively higher wages in the rural areas in order to attract specialized workers. On the other hand, the workers engaged in traditional activities such as leather and repair and services have received very low wages. The results of regression analysis have revealed that the specialization of skill, size of enterprise and labour productivity play dominating role in the determination of wage structure.

Across states, [5] have made an attempt to analyse the wage-productivity relationship in organized manufacturing industry in 16 Indian states from 1980-81 to 1999-00. The purpose of the study is to investigate that how far gains in labour productivity get translated into higher wages and how state-specific and industry-specific factors influence wage determination. Authors have undertaken the cross-sectional analysis for year 1998-99. Indices of labour productivity (gross value added per employee), capital intensity (fixed capital per employee) and wage rate (emoluments per employee) for different states is constructed. Results of the cross section analysis have revealed that higher labour productivity is generally associated with higher capital intensity. In [6] has examined industrial relation system in India in the post-liberalization period from 1992 to 2011. The results of the analysis have revealed that during the study period, a steep decline in the number of disputes in India is noticed but no such regular trend is noticed for mandays lost. Author has also observed that number of industrial disputes, strikes and lockouts are highest in the year 1992 and lowest in the year 2011. Indiscipline, wage and allowance are found to be important factors leading to industrial disputes. In [7] has discussed the labour unrest in automobile industry of India since mid 2000s. Author has majorly focused on the incidence and the causes of labor unrest in the Delhi-Gurgaon industrial cluster and the struggle in the Manesar factory in 2011 and 2012. Author has also recognised the role of the political central trade unions like AITUC, HMS and CITU behind these strikes in 2011 as mediators between the management, the state administration on the one side and the MSWU (Maruti Suzuki Workers' Union) on the other side.

3. Objectives and Methodology

This study is conducted for the period of 35 years from 1980 to 2014 in the three major states of India namely: Maharashtra, Tamil Nadu and Gujarat.

The main objectives of the study are:

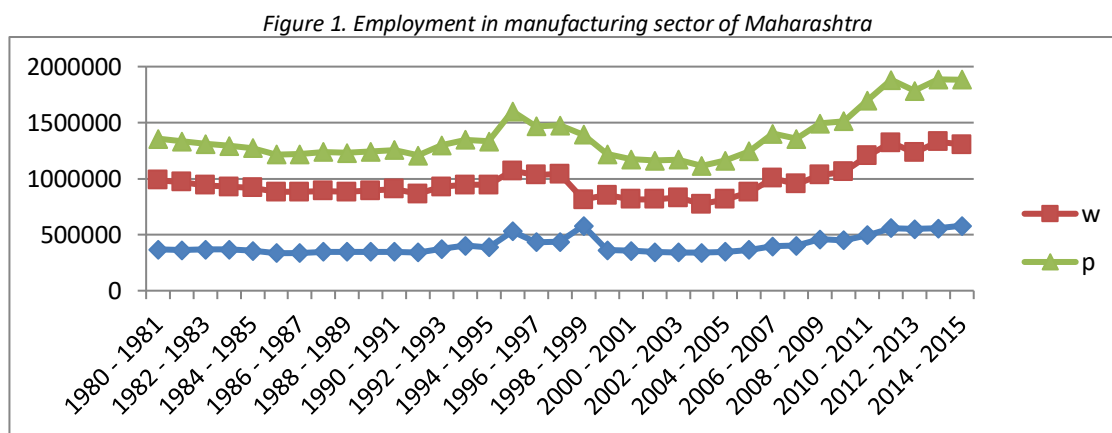
1. To study the change in the employment pattern of workers in pre and post reform period.
2. To find the differences in wages of workers across states in pre and post reform period.
3. To determine the trends of industrial disputes, strikes and lockouts across states in pre and post reform period.

To achieve these objectives, the present study has analysed employment of workers and total person engaged with the help of graph with year to year analysis in Maharashtra, Tamil Nadu and Gujarat separately. Further, to study the trends of wages, emoluments, industrial disputes, strikes and lockouts, the total time period is divided into three sub periods i.e. 1980-1991, 1992-2003 and 2004-214 and average values are calculated. This study is based on the data collected from the different reports published by Labour Bureau and Ministry of statistics and Programme implementation. These are Statistics on Industrial Disputes, Closures, Retrenchments and Lay-Offs in India and Annual Survey of Industries.

4. Trends in Labour market

1. Industrial employment patterns

Employment in the manufacturing sector divides the total persons engaged into three categories, (a) workers, (b) supervisory and managerial personnel and (c) proprietors and their family members. These people get wages/emoluments in accordance to their ability, skills and working positions. However, those who are working at supervisory position possess higher job security than the worker class. Since liberalisation 'hire and fire' culture has even added more threat of job insecurity among workers and has adversely affected output and employment growth in manufacturing sector. Even interregional differences can also be noticed in employment pattern of manufacturing sector. Figure 1 shows the employment pattern in manufacturing sector of Maharashtra in pre and post reform period. It can be depicted that job loss has occurred from 1980 to early 1990s. This may be due to the amendment in Industrial Dispute Act which has extended its ambit from 300 or more to 100 or more workers. Following the period of economic reforms, employment has increased due to investment boom. Then again from late 1990s to 2004-05, employment has fallen down and again picked up in the later period.

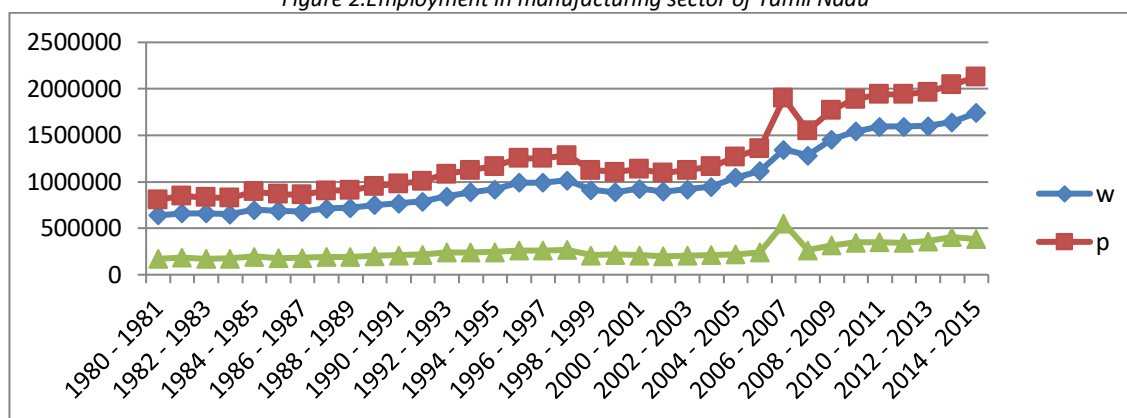


Source: Annual Survey of Industries

Note: W = workers, P = total persons engaged

As the Figure 2 shows, from 1980 to late 1990s, manufacturing sector of Tamil Nadu has kept on employing more and more workers. Then, for a small period from 1997-98 to 1998-99, job loss has happened. In the following years till 2007-08, employment has again risen. Later, with one year of fall, employment of workers has again increased.

Figure 2. Employment in manufacturing sector of Tamil Nadu

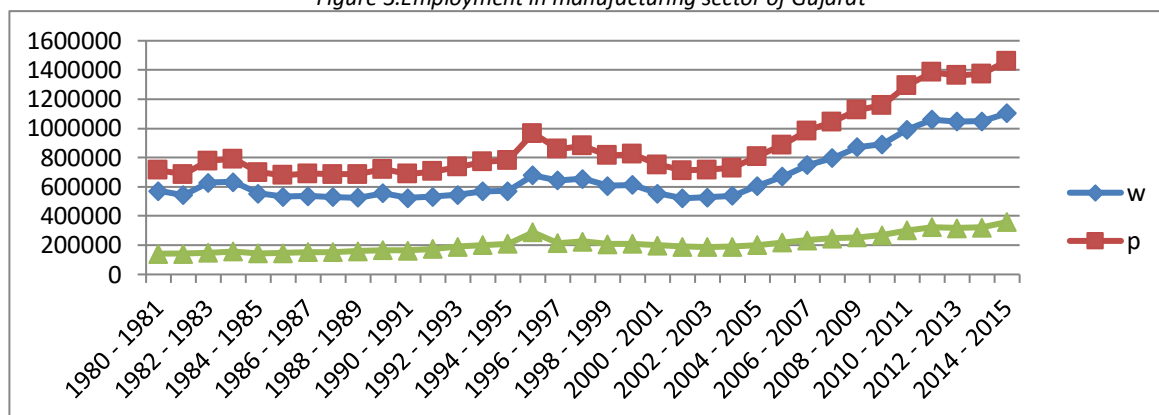


Source: Annual Survey of Industries

Note: W = workers, P = total persons engaged

Figure 3 shows employment in manufacturing sector of Gujarat. Figure tells that till 1995-96, number of workers employed in Gujarat has increased and from 1996-97 to 2004-05 it kept on falling. 2005 onwards, Industrial employment kept on increasing.

Figure 3. Employment in manufacturing sector of Gujarat



Source: Annual Survey of Industries

Note: W = workers, P = total persons engaged

The graphical representation of data on workers and total person engaged witnesses the existence of inter-state disparity in employment in manufacturing sector of India. In the pre reform period, Maharashtra has more number of total persons engaged and workers employed than Tamil Nadu and Gujarat. While in post reform period, from 1990 to 2005, again Maharashtra has witnessed the highest employment but from 2005 onwards, employment in Tamil Nadu exceeds over employment of Maharashtra. Employment in Gujarat has remained lower than that in both the states in pre as well as in post reform period.

2. Inter-state wage disparity

Based on the Annual Survey of Industries data on wages and emoluments, real wages per worker and real emoluments per person engaged are calculated for each of the 3 states. Then, for analysing the change in wages and emoluments in pre and post period, the total time period of study is divided into three sub periods 1980-1991, 1992-2003 and 2004-2014. The values given in Table 1 and 2 (in appendix A) are obtained by taking the average of real wages per worker and real emoluments per person in the corresponding sub periods separately for Maharashtra, Tamil Nadu and Gujarat. It can be seen from the table 1 that there exists the wage disparity among the three major states. During the entire study period, Maharashtra has remained the highest wage paying state while Tamil Nadu has paid the lowest wages to workers. Further, wage disparity can easily be noted even in the pattern of wages in the three states.

Gujarat has shown upward trends in wages for the entire period while Tamil Nadu has shown downward trend. In case of Maharashtra, real wages per work has increased while from 1980-1991 to period 1992-2003 but, then, in subsequent year, it has fallen down. Analysis of Table 2 reveals the similar results as table 1. Maharashtra has remained the highest emoluments paying state while Tamil Nadu has paid the lowest emoluments. Further, Table 2 shows that over the time, real wages per worker has increased in all the three states, which suggests that workers are better off in financial terms. It can be noticed that although, Maharashtra has remained the highest wage paying state, but the increase in wages in absolute terms, is more in Gujarat than Maharashtra from period 1980-1991 to period 1992-2003. Further, in pre reform period, real wage per worker in Gujarat and Tamil Nadu are almost equal but in post reform period, Gujarat has paid much higher wages to workers than Tamil Nadu.

By combining the results of Table 1 and 2, it can be concluded that in Tamil Nadu, real emoluments has increased but real wages has fallen down which suggests that rewards have increased but only for those who are working at the skilled and managerial positions while wages for unskilled workers has fallen down. Similar results are found in case of Maharashtra in post reform periods. The results may arise because technical advancement after economic reforms has increased the demand for skilled workers in the economy, thus they are paid higher. Further, economic reforms in India have accelerated the entry of foreign firms and privatisation of public sector which led to huge increase in skill and ability of worker. This trend also explains the wage disparity between skilled and unskilled workers.

3. Trends of industrial relations

The third objective of the study is to study the trends of industrial disputes, strikes and lockouts across states in pre and post reform periods. If due to some reasons like wages, working hours, or work conditions, the interest of workers and management go in conflicts with each other, then it results in the situation of industrial disharmony. Industrial disharmony may lead to industrial conflicts or bad industrial relations. Generally, workers show their agitations against owners and managers by announcing industrial strikes to turn the decisions in their favour. On the other hand, weapon of lockouts is available to employers for counter attacking the strikes. Strikes and lockouts together make industrial disputes. Industrial Disputes Act, 1947 defines industrial dispute as a dispute between a) employers and employees; b) Employers and workmen; and c) Workmen and workmen which should be connected with the employment or non-employment, or terms of employment or conditions of labour of any workmen. The dispute may be in relation to any workman or workmen or any other person in whom they are interested as a body. The Act further defines strikes as cessation of work by a body of persons employed in any industry acting in combination, or a concerted refusal, or a refusal, under a common understanding of any number of persons who are or have been so employed to continue to work or to accept employment. The Act defines lockouts as the temporary closing of a place of employment, or the suspension of work, or the refusal by an employer to continue to employ any number of persons employed by him.

The above table explains the trends of man days lost in industrial disputes, strikes and lockouts in pre and post reform periods for the three states separately. Again the total time period of study is divided into three sub periods 1980-1991, 1992-2003 and 2004-2014. The values given in Table 3, 4 and 5 (in appendix A) are obtained by taking the average of man days lost in disputes, strikes and lockouts in the corresponding sub periods separately for Maharashtra, Tamil Nadu and Gujarat. As seen from the Table 3, average man days lost in disputes have fallen down over the period of time in all the 3 states. The falling trends of disputes show the improvement in the industrial relation from the pre to post reform period in all the states. Further, in the pre reform period, Maharashtra remained the highest dispute state but in post reform period, Tamil Nadu has faced the maximum disputes. Gujarat has remained the low dispute state for the entire study period. Table 4 and 5 explains industrial disputes in terms of strikes and lockouts. Analysis of the tables shows that average man days lost in strikes as well as lockouts has fallen down in Maharashtra, Tamil Nadu and Gujarat from 1980-1991 to 2004-2014. Further, average man days lost in strikes follows the same pattern as disputes. Maharashtra is found to be the highest strike prone state in pre reform period and Tamil Nadu in post reform period. Moreover, Gujarat faced least man days lost in strikes for the entire period. However, the trends have changed in lockouts. Table 5 shows that Maharashtra has the highest man days in lockouts in the first two sub periods and in later period (2004-2014), Tamil Nadu has suffered from more man days lost than Maharashtra. Huge Inter-state disparity in the pattern of industrial disputes, strikes and lockouts is reported by the data.

As it can be noted that in case of Maharashtra and Tamil Nadu, reduction in the man days lost in disputes from 1980-1991 to 1992-2003 is much higher as compare to same in the period from 1992-2003 to 2004-2014. While in Gujarat, major changes in disputes have occurred in the period from 1992-2003 to 2004-2014. Further, the table also reveals that man days lost in disputes have decreased majorly because of the reduction man days lost in strikes. Table 4 reveals the persistent differences in the trends of man days lost in strikes across three states. Over the period of time, man days lost in strikes has fallen down in all the three states but in Maharashtra and Tamil Nadu, the major changes has occurred from sub period 1 to sub period 2 while in case of Gujarat maximum fall has occurred from sub period 2 to sub period 3. Similar inter-state disparity is recognised in the data of lockouts from 1980 to 2014.

Results of trends analysis reveals that during the study period the pattern of employment of workers, trends of remunerations to employees (in the form of wages and emoluments) and pattern of industrial relations (in terms of industrial disputes, strikes and lockouts), all have changed substantially from pre to post reform period. On analysing the data, results also reveal that inter-state disparities do exist. The possible factors behind the changes and disparities are discussed in the next section. Next section also suggests some recommendations for the solution of this problem.

5. Results and Discussion

The study has discussed the factors that have changed the condition of labour market from pre to post reform period for the three major states of India namely: Maharashtra, Tamil Nadu and Gujarat. The time period of the study is 35 years from 1980 to 2014. The paper has analysed the three important dimensions of labour market namely: employment, wages and industrial relations. The data is analysed by dividing the total time period of study into three sub periods 1980-1991, 1992-2003 and 2004-2014. The results reveal the existence of inter-state differences in employment, wages and industrial relations during the study period. Comparative analysis of employment of workers and total persons engaged shows that employment has shown an upward trend in late 1990s particularly from 1995 to 1999 in all the three states. During this period, employment may have increased as a result of economic reforms of 1991. Since 1991, Indian economy has liberalised and privatized the market which has also promoted the free movement of labour. Foreign companies have started investing in Indian market, which gave a push to production process. All these forces may have led to the increase in employment. Data analysis suggests that 2004-05 onwards, employment of workers have again increased till 2014. This upward trend of employment may be the result of IT boom which has occurred in 2000s.

The analysis of wages and emoluments has revealed very important and insightful results. It shows that in Tamil Nadu, real emoluments per person have increased but real wages have fallen down over the years. Intuitively, it means that remunerations have increased but only for those who are working at the skilled and managerial positions while wages for unskilled workers has fallen down. This may have happened because of the adoption of LPG policy in India and later followed by IT boom. These major transformations have changed the labour market entirely in the favour of skilled people. Further, reforms have accelerated the entry of foreign firms and privatisation of public sector which led to huge increase in skill and ability of worker. The new industrialised Indian economy demand more advanced employees and even replace workers with capital. Similar results are found in case of Maharashtra in post reform periods.

In Maharashtra also, average real emoluments per person has increased from 1992-2003 to 2004-14 but average real wages per worker has fallen down during the same period. It reveals that the unskilled workers are not only paid less than skilled workers but real wages to unskilled workers is also falling over years while that of skilled workers is rising up. Such pattern of wages explains the persistent and increasing wage disparity between skilled and unskilled workers. This article has also analysed the changing industrial relations in terms of industrial disputes strikes and lockouts from pre and post reform period and also made inter-state comparisons. The results reveal that average man days lost in disputes, strikes and lockouts have fallen down during the study period in all the 3 states. Further, fall in strikes is much higher as compare to the fall in lockouts. This could have happened because reforms have brought many changes for workers and employers. With economic reforms the bargaining power of the employers has increased much while that of workers have fallen down.

Moreover, to attract more and more foreign direct investment, even Governments are liberalizing the labour inspection system and promoting the employment of contract workers. Contractualisation of workers has tremendously affected the bargaining power of the worker unions and strengthened the employers. The results also provide the evidences of inter-state disparity in industrial disputes, strikes and lockouts. The most disputed state is Maharashtra in pre reform period and Tamil Nadu in post reform period. Gujarat has faced the least disputes among the three. These differences in industrial relation among states may arise due to the fact that different regions have different political, economic, cultural, and social structures. These state specific characteristics can give rise to difference in industrial disputes among states.

6. Conclusions

The labour market has changed significantly in terms of employment, wages and industrial relations. It is mandatory to maintain the standard of living of workers by rewarding them appropriately and at the same time maintain harmony among the employers and workers. As far as the wages of workers are concerned, wages of unskilled workers must increase in accordance to inflation at least. Policy makers must take it as an alarming situation otherwise; it may turn into some unpleasant event for employers as well as workers. Wage motivates workers to work more efficiently and also helps to evade the situations of industrial conflicts.

Appendix A

Table 1. Trends in real wages per worker (in lakhs)

Year	Maharashtra	Tamil Nadu	Gujarat
1980-1991	0.7059	0.4391	0.4404
1992-2003	0.7807	0.4288	0.4914
2004-2014	0.6748	0.4268	0.4992

Source: Annual Survey of Industries

Table 2. Trends in real emoluments per person (in lakhs)

Year	Maharashtra	Tamil Nadu	Gujarat
1980-1991	0.8406	0.5248	0.5319
1992-2003	0.9663	0.5435	0.6798
2004-2014	1.1775	0.6669	0.8374

Source: Annual Survey of Industries

Table 3. Average man days lost in disputes

Year	Maharashtra	Tamil Nadu	Gujarat
1980-1991	90,51,712	33,71,611	8,74,368
1992-2003	15,68,904	20,16,478	6,81,787
2004-2014	5,33,923	10,13,484	1,23,099

Source: Statistics on Industrial Disputes published by Labour Bureau

Table 4. Average man days lost in strikes

Year	Maharashtra	Tamil Nadu	Gujarat
1980-1991	63,11,890	26,34,512	5,25,015
1992-2003	4,82,887	13,77,307	4,59,153
2004-2014	4,25,235	8,64,021	1,00,748

Source: Statistics on Industrial Disputes published by Labour Bureau

Table 5. Average mandays lost in lockouts

Year	Maharashtra	Tamil Nadu	Gujarat
1980-1991	27,39,821	7,37,099	3,49,353
1992-2003	10,86,017	6,39,171	2,22,634
2004-2014	1,08,688	1,49,463	22,351

Source: Statistics on Industrial Disputes published by Labour Bureau

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