Globalization and Trade Unionization: a Study of the Information Technology Industry

Priyanka Dwivedi
Research Scholar, Dept of Women's Studies, Bangalore University.
Email: priyanka.dickenscharles2005@gmail.com

Introduction

Globalization made inroads in India with the New Economic Policy of 1991, which was introduced with the goal of making Indian economy market oriented and expanding the role of private and foreign investment. Since then, the forces and factors of globalization have had a bearing on each segment of the economy. One of the most spectacular influences has been the growth of software industry in India. The remarkable growth of Information Technology industry which started in the mid-1990s after the introduction of LPG policy continued unabated. The software production which was almost non-existent in the early 1980's generated headlines and hyperbole in both business and politics with the industry sustaining annual average growth rates of 30 to 40 percent in both revenues and employment[i].
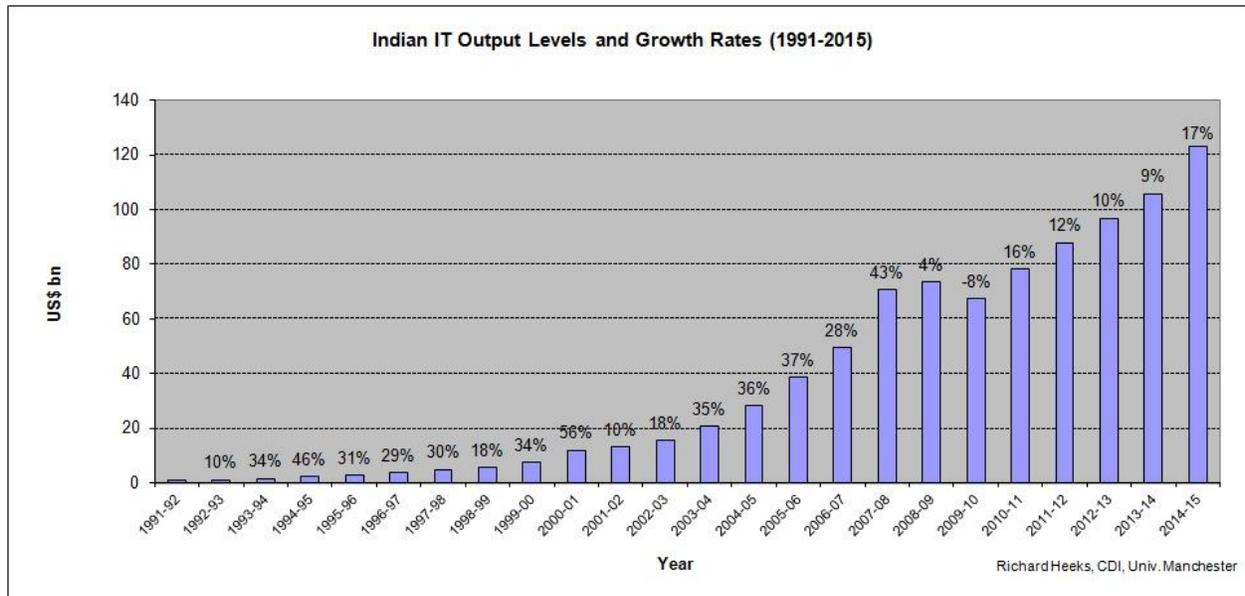
Indian IT industry has carved a niche for itself in the international arena with its global offshore delivery model and competent workforce. The rapid expansion of research and development (R&D) and the fast accumulation of IT skills by university graduates created both local demand for IT usage, the knowledge base to supply it, and a positive attitude toward this nascent industry. In 2017, about 3.9 million people were directly employed by the IT industry[ii]. A

massive pool of workforce equipped with the required skills provided comparative cost advantage to the Indian IT industry. To facilitate the growth and development of the software industry, labour laws were simplified and made flexible which definitely provided a congenial environment for this sector as it grew by leaps and bounds.

The flexible labour laws that were gifted to the industry have been gratifying the employers at the disadvantage of the IT workforce. The labour policies became unfair to the extent of guaranteeing no job security with flexible dismissal practices. Employees thus have had an array of unsettled demands due to which have warmed up to the idea of trade unions in recent years. However, there has been a reverberating voice of employers and associations against the formation of trade unions in the IT industry. The sector perceived the attempts to form a union as having negative impact on the outcome and productivity and thus, efforts to form association have been curbed time and again by the IT lobby. The right to form association is guaranteed by the Constitution of India. The right to association, right to collective bargaining; including the right to strike also constitute the core conventions of the International Labour Organisation (ILO) of which India is a founder member.[iii] Welfare of employees cannot be overlooked for an industry which has had an unparalleled impact in the growth and development. In the long run the repugnance to the employee demands and international labour standards can be serious trouble for Indian IT industry.

Off late, the dissenting voices against the unfair labour practices of the IT sector have gained much momentum in various states and reached its crescendo in Karnataka which is home to the silicon valley of India. Bangalore alone has 1.5 million IT employees out of the India's total 4 million. Karnataka's labour commission certified the formation of the Karnataka State IT/ITES Employees Union (KITU) under the Trade Union Act, 1926, and Karnataka Trade Unions Regulations, 1958. This landmark achievement had generates similar waves in cities such as Pune, Mumbai, Hyderabad, Chennai which have significant IT employees[iv]. A formal recognition and formation of union poses significant change for the IT sector. This paper attempts to investigate the perspective of IT professionals towards unionization efforts. The paper also probes the role localised trade unions can play to address the grievances and issues confronted by the employees in this sector, whose reasons and causes are propelled by factors located in different spaces and places by virtue of globalization.

Theoretical Framework

The theoretical underpinning of this paper is embedded in the Marxian explanations of capitalist mode of production. Marx is seen by many to have prophesied about globalization when he mentioned the inherent character of capitalism is expansion and technological innovation on the one hand and its tendency to aggravate inequalities and inequality on the other hand. Marx explained capitalism as the production of value[v]. As the productivity rises and more goods are produced within the same span of time, value of each unit falls. With the increase in material wealth, the value of each unit falls, the production cost falls as well as the price of goods. This places capitalists in a fix as decline in the value of commodities risks losing on his investment. Therefore, he has to increase the productivity, as the greater the volume of good produced, the more are the chances of realizing his initial investment. The best ways to

increase productivity is to deploy labour saving devices. This increase in productivity further produces the previous problem of more output and less value per unit. This sets a cycle and capitalist are in a continuous restless pursuit of higher productivity. This restlessness and continuous innovation that characterises the current capitalism was long ago foreseen by Marx.

His analysis further explained that this continuous capitalist expansion would proceed with disregard to national boundaries. As capitalists would have to find and search newer markets to absorb their voluminous output, the mobility of capital would pace up to form a world market. This would lead to concentration of capitalists on the one hand with their efforts to maximise the profits and immiseration of labour on the other hand ad they would be subject to low wages, longer working hours and a replacement with automation and technology. The workers do not own capital and since their dependence in inculcated by the employment with the capitalists, in the event of technology and automation replacing them, they further suffer at the cost of capitalist advantage and are forced to sell their labour at whatever rate available.

Marx suggested class struggle as the solution to this polarization which will be triggered by the rising class consciousness among workers who will then unite to form 'class for itself'[vi]. This needs to be examined in the context of current globalization. The liberal economic conditions under globalization, the rise of global capital inflows and the diversification of workers, working conditions and employment patterns have led to accelerated globalization with outsourcing and flexible production. Companies can relocate production to most cost effective destinations with low labour costs, easy labour laws and favourable environment. The technological advances serve the logic of capitalism as they gain more control to productive resources, surplus funds and further constant exploitation of labour. It is interesting to examine here how globalization would fare for the working class. A review of literature reveal that ironically, on the one hand, inter connectedness via communication technology provides a medium for '*the workers of the world to unite*'[vii] and the social, political and economic reality on the other hand posits great challenge to their unison. The formation of trade unions comprising of classes that resist the pressures of global capitalism is essentially a class struggle in the true Marxian sense. However, the dispersal of the process of production and decentralization of ownership and control of the resources in the wake of global interconnectedness does not permit trade unions to initiate the obvious class struggle. Various strategies have been adopted by unions in their efforts to engage with the capitalist forces. The unions in South Africa engaged locally on international issues through mass resistance and continued resistance to both Government and Company, and were able to bring a change in their stand.[viii] The unions have also adopted a transnational character to build an international support base for their cause in response to the multinational nature of firms. In the face of fundamental conflict of interest with powerful and well networked global capitalism, the success of Trade Unions in the era of globalization forma subject matter systematic research and investigation.

Marxian analysis on Alienation is yet another conceptual relevance to globalization. Replacement of labour with the automation, digitalisation for global capital expansion has exported alienation from factories to offices. The absence of job security, downsizing by the industries, cost optimization practices, easy hire and fire polices does not allow any sense of identity or belonging to be instilled in the workers. Migrant workers living in unfamiliar cities, absence of psychological support and non-satisfactory work life provides no avenue for an

expression of self and gradually leads to a sense of disillusionment. The instances of Fatigue, Depression, and Stress are common ailments among the workforce of the Information Technology sector which find themselves most alienated.

The relationship between technology and alienation is as much relevant today as it was when Marx conceptualized this idea. Blauner's proposition on automation and alienation is best exemplified by the IT industry[ix]. As employers compete to cut labour costs by resorting to automation, workers are deskilled and replaced. The very nature of work in the cyber space estranges them from 'real people' as they live in the virtual or hyper reality. Persuasive arguments have been put forward to give a counter view that technology may not necessarily lead to alienation but rather may have a liberation effect. Automation of routine, monotonous jobs may in fact free the workers to invest on their creativity and self -expression. Virtua reality offers a wider platform for interaction and social exchanges, freedom that comes from anonymity and one feels more at ease to express oneself that one would experience in real. However, one cannot really romanticise the 'net culture' as the cyberspace and its activity is very much controlled both by workplace and capital.

Trade Unionism and Globalization

The Indian Trade Union Act was passed in 1926 to enable registration of trade unions with a view to render lawful association of workers. The act defined law relating to registered trade unions and provided certain privileges and protection to the registered trade unions. The Act defines a trade union "as any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen or for imposing restrictive conditions on the conduct of any trade or business and includes any federations of two or more Trade Unions". Trade unions represent association of employees for the purpose of securing improvements in pay, promotions, working hours, job security, working conditions etc. through collective bargaining. It is central legislation administered by the state governments and is applicable to all industries in India including the IT industry. The Act was amended in 2001 to bring in more transparency and further strengthen Trade Unionism in India.

A reflection on Marx's thoughts points out that whether there are organised trade unions or not, employees will respond to the inherent alienation of work by resistance. The idea of trade unionism is to provide a channel to dissipate this resistance constructively and get those converted into well-structured plans through collective bargaining. When a union is formally recognized, a profound change is created in the relationship between the staff and their employer leading to a transition from an "individualistic" to a more "collective" relationship, inculcating in the employees a sense of belonging and identity. It is actually through collective bargaining that individuals stand to gain much more than they would individually gain. Trade unions provide a safety valve for employees to give vent to their grievances without calling for an annihilation of the industrial structure. An industry cannot survive long without providing a channel to address the grievances of the employees. Human resource policies of industries across sectors have now made it an imperative to provide for employer-employee exchanges,

meetings and interactions for change management, restructuring polices and harnessing the productivity and efficiency of the employees.

In the era of globalization, international trade and linkages, cut throat competition across the borders has placed employers in a setting wherein they have to resort to all practices by means of which they can minimise their cost and maximise gains. Exacting long working hours from the employees and paying minimal wages is one such practice to maximise gains undertaken by the employers. Marx locates this attribute of capitalists in the *very nature of capitalism itself.* The economy as the infrastructure governs the superstructure and determines its course. By virtue of this, the trade union movement has not received a sympathetic response from various quarters of policy making. A semblance of political support to recognise the causes of labour movement was visible only after along gestation period of struggle and assertion. Many such acts and provisions to support the cause of labourers were actually cosmetic in nature to be placed in the name of welfarism and inclusiveness. Annual survey conducted by The International Trade Union Confederation (ITUC) for the year 2009 has shown that the employees faced resistance in organizing trade unions and the Government maintained strong restrictions on the right of employees to strike[x]. The report has also put forward clauses of The Essential Services Maintenance Act (ESMA) which enables the government to ban strikes in public enterprises and demand conciliation or arbitration in certain "essential" industries; without specifying what these essential industries are. Such policies pose a question mark over the intentions of the State towards employee welfare.

Informational Technology industry being the poster child of the New Economy was welcomed with favourable policies which nurtured its growth. Being at the front end of globalization wave, the IT workforce has been most exploited and neglected in order to secure the growth of the industry. International Labour Organization made an observation way back, in the year 2003 that the group dynamism in the IT industry in India may force establishment of a trade union movement in the near future. Key policy actors, both in internal and external environment have been instrumental in the failure of unionisation efforts in the beginning. Unionisation in the IT industry was seen as threatening the very qualities and attributes that were responsible for its sterling success in a short span of time. A formal association recognizing the right to employees to bargain was seen as washing away all the benefits that have given a competitive edge to the Indian IT industry. The workforce has been reluctant to formally unionize in fear of attracting the ire of their employers which might accrue in long term negative impact on their career. Due to transnational character of the IT workforce, it is very challenging to arrive at an ideology that resonates with the variegated workforce. A localised trade union is rendered toothless as its efforts for bargain are diluted due to the factors and actors causing distress are global in nature and out of bounds. In many such transnational industries, trade unionism is showing a new trend of associations with international interaction showcasing a new mechanism, as cross border trade union mergers. Trade unions are defending their members by opting for multi-lateral link-ups via Global Trade Union Federations to counter balance the economic strength of multi-nationals in a globalized economy. Owing to the decentralization of power structures in the wake of global interlinkages, it is not a given that global trade union federations will be effective in redressal. Globalization has created such a complex web and network that it is almost impossible to locate the cause

and thereby the remedy. Thus, trends have been showing lesser number of trade unions functioning in the industry across the world in the form of decline in the number of overall unions and the growth of lesser number of 'Super Unions'.

Trade Unionism in the IT Industry

The initial efforts of IT employees resulted in the formation of Union for Information and Technology Enabled Services (UNITES), which was the country's first union in the Information Technology sector. UNITES was established under the aegis of Indian National Trade Union Congress. The union is also part of Union Network International (UNI), a global union which has over 16 million workers in 13 different sectors from 163 countries[xi]. The union was formed to act as a balancing force between employers and employees. These associations made several efforts to address the issues of IT employees, but their efforts hit the wall as they were told that as an association, they had no standing to demand changes. With the changing landscape, a need was felt for an organised trade union in the industry.

Over thousands of employees since 2017 have been handed 'pink slips' without any notice and alternative. The double whammy of automation and lack of skills are attributed as reasons for the large scale retrenchment. The number of job losses in the IT sector since 2017 is unprecedented in the Indian IT industry and larger in magnitude than the 2008 financial crisis. Many prominent companies have started to take people on contract to do the cost cutting, who do the same work as full time employees, but are paid far less. Consultant agencies through which companies hire from campus have been the main culprits in this, taking a major cut of the promised salary. Not only retrenchment but hiring also plummeted in 2017. The reputed companies that stood as top employment generators of the IT sector, Tata Consultancy Services and Infosys, reduced their headcounts for the first time.

Though forced attrition of around 1 % (asking non–performers to leave) is a common practice in the IT Sector, however, since 2017, an unprecedented attrition rate ranging between 2%-6% has become the new norm. Digitisation and automation brought about a disruption forced by which most of the IT firms had to undertake reassessment of the capability of their talent pool to stay competitive and relevant in the global market. Firms had to implement cost optimization plan to increase automation and reduce manpower[xii]. Coupled with the uncertain visa policies of the United States as it makes a move towards protectionism, IT firms have had to modify their policies related to on-site opportunities. The career prospects of many employees who had invested in the firm for an on-site opportunity is rendered bleak and uncertain. This contemporary reality echoes the Marxian sentiment that the blame or accusations cannot be charged on individual firms or companies as they are subject to the dynamism of global forces, such as change in administration of another country.

The interconnectedness of the world economy wherein events in one part of the world influence events in other part of the world has made the Indian economy vulnerable to the changes in any part of the globe. No other sector manifests this better than the Information Technology Industry. Not only the agony of lay-offs but also lack of regulation on work hours and neglecting the enforcement of guidelines to ensure the safety of employees are other

reasons that coalesced the unionization efforts of the employees. The employers association led by NASSCOM, which is an apex regulatory body for IT industry, have dismissed any need to have a trade union. Their arguments point out that union formation will not succeed in IT industry as it does not make sense in thinking about unions when workers are not exploited and have access to management to redress their grievances. These reasoning emerge from the experience that the formation of trade unions in industries has turned out to be a double-edged sword, deterring international companies from setting outlets in certain markets with tough labour laws. Instances of unions backed by the government intervening in the workings of companies resulted in the relocation of near-shore centres in Eastern Caribbean Island and Barbados at the height of the labour arbitrage movement[xiii].

The Way Forward

Globalization has posed a paradoxical situation for labour unions. The enhanced coordination of productive activity between countries by multinationals highlights how the strength of corporate governance has increased in recent years despite the greater dispersion of production. As unions are confronted with the growing influence of the private sector, the other main concern is that, in some cases, voluntary corporate codes of conduct along the value chain are not accompanied sufficiently strongly by measures of "accountability".

The impact on labour of these value chain strategies combined with the reduced relevance of national labour legislation in many countries has led to gaps in labour rights. Increasingly, trade unions are enlarging their agendas to include issues such as engaging with international organizations in order to influence their policies and organizing global campaigns, extending and deepening their cooperation at the transnational level.[xiv] Building networks between trade unions along global production systems is an example of transnational cooperation. Unions have to deal with sophisticated and often anti-union human resource management strategies at a local level within global production systems and respond to difficult representational situations as a result of sourcing decisions.

The budding unions in the Information Technology industry have to invest in developing strategies with a view to organizing and bargaining collectively along the value chains. Organizing along supply chains could be a way to move beyond existing North–South cooperation arrangements. At the same time, a potential conflict of interest exists between workers of the global North and the global South when it comes to offshoring and outsourcing. Indeed, there is a need for active labour market strategies in the global North to avoid workers in the North bearing the cost of outsourcing. It is also important to stop a race to the bottom, especially between countries of the global South. International Labour Organization can play a significant role here in mediating to balance between the north and south labour markets.

Notes

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[vii] Ibid 5

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