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# **Transformation of Labour Relations**

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## **Abstract**

One of the spill-over effects of globalization is the essential transformation of labour market structure. In the wake of service sector revolution, being backed by knowledge revolution, faster mobility and the growth of IT enabled services, the potential of tourism cannot be over looked. This paper attempts to disclose the changing notion of work in the current international scenario. The study focuses on tourism sector, both due to its growth potential and due to its employment significance. The paper explores the new development in labour relations in tourism industry in the Indian perspective.

**Key words:** Globalization, Tourism, Labour market, Tourism labour market, labour relations, Service sector, Informalisation, flexible work force, numerical flexibility.

## **Introduction**

Globalization has brought about far-reaching changes that are affecting everyone. The world is more inter-connected than ever before. Service sector has immensely been enriched by globalization, with growth of Information Technology (IT) and IT enabled sectors. Next to IT sector there is tourism, which encompasses a cross-section of inter-related economic activities that cater to the demands of tourists. The dynamic nature of tourism industry necessitates the requirement of a large amount of skilled and trained personnel to operate it. Being a personalized industry, its labour absorption capacity is unquestionable when the world around is embracing capital intensity and downsizing. Despite, of its labour significance, the industry lacks standard forms of unemployment and better employee treatment in general. In this backdrop a micro level study, based on tourism, is attempted to understand work and work related aspects of a global industry.

A plethora of studies have found out that the current process of globalization is generating unbalanced outcomes, both between and within countries. Under the onset of globalization in the organized sector worldwide is moving away from an employment security regime, towards an income security regime. Many of the displaced or marginalized workers resort to the informal economy without formal rights and work stability. The new environment demands a high degree of adaptability and unhealthy work practices. Poor countries are worst hit by globalization that they eke-out precariously on the margins of the global economy. Even in economically successful countries some workers and communities have been adversely affected by globalization. Bradley (1999) fears wage labourers face casualised forms of employment experience greater powerlessness, partly because of the diminished influence of trade unions; partly because of new technology and new managerial techniques offer the chance of increased surveillance of individuals. Vanamala (2001) points to the faster growth of informal sector resulting in informal work relations in the formal sectors. The Second National Labour Commission in India (2002) points out that a total number of 129 million man days were lost in lock outs and 80.2 million were lost due to strikes during 1991 to 2000 in India. ILO (2003) points out that ‘in many labour markets worldwide, increased insecurity, inequality and exclusion are the reality. The benefits of the global market, the knowledge economy and the network society have not reached everyone. Especially in the developing world, many nations, comprising millions of villages and households, are cut off from the New Economy. Increasingly, unemployment, underemployment and informal work are the plight of young workers.’ The ILO in its world employment Report 2004-05 observes that globalization and the pace of technological change have fuelled the long running debate over labour market flexibility. Employment “stability” is not “labour immobility”: jobs and skill requirements can change for the same person working for the same firm. Employment stability promotes productivity growth, but the reverse is also true: productivity growth promotes employment stability. On examining the key developments observed in empirical studies of industrialized country labour markets Bhorat and Lundal (2004) points out that there has been increase in relative wages of skilled (graduate educated) to unskilled workers (high school or less educated) over time. What made this observation all the more intriguing, of course, was the fact that over the

same specified period, the demand for educated workers, relative to less educated workers also increased. Chowdhury (2004) points out that numerical decline of the organized work force, weakening trade unions and market oriented policies are the major dimensions of labour disempowerment in a period of marketisation.

## **Methodology**

The urge to explore, experience and learn constantly supports the growth of tourism industry. Indian peninsula is known for its tourism potentials. One of the world renowned tourism destinations in Kerala, Kovalam, was selected for a detailed study for understanding the changing perspectives in work as well as labour market in the unbridled competitive era. Four major components of tourism industry in the state namely hotels and restaurants, transport, health rejuvenation and tourist shopping were considered for the present study. However, the thrust area will be hotels and restaurants. This is because, of the tourists' total expenditure 49% goes to accommodation sector in the case of foreign tourists, and it is 67% in the case of domestic tourist expenditure (TCS, 2002). Since secondary data source is scarce and inadequate for the purpose of the study, primary data were collected. Two stage sampling procedure was followed for the study. Purposive sampling technique was used to select the shops and commercial establishments in tourism industry so as to cover the chosen activities and to represent different size and tenure of operation. With respect to the informants level convenient sampling and snowball sampling (Matin, 2004) techniques were followed to collect data. About 105 employees were selected from the above mentioned sectors and structured questionnaires were administered to collect information on personal profile of the workers, recruitment process, wage trends, job security, provision of social security, nature of work, working conditions etc. For the purpose of cross reference and for getting an idea about the demand trends in the labour market of tourism managers of the concerned establishments were interviewed with semi-structured questionnaires.

## **Findings**

Four important aspects of personal profile were collected as part of the study. They are age composition, gender, education and professional qualification of the informants. More than one third of the informants belong to 18 - 25 years of age. Taking

together the next category of age around 60% of the respondents covered by the study falls under less than 35 years. This shows the higher concentration of young age population in this sector. It is also quite natural that tourism, being a personalized-service oriented economic activity, attracts more number of young workers due to their charm and personality aspects.

Though more and more female workers are lured into tourism (Standing, (1999), of-late, our data exhibit its opposite. The gender analysis shows that 72% of the respondents are males. With respect to the level of education of the respondents covered under the study almost 50% are matriculated and 25% are undergraduates. Tourism now needs more and more educated workers to entertain international clients. It is also interesting to see that among the educated workers around 80% has tourism and hotel management degree/diploma.

Going through the personal profile of the informants it is clear that cross section of individuals are engaged in various economic activities in tourism. Analogously the variety of activities in tourism, personal profile of the workers are heterogeneous in terms of age, education and their professional skills to add flavour to the fast growing hospitality industry.

This study has covered such tourism sectors as Hotels and restaurants, Taxi services, souvenir shops, health rejuvenation and local tourist itinerary service providers. However, emphasis was given to hotels and restaurants sector. Majority of workers, especially in hotels and restaurants opted their job as it is suitable to their qualification or skill. Some others moved into by because of good earning potential and for want of other options. When tourism is seasonal, workers engaged in other activities in and around the destination by offering various tourism itineraries and offer themselves as casual and contingency workers to various establishments. In fact, they are not at all bothered about “hire and fire” as they themselves express that it provides them a little bit of freedom to enjoy functional as well as spatial flexibility. Employers also prefer functional flexibility of their workers.

The selection procedure of workers has now become largely informal and covers such procedures as introduction by others, through friends and relatives of workers in the

firm itself, private employment consultants and the like. The informal arrangements at work site, though offer freedom to both employer and employee, neither party is committed. In many cases, except in the case of government and private corporate hotels, many labour statutes are not complied with.

With respect to the labour relations in tourism industry, it can be divided in to formal and informal sectors. Government and private corporate firms have stipulated norms that are complied with labour statutes or labour standards. But in the formal sector itself, recently the firms started maintaining a limited number of permanent employees in the core areas and engaging large number of contracted, sub-contracted, trainee and contingent workers in the periphery and the fluctuations in business is managed by adjusting quantitatively the peripheral workers. Outside this core group, there is a large army of peripheral workers, who are subjected to be numerically flexible, ie., the firm can hire and fire them as per labour requirements. Keeping a cushion of numerically flexible buffer labour force is an essential outcome of the policy of downsizing in the new economic order – globalization. Private individual and self owned activities are informal with their non-standard forms of work, which do not ensure job security, nor provide social and welfare measures to workers. In costal tourism destinations, the displacement of traditional fishermen made them suffer that led them to resort to whatever scanty jobs available in the vicinity.

Researchers (Becherel and Cooper, 2002; Vijayakumar and Pillai, 2008) have identified that Flexibility and the demand for skills favours certain categories of workers; a trend toward greater job insecurity and a rise in part-time contracts, irregular working time and consequently diminished remuneration and high rate of turnover is increasing in the tourism sector. Functional flexibility has become a global trend and it is referred to as the speed and ease with which a firm can cope with the changing trends around. The tourism sector, particularly hotel industry, is an ideal example to functional flexibility. The workers in the informal sector as well as the numerically flexible workers in the formal sector altogether lack any privilege of labour statute. Job security is the crucial and detrimental factor in the labour market. It has been augmented, of late, due to increased sub-contracting and out-sourcing. Hotel and restaurant sector has out-sourced the production and supply of some edible items, instead of producing them in-house. Though

it generates some employment outside it is only ways and means arrangements. The varied employment forms like sub-contracting, outsourcing and hiring of temporary and part-time workers are feasible only in the lower end of tourism jobs. Trainee worker arrangement is the most exploitative form of employment in the industry.

Of late, tourism labour force in the permanent role in the organised sector has been declining and temporary labour force shows a rising trend. This shift from permanent to temporary notion is to gain more profit and by-pass the relevant labour legislations. Informalisation is not sporadic as over 92% of working population is in the informal sector (Jhabvala, 1998). As part of informalisation, managers prefer word-of-month-recruitment methods through personal contact. The peripheral workers are neither protected by labour laws nor organised through trade unions. The government itself is to be blamed for labour market discrimination. Deshpande *et al.* (2004) criticize that 'keeping the formal terrain intact, the governments turn blind-eye on the disempowerment of flexible work force and stifle the noise of trade unions while letting employers a good cheer.' Long-term contractual employment arrangement is said to be not favourable to the firms, considering the seasonality of nature. Therefore, short term contracts, agency arrangements, sub-contracting, casual and contingent arrangements and industrial training arrangements are set depending on time and circumstances. There is a third layer in the labour market involving sub-contracted, out sourced and self employed workers.

In the tourism industry seniority system and promotion are explicitly seen in hotels and restaurant sector. In this sector itself the internal labour market arrangements (seniority system and promotion) are acceptable only in the formal sector. In the seniority system higher grade jobs are filled by internal promotion rather than by hiring from outside.

Tourism offers a plethora of non-standard forms of employment and there by opens ample scope for novice work force and those who are side-lined from mainstream (formal) labour market. Sunder (2005) opines that flexible and non-standard jobs provide necessary opening to workers who are placed at the margin of the labour market. With its all forms of standard and non-standard employment relations, tourism industry necessitates a viable policy frame work to keep the relationship going in a more cordial



and sustainable manner. The waves of globalisation in the country since 1991 led to shrinking of public sector and profit oriented realignment of firms. In this process the volume of organised sector declined and consequently multi-dimensional labour market vulnerabilities such as feminisation, marginalisation and non-standard forms of employment emerged. While a minority is working under conditions of job security and regularity of employment with formal relations (Kannan and Rutten, 2004), a good majority is lurching in labour market disempowerment.

### **Concluding Comments**

From the study it is clear that globalization has not fulfilled the legitimate need for a decent work and better wage and working conditions. The work has become 'vulnerable', 'flexible' and non-standard under the Globalised era. Neither the worker nor the employer is loyal. As far as the work is concerned he receives whatever job available first hand and goes on searching for new ones and grab if possible. He is not at all stable at his job and there by not a committed worker. From the part of employer he is contemplating profit maximizations, through cost minimization strategies. In this race labour component is conducive enough to be redesigned. He bring down permanent workers quantitatively, dictates functional flexibility, attempts sun-contracting and outsourcing and maintain a large periphery of casual and temporary workers. In sectors like hotels and restaurants, compulsory industry training opens another vista of labour exploitation (picking hospitality students from institutes during peak season and disowning them towards the end of the season).

It is known from the pages of history that global competitive games are favourable neither to developing countries nor to weaker sections in developed countries as the rules and policies largely shaped by powerful countries and powerful players. Most developing countries still have very limited influence in global negotiations on rules and in determining the policies of key financial and economic institutions. Similarly, workers and the poor have little or no voice in this governance process. The World Development Report 1995 (World Bank, 1995) points out that lives of workers around the world are increasingly connected through international trade, capital flows, and migration. This expands opportunities, but it also raises fears that international competition and free-

wheeling capital will cost workers jobs or impairs their standards of living, and that some groups of workers or countries will be left out of expanding international markets altogether. Clearly within a decade the World Bank (2005) stresses that Governments must intervene in worker–firm relations on three main fronts such as in the wage-setting process, regulating working conditions, and controlling the ‘hire and fire’ system of workers. Then the efficiency arguments stress information problems and a need to improve the matching of labor demand with supply. There may also be equity arguments if there is unequal bargaining power between employers and workers, discrimination against vulnerable groups, or incomplete or imperfect insurance of workers against risks. The new work environment demands a high degree of adaptability and flexibility in the Labour market. In this situation only the government is competent and responsible enough to ensure that this flexibility is compatible with employment security, including protection against arbitrary loss of employment, arbitrary reductions in income and unhealthy work practices.

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