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**MANAGEMENT  
OF  
INDUSTRIAL RELATIONS**



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## **Lesson No. 1**

# **INDUSTRIAL RELATIONS PERSPECTIVE; IR IN THE EMERGING SOCIO-ECONOMIC SCENARIO**

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## **1.0 OBJECTIVES**

The present lesson is an attempt to make students understand:

- the nature of industrial relations
- the need for the peaceful employer and employee relations
- the different approaches to industrial relations

## **1.1 INTRODUCTION**

Industrial Relations (IR) has traditionally been a fire-fighting function in our country. The IR man comes into full play only after the crisis erupts. This is so much the case that some IR men are actually known to have stoked the fire to reinforce their own relevance to the organisation "..... the MD of a large corporation remarking that his personal manager was so much of a fire fighter that he felt uneasy when there was no fight", so goes the perception about IR.

Thus, the scenario relating to IR is a mixed one, Sparks between enlightened managers and motivated workforce coexists with large scale violence leading to destruction and closures. But the scenario must change. Unionization, job security, protective legislation and other measures are loosing there relevance. The catch words now relevant are productivity, competitiveness, downsizing and union free plans.

## **1.2 PRESENTATIONS OF CONTENTS**

### **1.2.1 Nature of IR**

Essentially, IR is concerned with the relationship between management and workers and the role of regulatory mechanism in resolving any industrial dispute. A formal definition is:

" .... concerned with the systems, rules and procedures used by unions and employers to determine the reward for effort and other conditions of employment, to protect the interests of the employed and their employers, and to regulate the ways in which employers treat their employees."

Specifically, IR covers the following areas:

1. Collective bargaining.
2. Role of management, unions, and government.
3. Machinery for resolution of industrial disputes.
4. Individual grievance and disciplinary policy.
5. Labour legislation.
6. Industrial relations training.

### **1.2.3 Importance of IR**

IR is the key for increased productivity in industrial establishment. For example, at the Alwar plant of Eicher Tractors, productivity went up from 32% between 1994 and 1996 to 38% in 1997, the production of Engine cylinders has gone up from 29390 (in 1995-96) to 32501 (in 1996-97). This increase has been possible because of peaceful IR. IR has moral dimensions, too. It is unethical on the part of any management to take advantage of the helplessness of workers and exploit them. Unemployment compels workers - particularly illiterate and unskilled - to accept jobs, inhuman working conditions and wages notwithstanding.

IR assumes relevance in this context. One of its objectives is to protect workers interest and to improve their economic conditions.

IR seeks to protect the right of managers too. Managers expects workers to observe code of discipline, not to join illegal strikes, not to indulged in damaging the companies properties, not to assault supervisors or peers, and not to come inebriated the workplace. Where workers behaviour deviates from expected lines. It is management's prerogative to take action.

There is a set procedure for handling any act of indiscipline or indiscretion on the part of an employee and if the management satisfied the procedure, it is justified in taking action or even removing the employee from service.

Little do all of us realise that it is the people who creates problem everywhere and it is only who can find solutions too. If there is a problem from employees, there is a solution also. Viewing every problem seriously and resorting the manipulative style of IR which emphasis the need the labour is check by floating stooge unions, buying up unions, and striking clandestine deals with powerful politicians do no good to managers or to the organisation they represent. The field of IR needs a new look, a look which is free from suspicion, prejudice and ill will towards workers.

#### **1.2.4 Approaches to IR**

The scenario of IR is perceived differently by different people. For some, IR is related to class conflict, other perceive it in terms of mutual cooperation and still others understand it in terms of competing interests of various groups. HR managers are expected to understand these varying approaches because they provide the theoretical understanding for much of the role of HRM.

The three popular approaches to IR are unitary approach, pluralistic approach and Marxist approach.

#### **UNITARY APPROACH**

Under unitary approach, IR is grounded in mutual cooperation, individual treatment, teamwork and shared goals. Workplace conflict is seen as a temporary aberration, resulting from poor management, from employees who do not mix well with the organisations culture. Unions cooperate with the management and the managements rights to manage is accepted because there is no "we-they" feeling. The underline assumption is that everyone benefits when the focus is on common interest and promotion of harmony. Conflict in the form of strikes is not regarded as necessary but destructive.

Advocates of the unitary approach emphasise on a reactive IR strategy. They seek that negotiations with employees. Participation of government, tribunals, and unions is not sought or are seen as been necessary harmonious employee relations.

The unitary approach is being criticized as a tool for seducing employees away from unionism and socialism. It is also criticized as manipulative and exploitative.

## **PLURALISTIC APPROACH**

The pluralistic approach totally departs from the unitary approach. The pluralistic approach perceives:

1. Organisations as coalition of competing interest, where the managements role is to mediate amongst the different interest groups.
2. Trade unions as legitimate representatives of employee interests.
3. Stability in IR as the product of concessions and compromises between management and unions.

Legitimacy of the management authority is not automatically accepted. Conflict between the management and workers is understood as inevitable and in fact, is viewed as conducive for innovation and growth. Employees join unions to protect their interest and influence decision making by the management. Unions thus balance the power between the management and employees. In the pluralistic approach, therefore, a strong union is not only desirable but necessary. Similarly, society's interests are protected by state intervention through legislation and industrial tribunals which provide orderly process for regulation and resolutions of conflict.

The theories on pluralism were evolved in the mid-sixties and early seventies when England witnessed a resurgence of industrial conflicts. However, the recent theories of pluralism emanate from British scholars, and in particular from Flanders and Fox. According to pluralists, industrial conflict is inevitable and it needs to contain within the social mechanism of collective bargaining, conciliation and arbitration.

## **MARXIST APPROACH**

Marxist, like the pluralistic, regard conflict between employers and employees as inevitable. However, pluralists believe that the conflict is

inevitable in all organisations. Marxists see it as a product of the capitalist society.

Adversarial relations in the workplace are simply one aspect of class conflict. The Marxist approach focuses on the type of society in which an organisation functions. Conflict arises not just because of competing interest within the organisation, but because of the division within society between those who own or manage the means of production and those who have only their labour to offer. Industrial conflict is thus seen as being synonymous with political and social unrest.

Trade unions are seen both as labour reaction to exploitation by capital, as well as a weapon to bring about a revolutionary social change. Concern with wage related disputes are secondary. Trade unions focus on improving the position of workers within the capitalist system and not to overthrow. For the Marxist, all strikes are political. Besides, Marxists regards state intervention via legislation and the creation of industrial tribunals as supporting managements' interest rather than insuring a balance between the competing groups. This view is in contrast to the belief of the pluralists who argue that state intervention is necessary to protect the overall interest of society. To Marxists, the pluralists approach is supportive of capitalism, the unitary approach anathema. Consequently, enterprise bargaining, employee participation, cooperative work culture, and the like which help ushers in cordial IR and are not acceptable to Marxists. Such initiatives are regarded as nothing more than sophisticated management techniques designed to reinforce management control and the continuation of the capitalist system.

#### **1.2.4 Parties to IR**

The major parties to IR are the employees, employees representatives, employer, associations of employers, government, and courts and tribunals.

#### **EMPLOYEES**

There are about 268.19 lakh employees working in the organised sector in our country. The figure will be a staggering one if the number of the



employees in the unorganized is added. It is, therefore, useful to certain observation about the Indian workers:

**(a) Commitment to Industry**

Labour is committed to industrial setting, thus contributing to stable workforce. True, the worker might have his or her mooring in the villages. But is it unlikely that he or she would go back to his or her village. He or she is settled in the industrial city, his or her children are put in school in the city, and except himself or herself, and no one else in his or her family has any nostalgic feelings to the village. Besides the present generation of young workers is mostly born and brought up in the urban areas and has accepted industrial employment as a way of life. But, commitment is only to industrial jobs, and not to work. Hence, low productivity of labour.

**(b) Protective Legislation**

From time to time, the government has enacted a variety of labour Acts, Perhaps, ours is the only country in world which has so many Acts to protect workers interests. Thanks to the enormous protective legislation, wages, benefits, and working conditions, safety and health of workers have improved considerable.

**(c) Status of the worker**

The economic and social status of today's workers is vastly improved. Industrial employment is no longer the undesirable alternative left for those drive out from villages. Improved skill contents of the jobs and increased emoluments have made industrial employment the first attraction among young job aspirants. Industrial is not restricted now to the socially low castes. The dynamic changes in the industrial sphere have, as the National Commission on Labour has observed, brought about a "social amalgam". The status of the industrial worker of today is enhanced as a result of the readjustment in the value system in favour of industrial employment which is, in turn, the aggregated effect of his or her improved skills and his or her enlarged pay packet. The stigma once attached to factory life has disappeared.

#### **(d) Employment pattern**

Another feature noticed in the industrial labour is the change that has come about in the employment pattern owing to changes in industrial activity, which has tremendously expanded and diversified and has undergone a technical transformation. In the early days unskilled workers predominated in industrial employment, so long as traditional industries like textiles and mining were in the forefront. In the process of expansion and diversification, new avenues of industrial enterprises in engineering, chemical, pharmaceuticals, and so forth assumed importance and changed the composition of industrial employment.

The improved technology of these new industries created new jobs with greater content, raising the minimum standard of education required. Industrial employment, in spite of being blue collared in nature, is no more looked down upon as an inferior mode of earning a living. The employment pattern has further changed in the service industries and electronic wherein the employment has become more and more white collared and sophisticated.

Now the employees perceive industrial relations in term of the opportunity to:

1. Improved their conditions of employment
2. Voice any grievance
3. Exchange views and ideas with management
4. Share in decision making

The tendency of managers is to blame the worker whenever a dispute occurs. While it is true that workers are a party to a conflict, but to hold them responsible for stocking the fire may not be correct. The role of managers in igniting a conflict to serve their selfish interests can not be overlooked.

## **TRADE UNIONS**

Unions have a crucial role to play in IR. Unions have broad objectives which are:

1. To redress the bargaining advantage of the individual worker vis-à-vis the individual employer, by substituting joint or collective action for individual action.
2. to secure improved terms and conditions of employment for their member and the maximum degree of security to enjoy these terms and conditions.
3. to obtain status for the worker in his work.
4. to increase the extent to which unions can exercise democratic control over decisions that affect their interests by power sharing at the national, corporate, and plant levels.

The union power is exerted primarily at two levels at the industrial level, to establish joint regulation on basic wages and hours with an employers associations or its equivalent; and at the plant level, where the shop stewards organisations exercise joint control over some aspect of the organisation of the work and localized terms and conditions of employment. Unions are a party to national, local and plant procedure agreements which govern their actions to a greater or lesser extent, depending on their power, and on local circumstances.

## **EMPLOYERS**

Employers too, are directly involved in any dispute between the employers and the employees. Employers are endowed with certain inalienable rights vis-à-vis labour. The management has the right to hire and fire any worker, notwithstanding union restrictions. It is not just firing a worker here or there, but the management's ability to control the economic destiny of the workers that matters. The management has the right to relocate, close, merge, takeover or sell a particular plant - these actions affect workers interests. The management has another powerful weapon - introducing or

threatening to use technological change. Technological change can displace labour or reduce skills.

Armed with these rights, the management resorts to several tactics to break a strike, some of them even unethical. The management is known to adopt dubious means to forego a strike, all of a strike, or tone down union demands. The management often breaks a powerful union, sets one faction against another, and favours the most satisfied and the less militant workers. Loyal workers from sister concerns are brought in, on the pretext of a factory visit, and are induced into a plant and advised to break the strike.

Another tactic employed by the management is to gain the loyalty of employees. The aim of this tactic is to convince the worker that the management has his or her interests at heart and can provide him or her with much the same benefit as the union. In part, this tactic is a revival of the "welfare capitalism" of the 1920s. High wages, pension plans, profit sharing plans, programmes of stock ownership by workers - all these schemes have been revived, though often in modernized form, and with considerable effect in the resistance of the new industries to unionization can be taken as evidence.

Employees' loyalty is sought to be gained through another method, a positive one. The management seeks to find out the sources of dissatisfaction and eliminates those irritants. Workers are encouraged to form informal small groups, psycho-therapy is conducted on a plant-wide scale, and interaction between the management and employees and among the employees are structured and practiced.

A militant but incorruptible union is co-opted in routine functions of the organisation. For instance, the union may be used as a channel of information to the employees. It may be used for meeting certain production problems. In some plants, the management has even brought union leaders into process of decision making.

In general, managers tend to see employee relations in terms of the following activities:

1. Creating and maintaining employee motivation
2. Obtaining commitment from the workforce
3. Establishing mutually beneficial channels of communication throughout the organisation
4. Achieving of high level of efficiency
5. Negotiating terms and conditions of employment with employee representatives
6. Sharing decisions making with employees
7. Engaging in a power structure with trade union

## **EMPLOYERS' ASSOCIATIONS**

Employers' associations operate at local, industry and all India levels. The Confederation of Indian Industries (CII) is a powerful body at the national level which is doing an admirable job in protecting and promoting the legitimate interests owners of industries.

The major objectives of employers' associations include:

1. Representing employers in collective bargaining
2. Developing machinery for the avoidance of disputes
3. Providing information on employee relations and to give advice
4. Representing members on national issue

The specific objectives of CII are:

1. Identifying and strengthening industry role in the economic development of the country.
2. Acting as a catalyst in bringing about growth and development of the Indian industry.
3. Reinforcing industries commitment to society.
4. Working towards globalization of Indian industry and its

integration into world economy.

5. Providing upto date information and data to industry and government.
6. Creating awareness and support industry efforts on quality, environment and consumer protection.
7. Identifying and addressing special needs of the small scale sector.
8. Promoting cooperation with counterpart organisations.

The other major all India employers associations are ASSOCHAM, FICCI, AIMO, WASME, FASSI, and FIEO.

## **GOVERNMENT**

In a sense, government intervention in IR is as old as the industry itself. However, till the 19th century, governments everywhere followed the laissez faire policy - they left IR to the managers and workers who were required to solve the problems themselves. Towards the end of the 19th century, the attitude of the governments changed. And intervention became a reality. The state, as of today, regulates the relationship between the management and the labour and seeks to protect the interest of both the groups. The government has setup wage boards, labour courts, tribunals, and enacted laws to lay down norms and to enforce their compliance.

## **JUDICIARY**

The powers of the judiciary are of a dual type:

1. The authority of the Courts to settle legal disputes;
2. Judicial review - the authority of the Court to rule on the constitutionality of legislation.

As far as second is concerned, the judiciary gets activated when the legislator passes laws repugnant to the constitution and when the government implements the enactment imposed by the legislature in a manner opposed to

the provision of the legislation. In other word, the courts of justice protect the citizen from unlawful Acts passed by the legislature and arbitrary Acts done by the executives.

It is the power of the judiciary to settle the legal disputes, referred to them, that affect IR considerably. The judicial pronouncements will have a far reaching impact because:

- i. Judicial errors do occur, though infrequent,
- ii. Possibility of wrong assessment of penalty, "judges notoriously vary in the severity of punishment inflicted",
- iii. Judges are known for pronouncing conflicting verdicts on the same or similar disputes, and
- iv. Confusion in turn.
- v. The role of judiciary in IR has not been always positive.

The result is that indiscipline in the industry has spread like wild fire and sapped the national production and productivity. The classic case is the textile industry which has been wrecked by indiscipline. The conflagration is continuing to engulf various industries one by one.

### **1.2.5 IR Strategy**

It is necessary to have a clear cut strategy for IR, although the management of IR is essentially a knee jerk reaction to events and problems and is, therefore, far removed from the world of strategic thinking and planning. Since employer-employee relations are usually presumed to be satisfactory until they get out of hand, managers, rarely, feel the need to act before the trouble breaks out.

But the reactive strategy cannot continue for long. Growing competition, difficult economic environment, rising labour cost, and low productivity compel business leaders to think and plan proactive strategies towards IR.

Where organisations have proactive strategies, the goal should be to ensure that corporate objective can be achieved by gaining the maximum amount of cooperation from employees and by minimising the amount of industrial unrest.

### **Factors Affecting Employee Relations Strategy**

Two sets of factors, internal as well as external influence an IR strategy. The internal factors are:

1. The attitude of management to employees and unions.
2. The attitude of employees to management.
3. The attitudes of employees to unions.
4. The inevitability of the differences of opinion between management and union.
5. The extent to which the management can or wants to exercise absolute authority to enforce decision affecting the interests of employees.
6. The present and likely future strength of the union.
7. The extent to which there is one dominating union or the existence of multiple unions leading to inter-union rivalry.
8. The extent to which effective and agreed procedures for discussing and resolving grievances or handling disputes exists within the company.
9. The effectiveness of managers and supervisors in dealing with problems and disputes related to IR.
10. The prosperity of the company, the degree to which is expanding, stagnating or running down and the extent to which technological changes are likely to affect employment conditions and opportunities.



The external factors affecting IR strategy are:

1. The militancy of unions - nationally or locally.
2. The effectiveness of the union and its officials and the extent to which the officials can and do control the activities of supervisors within the company.
3. The authority and effectiveness of the employers association.
4. The extent to which bargaining is carried out at national, local or plant level.
5. The effectiveness of any national or local procedures, agreements that may exist.
6. The employment and pay situation - nationally or locally.
7. The legal framework within which the IR exists.

### **1.2.6 IR Decisions**

A proactive IR strategy programme must cover the following decisions:

1. Communication - how best we can convey our philosophy to employees?
2. Relationship - how well can we improve our relationship with employees and unions?
3. Competence - how to improve of competence of managers and supervisors in dealing with IR matters?
4. Discipline and conflict - how shall we deal with it?

### **Communication**

The core of an IR programme is the personnel manual. The manual sets out the rules and policies within which managers and employees must operate. The manual tells how the management awards recognition to the union and offers facilities, how it recognizes the officers associations, how to handle a grievance, code of discipline in the industry and the like.

The manual needs frequent updating, must be published to all employees, and all supervisors must be familiar with it. HAL, Bangalore, has a well drafted personnel manual running into 94 pages of printed matter. The manual covers, in addition to aspects of employees relations, other topics like welfare, medical facilities, and gratuity rules. All employees and supervisors are fairly familiar with the contents of the manual.

### **Relations**

Relationship with the employee may be improved through joint consultation. Relationship with union or staff associations may be developed through collective bargaining and other IR procedures or by improving the operation of existing procedures.

### **Competence**

Managers and supervisors need to develop competence in handling IR. Such competence may be developed by training managers and supervisors in IR. Suffice it is to say that a training programme must be conducted after assessing the training needs of the managers and supervisors. Each training programme must have specific objectives and the contents must help the trainees realise the goals.

Negotiating skills must form a part of the training offered to managers. Negotiating skills are best acquired by experience, but it is dangerous to allow inexperienced managers to meddle with negotiations. Training in negotiating skills is most effective if it is through case analysis. A case study based on an actual problem of the company may assign to the managers who will be required to analyse the case and offer remedies.

Training should not be confined to managers and supervisors alone. Union leaders and employees also must be associated with the programme, as they are as much a party to a conflict managers or supervisors.

## **Discipline and conflict**

If both employees as well as employers adhere to well laid out norms, dispute do not occur. Where a conflict occurs, the management must resolve it. There are set procedures to resolve disputes.

### **1.2.7 Industrial Relations in Emerging Socio - Economic Scenario**

In 1991 with declaration of new economic policy, a series of Industrial, fiscal and trade reforms were announced by the Government. It was presumed that these structural changes would arrest growing inertia that has set in the economy due to its mismanagement and continuance of unrealistic economic policies for more than our decades. It is heartening to note that the new economic policy has altogether generated a new business environment, where in the private sector was liberated from the clutches of excessive Government controls, the P.S.U's lost their monopolistic position, industries were freed from tariffs and custom duties, the threshold limit of MRTP remarked FERA was considerably relaxed, accessibility of foreign capital has become easy etc.

At the same time this N.E.P. has given a serious jolt to the interest of working class. In fact, the workers are securing the brunt of liberalization - a situation hard to be adjusted. Which is obvious from the fact that even presently the employment opportunities of working class has considerably shrunk and would further squeeze in the years to come, as with the ever changing methods of work by which employers would be forced to lay off obsolete employees. So not only employability of additional workforce but present one would be minimized considerably.

In fact, ever since the declaration of new economic policy, a heated debate is going on between the various industrial relations participants regarding the desirability of continuance of such a policy. In this context, every party has its own perception and apprehensions, but all of them agree on one basic fact that sustained economic growth cannot take place in a disturbed industrial relations environment.

The inculcation of harmonious industrial relations requires that all the participants be motivated to work whole heartedly for making the system to

work. There are various factors pointing towards the emerging socio-economic scenario.

One of the major factors is the changing image of workers. The modern worker have come a long way in 54 years from the exploited, illiterate poverty stricken, rural linked group that once were. The industrial labour of today is no longer the migrant rural worker of yesterday, shuttling between his village and the city. It is totally urban in its economic outlook.

Socially, too, workers have changed. They have absorbed the urban industrial culture. They are capable of handling semi-skilled and highly skilled industrial operations. Above all, they are usually not the sole supporters of large joint families. Changes in the worker's life have given rise to a new attitudinal and behavioural pattern.

There has also been a transformation of Indian society - from a "society of subjects to that of citizens." The modernisation of economy has brought in advances in technology, organisational complexities and increasing economic interdependence. Consequently, the worker is increasingly called upon to rely on discretion, initiative and self management, instead of waiting for commands from old style bosses. The traditional culture of being 'looked after' as subjects has yielded place to one in which industrial labour wants to 'look after' itself.

Yet another change, whose challenges is being evaded instead of being faced, is the need felt making quicker decisions because of the high stakes involved in a technologically sophisticated industry. Our industries, particularly those in the public sector, suffer from the widespread empire of the owners. Insisting on managing and controlling the system without having the adequate competence or the freedom to make quick strategic decisions. A fundamental change in approach is needed if these challenges are to be met.

So far as the dispute settlement machinery is concerned, it is to be noted that the Industrial Dispute Act, 1947 was enacted by the Central Government and is based on section 81 and 82 of the Defence of India Rules framed by the British Indian Government for the management of industry during war time. The entire process was politicised. Therefore, unless these

provisions of the defence of India Rules are removed, there will be no lasting solution of industrial unrest. The Industrial Dispute Act have to be amended in the light of emerging socio-economic scenario. It is obvious that the machinery of Industrial Relations should tackle disputes within the framework and the spirit of a dynamic 'partite approach' like husband and wife solving their problem themselves within the framework of the marriage.

### **1.3 SUMMARY**

IR has always been a fire-fighting function in our country simultaneously is the key for increased productivity in Industrial establishment. There are three approaches and strategies to IR. There has been transformation of Indian society from a society of subjects to that of citizens. The inculcation of harmonious industrial relations requires that all the participants be motivated to work whole heartedly for making the system to work. Industrial relations are highlighted as highly significant from the socio-economic development of Industry.

### **1.4 KEYWORDS**

Collective bargaining – negotiating process between employees and employers

Tribunals – Industrial tribunal and National tribunal

### **1.5 SELF ASSESSMENT QUESTIONS**

1. What are the emerging trends in industrial relations in the era of globalisation. Examine significant transition and transformation in industrial relations in this context.
2. "There is need to redefine industrial relations as in its present conception it has become too narrow to do justice to the varied factors and processes which have a direct bearing on its subject matter." Discuss.
3. Discuss in detail various approaches and parties to industrial relations.

## **1.6 REFERENCES/SUGGESTED READINGS**

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## **LESSON NO 2**

### **INDUSTRIAL RELATIONS AND THE STATE; LEGAL FRAMEWORK**

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## **2.0 OBJECTIVE**

The present lesson is an attempt to provide an overview of:

- the changing role of Government in Industrial Relations in India,
- the Role of Labour Policy
- subsequent objectives and implementation of five year plans
- the legal framework of Industrial Relations.

## **2.1 INTRODUCTION**

In the system of industrial relations, State (Government) acts as a regulator and judge. Further, not only Central Government but the governments at the state and regional level do influence the system of industrial relations, also the other functionaries of the states like the executives and judiciary has a definite impact on the system. Now let us see how the system of government intervention evolved.

## **2.2 PRESENTATION OF CONTENTS**

### **2.2.1 The Changing role of the State (Government)**

Historically the Government has played at least six roles in industrial relations in India. These are:

- i. Laissez Faire
- ii. Paternalism
- iii. Tripartism
- iv. Encouragement of voluntarism
- v. Interventionism
- vi. Employer

#### **(i) Laissez Faire:**

During the nineteenth century, the government played a laissez faire



role in industrial relations. It was reluctant to intervene to settle any dispute or indicate any interest in the welfare of the workers. The workers and employers were left alone to manage their affairs. Virtually in a socio-economic and political system where workers were relegated to a very low status with no organisation of their own, it amounting to taking the side of employers. If the workers resorted to any work stoppages, they were crushed by the government machinery.

**(ii) Paternalism:**

By the end of nineteenth century, the laissez faire role of the government was replaced by paternalism. Thinkers like Robert Owen, Ruskin and others attracted the attention of the public and the government towards the inhuman working conditions in factories, mines and plantations. The government tended to make several enactments to govern working conditions, wages & benefits and formation of trade unions. The government had also set up a Royal Commission on labour (1929-1931) to conduct a study on the working conditions of Indian Labour and make relevant recommendations.

**(iii) Tripartism:**

Even prior to independence, there existed tripartite form of consultation on the model of the ILO conferences. After independence several such forums were formed. The major tripartite bodies formed included Indian Labour Conference, Standing Labour Committee, Industrial Committees for specific Industries, Short lived National Apex body (1975) etc. The government promotes consultation with concerned parties prior to taking any policy decision in industrial relations to bring out any legislation.

**(iv) Encouragement on Voluntarism:**

The government also promotes voluntarism involving a series of codes to regular labour management relations. These codes include codes of discipline, code of conduct and code of efficiency and welfare. Specifically the code of discipline encourages voluntary arbitration and helps in maintaining discipline at workplace.

**(v) Interventionism:**

The government also plays an interventionist role. The intervention is in the form of conciliation and adjudication. The Industrial Dispute Act, 1947 provides such measures to intervene in industrial disputes.

**(vi) Employer:**

The government also plays the role of the largest employer. The performance of this role influences labour policy also. Obviously the government takes into consideration the interest of public sector while framing its policy.

## **2.2.2 Evolution of Labour Policy**

The labour policy has been influenced by changing situations of course its core factors have remained unchanged. In India, labour organisations have been relatively weak and lacking trust in employers considering them profit making exploiters. The government visualised that rapid industrial growth and productivity demanded its major role in evolving a suitable framework to prevent industrial disputes. The major source documents of Indian Labour Policy of the government include the following:

- i. Directive Principles of State Policy
- ii. The Plan Documents

**(i) The Directives Principles of State Policy**

The article 39, 41, 42, 43, and 43A relate to the governments policy pertaining to the labour.

The Article 39 asserts as follows:

“The state shall in particular direct its policy towards securing:

- a) That there is equal pay for equal work for both men and women.
- b) That the health and strength of workers, men and women, and the

tender age of children are not forced by economic necessity to enter avocations, unsuited to their age or strength.....”

The Article 42 specifies as follows:

“The state shall make provision for securing just and human conditions of work and maternity relief.” The Article 43 asserts as follows: “The state shall endeavour to secure by suitable legislation or economic organisation or in any other way, to all workers, agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities and in particular, the state shall endeavour to promote cottage industries on an individual and cooperative basis or rural areas.”

The Article 43A reads as follows:

“The state shall take steps, by suitable legislation or in any other way, to secure the participation of workers in the management of undertakings, establishments or other organisations engaged in any industry.”

Thus, workers participation in management has become a part of the Directive Principles.

## **(ii) The Plan Documents**

### **First Five Year Plan (1951-56)**

The first plan recognised the importance of the industrial labour in the fulfillment of planned targets and in creating an economic organisation in the country which would best serve the needs of social justice. The plan envisaged:

- a. adequate provision for the basic needs of the workers;
- b. securing improved health facilities and wider provision of social securities;
- c. providing access to better educational opportunities;

- d. improving conditions of work to safeguard the health of labour;
- e. the right to recognise and to take lawful action in furtherance of the rights and interests of labour;
- f. the right to be treated with consideration by the management and access to impartial machinery if he fails to get a fair deal.

The plan called for the steps to improve productivity, emphasised the need for the bilateral settlement of disputes, provide for state intervention in the event of failure of bilateral processes. The plan document also made a commitment for full and effective implementation of social security measures as also minimum wage legislation. The Industrial Dispute Act was amended, in 1950 itself, providing for a three-tier system of Labour Court, Industrial Tribunals and National Tribunal.

### **Second Five Year Plan (1956-61)**

The second plan recognised that “creation of industrial democracy is a pre-requisite for the establishment of a socialist society”. It also emphasised the importance of industrial peace. A series of voluntary arrangements were provided through tripartite consultation; code of conduct, code of discipline, workers’ committees, joint management councils, voluntary arbitration, etc. It is a different thing that because these are purely voluntary they were not taken seriously by the parties.

Apart from emphasising workers’ participation in management, a programme of workers’ education was also started in 1958. The need to strengthen the trade union movement and living and fair wage, by linking the wage increase with increases in production were also stressed.

### **Third Five Year Plan (1961-66)**

The third plan emphasised the economic and social aspects of industrial peace and elaborated the concept that workers and management were partners in a joint venture to achieve common ends. Adherence to Codes, not going to courts, was emphasised to regulate union-management relations. However this was of little avail.

#### **Fourth Five Year Plan (1969-74)**

The fourth plan stressed the need to improve legislation concerning safety and welfare of workers, review of workers' participation in management, workers' education programmes, arrangements for skills training, labour research, etc.

Several new legislation and improvements to existing legislation were made during the period. The Payment of Bonus Act, 1965, Shops and Commercial Establishments Act, and Labour Welfare Fund Act were among the important legislative initiatives during the period. The National Safety Council was set up in 1966.

#### **Fifth Five Year Plan (1974-79)**

The fifth plan called for strengthening professional management particularly in the public enterprises and also underlined the need to raise labour productivity. For this, the plan envisaged "better food nutrition and health standards, higher standards of education and training, improvement in discipline and moral and more productive technology and management practices". The period also saw the declaration of emergency during which certain labour rights were curtailed.

#### **Sixth (1980-85) and Seventh (1985-90) Five Year Plans**

The sixth and seventh plans reiterated the earlier programmes, expressed concerns over the shortcomings in realising the important goals of improving the conditions of working class, workers' participation, productivity improvement, etc. During the period, important legislative amendments were made to enhance the protection to workers, besides the introduction of a 20-point programme, new schemes of workers' participation in management and attempted radical overhaul of labour legislation.

#### **Eighth Five Year Plan (1992-97)**

The eighth plan echoed concerns raised in the earlier plans with particular reference to workers' participation in management, skills training,

productivity, equitable wage policy, informal sector, etc. It also, for the first time, expressed concern about the need to rationalize the regulatory framework with a view to 'providing reasonable flexibility for workforce adjustment for effecting technological upgradation and improvement in efficiency". At the same time, the plan document emphasised the need to "ensure that the quality of employment in the unorganized sector units improves in terms of earnings, conditions of work and social security".

The major problem with our five year plan is that the intentions are pious and noble. But, only little guidance or clue are provided as to how these shall be achieved and measured. The goals being abstract, the inspection and database being weak the daunting tasks in each of the successive plans left more to be achieved.

### **2.2.3 The National Commission on Labour' Recommendations**

One of the major recommendations of the National Commission on Labour, 1969 relates to the establishment of the Industrial Relations Commission. As recommended by the commission it has to be entrusted with the full work of conciliation, adjudication and certification of the sole bargaining agent and the reorganization of the tripartite forums ruling out government "overrepresentation" in attempting to evolve consensus etc. Implementation of this recommendation could contribute significantly towards eliminating the governments' intervention in industrial relations. However, since 1969 no effort has been made to implement it.

The reasons for not implementing the above recommendation are obvious. There is built-in complexity and contradiction in Indian industrial relations system. This is highlighted by the Ministry of Labour in its agenda for the twenty seventh session of the Indian Labour Conference. The more important recommendations were discussed again at 29th session of the Standing Labour Committee, held in July 1970. While appropriate action was being taken to promote legislation in the light of the consensus reached at the 29th session of Standing Labour Committee, representations were received by government from two central worker organisations, asking for a fresh review of

the entire industrial relations policy. In the context of the major recommendations of National Commission on Labour, the basic aspects of governments' industrial relations policy were therefore considered separately at the conference with the representatives of trade unions and employers' organisations. The recognised central workers organisations were requested to meet among themselves and evolve some broad consensus. The Indian National Trade Union Congress, All India Trade Union Congress and Hind Mazdoor Sabha met thrice and agreed to continue discussions and meet again for this purpose.

National Commission on Labour, at its different sessions, has given recommendations on various issues of industrial relations such as collective bargaining, recognition of trade unions, workers' education, workers' participation in management, industrial discipline and industrial disputes.

#### **2.2.4 New Industrial Policy**

The Industrial Policy of July 1991 has widely been acknowledged as a departure from several fundamental aspects of the earlier policy regime as observed by Sawant and Rao. This policy is considered as a package of reforms initiated by the government with a view to overcome the crisis facing by the economy and the industry. The basic thrust of the new policy relates to the opening of the Indian industry to competition from abroad, and in running public sector along with commercial lines.

The government has repeatedly claimed that the interests of the workers will be fully protected. This policy has two main proposals:

- i. Workers displaced from their present jobs will be retrained and deployed on alternative better jobs.
- ii. Those who cannot be retrained or redeployed will be provided a safety net in the form liberal compensation.

For retraining and compensation government has set up the National Renewal Fund (NRF) with an initial appropriation of Rs. 200 crores. Government also proposed to increase this corpus from allocations from

foreign contribution and employment generation programmes. It is visualised that speedier industrial growth will itself generate more jobs in the long run and employment will keep expanding.

Today with the greater emphasis on liberalisation and privatisation, the private entrepreneurs are entering in various areas of business consequently the problems of workers have increased manifold as the system needs highly skilled workforce and there is no place for the workers in industry with low technical expertise. It is alleged that the privatisation has raised many problems, such as lay off, discharge, voluntary retirement, under employment etc. In fact, it has become difficult for the government to strike a fair balance between the demand of liberalisation and expectation of its workforce. The regulatory role of the government has now become more crucial and demanding than before which is likely to complicate with the passage of time.

### **Management Perspective**

- ✿ Rajan Mehrotra provided a management perspective on the new industrial policy. It was mentioned that the Government of India on 24th July 1991 released the much awaited policy and it is only articles 15, 16, and 17 of the policy objectives which mention the items that will have a bearing on labour. These are:
- ✿ Government will ensure that Public Sector Organisation must run on business line as envisaged in the Industrial Policy Resolution, 1956.
- ✿ Government will fully protect the interest of labour, enhance their welfare and equip them in all respects to deal with the inevitability of the technological change.
- ✿ Government will ensure that the labour be made an equal partner in programmes and prosperity.
- ✿ Workers' participation in management will be promoted by government.
- ✿ Workers' Cooperatives will be encouraged by government so as to participate in packages designed to turn around sick companies.
- ✿ Intensive training, skill development and upgradation programmes will be launched by government.



- ✿ The pursuit of the objective will be tempered by government by the need to preserve the environment and ensure the efficient use of available resources.

As Mehrotra concludes, the policy is framed by government but interpreted by various levels at macro level. The problem arises at the micro level of implementation wherein the bureaucracy, the management and trade unions all tend to interpret it towards their advantage rather than interpreting it based on the intentions at macro level. The challenge to medium and large undertakings is to perform in the face of constraints and learn to not only manage the mismanagement environment but to survive and grow in the context of mismanaged environment.

### **Labour Perspective**

Duggal analysed historical antecedents, crisis of capitalism, impact on working class and economic and social impacts. The newness of the present policy is with regard to the redefinition of the role of the State which is now tended to be minimised. However, the globalisation dimension is clearly a radical departure from the earlier policies. The impact on the economy in general and the working class in particular is going to be of an unprecedented severity.

The current macro changes, being executed, are component of the global historical process whereby imperialism seeks to consolidate its position further under the cover of liberalisation and democratization. For the first time, India has made a substantial macro changes which has done away with the protection enjoyed by the Indian workforce. This has now exposed India to the adverse effects of any global crisis that may precipitate.

There are varied pressures on the working class as a result of these macro changes being pushed. However, what is discussed in mainstream debates are issues related to employment, wages and trade union organisations. The workers perspective in India must necessarily emerge from the micro experiences of the non formal sector.

The first direct visible impact of the present policy has been on employment. Employment in the organised sector has dropped in real terms during the eighties. The present policy will only accelerate the increase in unemployment rates. The organised sectors' unemployment gets easily noticed and its impact is more severe because of the lack of the safety net. Rise in unemployment always depresses wages because of the increase in the reserve workforce. With employment and wages on the downtrend, the general social impact becomes a major concern. This is pronounced especially if unemployment, wage rate decline and inflationary trends become chronic.

### **2.2.5 Legal Framework of Industrial Relation**

The government of India has also given some legislative provisions for maintaining better industrial relations at workplace. All these labour legislations are based on the recommendations of International Labour Organisation (ILO) to which India is a member country. Thus the role of ILO has also been explained.

#### **Role of International Labour Organisation:**

The International Labour Organisation (ILO) is a tripartite organisation consisting of representatives of the government, employers and workers of the member countries. India has been an active member of the ILO since inception. As one of the ten countries of "chief industrial importance" India holds a non-elective seat on ILO's Governing Body. It is a member of five committees of the Governing Body viz.

- i. Programme, Finance and Administrative;
- ii. Legal Issues and International Labour Standard;
- iii. Employment and Social Policy;
- iv. Technical Cooperation; and
- v. Sectoral and Technical Meetings and Related Issues.

## **Purpose and Function of ILO**

The purpose of the organisation is to promote the objectives set forth in the preamble to the constitution and in the Declaration adopted in Philadelphia in 1944. The preamble to the constitution declares that universal and lasting peace can be established only if it is based upon social justice. Purpose of the organisation is improvement of conditions urgently required in varied particulars:

- ⊗ The regulation of hours of work (including the establishment of maximum working day and week);
- ⊗ The regulation of labour supply;
- ⊗ The prevention of unemployment;
- ⊗ The provision of adequate living wage;
- ⊗ The protection of the worker against sickness, disease and injury arising out of employment;
- ⊗ The protection of children, young persons and women;
- ⊗ Provision for old age and injury;
- ⊗ Protection of the interests of workers when employed in countries other than their own;
- ⊗ Recognition of the principle of equal remuneration for work of equal value;
- ⊗ Recognition of the freedom of association and the organisation of vocational and technical education.

The fundamental principles on which the ILO is based include:

- Labour is not a commodity
- Freedom of expression and of association are essential to sustained progress
- Poverty anywhere constitutes a danger to prosperity everywhere
- The representatives of workers and employers enjoying equal status with those of governments, join with them in free discussion and democratic sessions with a view to the promotion

of common welfare. The organisation seeks to improve the working and living conditions through the adoption of the International Labour Conventions (generally in the form of recommendations) setting international minimum standards. These conventions are adopted in the International Labour Conference which is held every year. Every member country is expected to adopt these conventions to improve the living and working conditions of the workers.

Since 1945, the ILO has expanded its work in three major directions:

- ✿ The establishment of tripartite international committees to deal with the problems of some of the major industries.
- ✿ The holding of regional conferences and meetings of experts to study special regional problems, particularly those of under developed regions.
- ✿ The development of operational activities.

### **ILOs' Conventions in India**

Till 1994, the ILO prescribed 176 conventions out of which it has ratified 36 conventions. ILO conventions encompass a vast span of subjects which include basic human rights, employment, social policy, labour administration, migrant workers etc. In February 1992 the Government of India agreed to ratify the ILO convention on employment policy, welfare at sea and in ports, labour administration, minimum wages and protection and facility to Indian workers. The government has conveyed to ILO that Indian laws and practices on these subjects are identical to what has been prescribed by ILO.

While addressing the 79th session of ILO in Geneva on June 11, 1992 the Union Minister of State for Labour P A Sangama urged ILO to take up steps to adopt a flexible convention to protect the interests of workers in case of insolvency of employers or closure of industry. He said India has initiated a number of changes in the macro economic policies as a part of the process of structural adjustment in order to meet the challenges both external and internal. These included restructuring of industry, trade and budgetary policies

and public sector policy. He emphasised that successful and sustained structural adjustments called for a sound industrial relations system and commitment to tripartite negotiations and mentioned that India has established tradition for tripartite consultation on all the matters having a bearing on the welfare of workers. He also stressed that government constitute special tripartite committee at national level to examine the effects of new industrial policy on labour and to suggest measures to facilitate industrial restructuring.

### **Labour Legislations in India**

The law has a very substantial impact on regulating industrial relations globally. In India, the law forms the most powerful instruments through which the government regulates industrial relations between the employers and employees. The Trade Unions Act, 1926; The Industrial Employment (Standing Order) Act, 1946; The Industrial Disputes Act, 1947; Payment of Wages Act, 1936, Minimum Wages Act, 1936; Payment of Bonus Act, 1965; The Factories Act, 1948 with their amendments and modifications constitute the main legal framework for regulating labour management relationship.

### **The Trade Unions Act, 1926**

The act was enacted with the object of providing for the registration of trade unions and verification of the membership of trade unions registered so that they may acquire a legal and corporate status. As soon as a trade union is registered, it is treated as an artificial person in the eyes of law, capable of enjoying the rights and discharging liabilities like a natural person. In certain respects, the Act attempts to define the law relating to the registered trade unions. The Act, apart from the necessary provisions for administration and penalties, makes provisions for:

- (a) conditions governing the registration of trade unions;
- (b) laying down the obligations of a registered trade union; and
- (c) fixing the rights and liabilities of registered trade unions.

## **The Industrial Employment (Standing Orders) Act, 1946**

The preamble of the Act clearly says that the “Standing Orders shall deal with the conditions of employment of workers in an industrial establishment. It is obligatory upon all employers/covered by this Act to define precisely the employer and the employees and to make the said conditions known to the workmen employed by them.” The Act provides uniformity of terms of employment in respect of all employees belonging to the same category and discharging the same or similar work in an industrial establishment.

The standing orders bring home to the employers and the employees as on what terms and conditions the workmen are offering to work and the employer is offering to engage them. This Act requires the employers to define the conditions of service in their establishments and to reduce them to writing and to get them compulsorily certified with a view to avoid unnecessary industrial disputes. In other words, Standing Orders are intended to be the nature of “shop rules” promulgated by employers under statutory obligations. They may be described as an act of misconduct. In actual practice, they also represent a form of compulsory collective bargaining agreement with a built-in device for compulsory arbitration, if any dispute relating to the fairness and reasonableness of the rules, as also their application and interpretation arises.

The aims of the Act have been:

- 1) To define, with sufficient precision, the principal conditions of employment in industrial establishments under them and to make the said conditions known to workmen employed by them.
- 2) To regulate standards of conduct of the employers and employees so that labour-management relations could be improved.
- 3) To maintain proper discipline, harmonious working conditions and achieve higher productivity by providing satisfactory employment and working conditions.

- 4) To provide for redressal of grievances arising out of employment or relating to unfair treatment of wrongful exaction on the part of the employers against the employees.
- 5) To specify the duties and responsibilities of both the employers and the employees.
- 6) To provide statutory sanctity and importance to the Standing Orders.

In sum, the purpose of Standing Orders is to create an attitude of mind among both the parties so that industrial harmony is achieved in and industrial establishment. The Orders form part of the contract between management and every one of its employees. These are reduced in writing and they are to be compulsorily certified with a view to avoid unwanted industrial disputes. Once the Standing Orders come into force, they bind all those presently in employment of the concerned establishment as well as those who are appointed thereafter; and also those who were employed previously.

The Act makes provision for certification of Standing Order, which after certification from competent authority under the Act, constitute the statutory terms and conditions of employment in industrial undertakings. They specify duties and responsibilities on the part of both employers and employees. They make both of them conscious of their limitations. They require, on the one hand, the employers to follow certain specified rules and regulations as laid down regarding working hours, pay days, holidays, granting of leave to the employees, temporary stoppages of work, termination of employment, supervision of dismissal in certain conditions. On the other hand, they require that the employees should adhere to rules and regulations mentioned in the Standing Orders. Standing Orders try to create an attitude among both the parties which is beneficial for achieving industrial harmony.

### **The Industrial Disputes Act, 1947**

According to the Notification in the Official Gazette of India, 1946, Pt. V., the Act was enacted to achieve the following object:

“Experience of working of the Trade Disputes Act of 1929, has revealed that its

main defect is that while restraints have been imposed on the rights of strike and lockout in public utility services, no provision has been made to render the proceedings institutable under the Act for the settlement of an industrial dispute, either by reference to a Board of Conciliation or to a Court of Inquiry conclusive and binding on either parties to the dispute.” The defect was overcome, during the war, by empowering under Rule 18-A of the Defence of Indian Rules, the Central Government to refer industrial disputes to adjudicators and to enforce the awards. Rule 81-A is being kept in force by the Emergency Power (Continuancy) Ordinance, 1946, for a further period of six months, as industrial unrest in checking, which this rule has proved useful, is gaining momentum due to stress of post-war industrial readjustments, the need of permanent legislation in replacement of this Rule 81-A which has proved generally acceptable to both employers and workmen retaining impact for the most part, the provision of the Trade Disputes Act, 1929.

The Preamble of the Act reads,” An Act to make provision for the investigation and settlement of industrial disputes and for certain other purposes.”

This is a special legislation, which applies to workmen drawing wages not exceeding a specified amount per month and which governs the service conditions of such persons. It may be regarded as a supplement to the Indian Contract Act, 1872, whose aim is to regulate the contractual relationship of master and servant in ordinary sense. This Act deals with the prevention and settlement of conflict between the two parties and thereby try to improve relationship between them. Thus, the purpose of this Act is to harmonize the relations between the employer and the workmen; and to afford a machinery to settle disputes that arise between the management and the workmen which, if not settled, would undermine the industrial peace and cause dislocation and even collapse of industrial establishments, essential to the life of the community. This industrial peace is secured through voluntary negotiations and compulsory adjudication.

On the basis of the judgements given from time to time, by the Supreme Court, the principal objectives of the Act may be stated as below:



- a) To promote measures for securing and preserving amity and good relations between the employers and the employees, to minimise the differences and to get the dispute settled through adjudicatory authorities
- b) To provide a suitable machinery for investigation and settlement of industrial disputes between employers and employees, between employers and workmen; or between workmen and workmen with a right of representation by a registered trade union or by an association of employers;
- c) To prevent illegal strikes and lockouts;
- d) To provide relief to workmen in matters of lay-offs, retrenchment, wrongful dismissals and victimization;
- e) To give the workmen the right of collective bargaining and promote conciliation.

The purpose of the Act, according to Patna High Court, is “amelioration of the conditions of workmen in an industry.

### **The Payment of Wages of Act, 1936**

Prior to the enactment of this Act, the employees/workers suffered many evils at the hands of the employers, such as

- i. the employers determined the mode and manner of wage payment as they liked;
- ii. even when paid in cash, wages were paid in illegal tender and in the form of depreciated currency;
- iii. a large number of arbitrary deductions were made out of the wages paid to the workers; and
- iv. the payment was usually irregular and sometimes there was non-payment altogether. These grave evils attracted the attention of the Royal Commission on Labour which recommended for a suitable legislation to check these evils.

Consequently the Payment of Wages Act was passed on 23rd April 1936. It came into force from 28th March 1937. It was amended in 1937, 1940, 1957, 1964, 1967, 1972 and 1982 with a view to make it more comprehensive. The Act seeks to remedy the evils in wage payment:

- a) Ensuring regularity of payment;
- b) ensuring payment in legal tender;
- c) preventing arbitrary deductions;
- d) restricting employers right to impose fines; and
- e) providing remedy to the workers.

### **The Minimum Wages Act, 1948**

The object of the Act is to secure the welfare of the workers in a competitive market by providing a minimum rate of wages in certain employments. In other words, the object is to prevent exploitation of the workers and for this purpose it aims at fixation of minimum rates of wages which the employer must pay. This minimum wages must provide not merely for the bare subsistence life but also for the preservation of the efficiency of the worker, and so it must provide for some measure of education, medical requirements and amenities. The capacity of the employer to pay is not a consideration in fixing wages.

### **The Payment of Bonus Act, 1965**

The Bonus act is the outcome of the recommendation made by the tripartite commission which was set up by the Government of India way back in 1961. The commission was asked to consider the question of payment of bonus based on profit to the employees by the employer. On September 2, 1964 the government implemented the recommendations of the commission with certain changes. Accordingly the payment of Bonus Ordinance 1965 was promulgated on May 26, 1965. Subsequently it was accepted by the parliament and accordingly in the year 1965, the payment of Bonus act was enacted. The Act was amended in 1968, 1969, 1975, 1976, 1977, 1978, 1980,

1985, and 1995. The main objectives of the Act are as under:

- a) To impose statutory obligation on the employer of every establishment defined in Act to pay bonus to all eligible employees working in the establishments.
- b) To outline the principles of payment of bonus according to prescribed formula.
- c) To provide for payment of minimum and maximum, bonus and linking the payment of bonus with the scheme of “set off” and “set on” and
- d) To provide machinery for enforcement of bonus.

### **The Factories Act, 1948**

The Factories Act came into force on April 1, 1949. It was enacted with a view to removing a number of defects, revealed in the working of the Act of 1934. The Act of 1948 not only consolidates but also amends the law regulating labour in Factories. It extends to the whole of India. Section 116 provides that unless otherwise provided, this Act also applies to factories belonging to the Central or any State Government.

The object of this Act is, to secure health, welfare, proper working hours, leave and other benefits for workers employed in factories. In other words, the Act is enacted primarily with the object to regulate the conditions of work in manufacturing establishments coming within the definition of the term ‘factory’ as used in the Act.

### **2.4 KEYWORDS**

Billateral	- Involvement of two parties
Lay-off	- Temporary refusal for work
Retrenchment	- Permanent refusal for work

## **2.5 SELF ASSESSMENT QUESTIONS**

1. Discuss the role of state in industrial relations in India.
2. Write notes on -
  - (a) the plan documents and industrial labour
  - (b) New Industrial Policy and Industrial Relations
3. Discuss the legal framework of Industrial Relations.

## **2.6 REFERENCES/SUGGESTED READINGS**

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## LESSON - 3

### TRADE UNION – ROLE AND FUTURE

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#### STRUCTURE

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Presentation of Contents
  - 3.2.1 Definition of trade union
  - 3.2.2 Features of trade unions
  - 3.2.3 Types and structure of trade unions
  - 3.2.4 Employees and trade union
  - 3.2.5 Role of the trade unions
  - 3.2.6 Future of trade unions
- 3.3 Summary
- 3.4 Keywords
- 3.5 Self Assessment Questions
- 3.6 References/Suggested Reading

### **3.0 OBJECTIVES**

The objective of this lesson is to make the students aware about:

- the meaning, types, role and future of trade unions
- how trade union are formed
- how they contribute to the well being of employees
- functioning of the trade unions

### **3.1 INTRODUCTION**

It is a well known fact that in every industrial community there are two distinct classes the Employees and the Employers, without whom production at a large scale is not possible. Both these parties usually have contradictory motives, which creates many problems. Over the ages, the teeming millions which constituted a sizeable chunk of industrial society have struggled hard to achieve a greater measure of protection against inhuman treatment meted out to them by employers. They have learned to make themselves secure against ills over which they believed to have little control. In fact individually the labourers can do little to bring about the kind of reforms they believe desirable. They are effective only if they act in united ways. The very idea of joint action, laid down the foundation of the instrument of struggle for security and advancement – “Trade Union”.

The Trade Union came into existence as an agent of workers and working class at large. It performed and still performs two functions: one to work for the redistribution of some of the nation's wealth by raising wages and earning of its members. This enable workers at their own to improve their living standard and in the process become better equipment to deal with unfavorable economic conditions. The second objective of union is more directly related to their security role in esprit of here and now. Through various types of union welfare funds and later through pressure for employer welfare programme and the governmental social security measures, the union aim to obtain greater benefits for its members. In liberalized economic environment the union is looked upon as a facilitator of change.

## 3.2 PRESENTATION OF CONTENTS

### 3.2.1 Definition of trade unions

**According to Webb,** “A trade Union is the continuous association of wage earners for the purpose of maintaining or improving the conditions of their working lives.”

**According to Section 2(h) of Indian Trade Union Act,** “Trade union is an combination whether temporary or permanent formed primarily for the purpose of regulating the relation between workmen & employers workers & workers or between employers & employers or for imposing restrictive conditions or conduct of any trade or business and include any federation of two or more trade unions.”

It seems that this definition is very wide in which association of employers are also included but generally trade unions are referred to association of workers. Hence, we can say that trade unions are continuous associations of wage earners for maintaining and improving the condition of workers life, better health and status in the industry and as well as in society.

The Characteristics of trade unions: -

1. Trade unions have a statement specifying that organization is a trade union.
2. Trade unions have a statement of its principle objectives.
3. Registration with Registrar of Trade Union.
4. Independence from employer, which may be evident from the certificate issued by the Registrar of Trade Union.
5. Affiliation with central trade union organization.

All the trade union does not necessarily show these characteristics, yet many of the large trade unions do.

### 3.2.2 General features of trade unions

Coming out of a vast definition of the concept, let us put a light on some features of trade union which are as follows: -

1. **The trade union is voluntary association:** Trade union is not a compulsory association but voluntary association of workers, who may be in one or more industries and occupations.
2. **Common interest:** There is certain common interest of the member workers. The leader of the trade union is supposed to pursue and protect the economic and other interest of the members which leads to their welfare.
3. **Collective action:** After thorough discussions in the meeting of trade union the leader of the union takes collective steps to press their demand before the management.
4. **Permanent & continuous association:** A trade union is a permanent and continuous organization. They persistently pursue their purpose conceive of their purpose as one, which is not merely immediate but continuous and long term as well. They do not expect to attain their purpose in a day because they anticipate and contemplate a continuing stream of additional objectives to be adopted from time to time.
5. **Association engaged in securing economic benefits:** Trade unions attempts is to secure control of supply of labour in one or more markets and to maintain that control as a mean of fixing the price of labour as well as the conditions under which they works.
6. **The origin and growth of trade union have been influenced by a number of ideology:** The socio economic and even political movement have influenced trade union in one or other way
7. **Other benefits:** Trade union is not only confined to economic benefits, but other benefits such as cultural, political, social and psychological are also within their broader preview.



### 3.2.3 Types and structure of the trade union

Ever since the dawn of industrialization there has emerged a wide variety of unions across the globe these unions can be classed under two heads

- The purpose for which unions are formed
- The variation in the composition of their membership

#### (A) Union classification according to the purpose

Under this head normally two type of union have been kept.

- 1) Reformist
- 2) Revolutionary

#### Reformist unions

Such unions don't believe in the destruction of economic, social and management structure of the state or concern but want only to modify them and to have favorable response for their members through negotiation and other peaceful manners. The reformist union is subdivided in two parts:

- (a) **Business unionism:** Business unions are those unions that are maintained primarily to represent the workers in collective bargaining with the employers. They are distinct form other reformist which try to bring economic advantage to their members.
- (b) **Friendly or Uplift unionism:** Idealistic in nature and aspires to elevate the moral, intellectual and social life of the workers and advocate idealistic plans for social regeneration. They emphasise such other consideration as education, health, insurance etc.

#### Revolutionary Unions

Such unions aim at destroying the present structure and replacing it with the new and different institution according to the ideals that are regarded

as preferable. The revolutionary unionism generally seeks to destroy capitalist industry to abolish the wage system and substitute it with some other system generally socialist and communist. These unions are further classified in two classes:

- a) **Anarchist unions:** The unions which try to destroy the existing economic system by revolutionary means called anarchist Unions. Such unions exists no more in presently scenario.
- b) **Political unions:** The unions which gain power through political action called political unions. The main function of such unions is to eliminate the power of capital and capitalists, redistributing wealth and giving effective power to workers.

#### **(B) Union classification on the basis of membership structure**

The union can also be classified according to variations in the composition of the members. On this basis unions have been classified in four categories:

**Craft union:** It is an organisation of workers employed in a particular craft and trade or in a single or few occupations. Such organizations link together those workers who have similar skills, craft training and specialization, aiming to safeguard their interest.

**Industrial union:** It is an organisation of workers which links all craftsmen and skilled workers in any industry. It is organized upon the industry wise basis rather than the craft wise basis.

**Staff union:** The term staff union is popularly used to both craft and industrial union. It is organized the workers on the basis of craft working in same industry.

**General union:** It is an organisation which covers various industries and labourers having different skills. They have numerical superiority (large membership), for they are open to all classes of workers and this is the source of their strength.

### **3.2.4 Trade union & Employees**

Let us discuss now the relationship between the trade unions and the employees and why employees join the trade union and how the trade union helps them.

#### **(a) Objectives of trade union**

Some important reason as to why workers organize themselves to form trade union are as follows: -

- 1) **To safeguard their interests:** Workers often join trade union in order to have a stronger voice to resist those actions of the management which are against their interest. When employers cut wages or pay low wages; when working conditions are unsafe or too unpleasant; when management. Interfere in worker's personal lives, workers resist by forming unions. Through the unions they petition management for change and if don't succeed, they may resort to a concerted work stoppage "a strike".
- 2) **To participate in union activities:** Workers may join unions to obtain certain health or insurance benefits or to participate in educational program or to learn about their own business and occupation. They may also join to engage in social and community activities.
- 3) **To exercise leadership:** Some workers join union as an outlet for their own ambitions. They have leadership traits and to explore the power of the trade union to be a leader they joins the trade unions.
- 4) **To get hike in wage rate :** One of the important objective behind workers joining a union has been their belief that they would get wages increased and have stronger impact through collective action.
- 5) **To maintain good relation:** Another reason of employees joining trade unions may be broader realization on their part that trade unions maintain the employer – employee or labour management relation.
- 6) **To maintain adequate working conditions:** Employee may join trade union because of their belief that unions are effective way to

secure adequate protection from various hazards and financial security during situation like accident injury, illness, unemployment etc.

- 7) ***To get a media of communication:*** The employees may join the unions because of their feeling that this would enable them to communicate their views, ideas, feeling and frustrations to the management and exercise an effective voice to the management decision on the matter concerning their welfare.
- 8) ***To do fair dealing:*** The employees may join trade union to ensure a just and fair dealing by management and well planned actions. Through collective strength restrain the management from taking any such action which may be irrational or contrary to their interest.
- 9) ***To get employment:*** Sometimes workers join trade union because it is a precondition to their getting employment. This is known as the 'closed shop' system and was prevalent in America till 1947.
- 10) ***To get strengthen:*** Since the employee alone as an individual feel specially weak in a world of mass production and mass movement, he prefers to join an organization that may offer him an opportunity to join other for the achievement of those objectives that he consider as socially desirable.

## **(B) Function of Trade Unions**

For the attainment of above objectives trade union performs two types of functions

- Militant functions
- Ministrant or Federal functions

### **Militant function**

One of the main aim of the unions is to secure better conditions of work and employment and more recently, the trade union have an aim to secure some share of productivity gains and participation in the management or even

control over industry. When the union fail to accomplish these objectives by the method of negotiations they adopt aggressive methods and put a fight with the management in the form of strike, boycott etc.

### **Federal function**

A trade union is also a federal association or a mutual benefit organization supporting the member out of their own funds during the period of work stoppage due to strike or lockout. It also provides financial assistance to the member during the period when they are unfit for their work because of illness or employment injury or when they are temporary unemployed.

Some another function of the trade unions may be summarized as under:

- 1) ***Infra-mural activities:*** - Such functions of unions leads to the betterment of employment condition of employees such as adequate salary, sanitary etc. by collective bargaining, negotiation etc.
- 2) ***Extra-mural activities:*** -Such activities help the employee to maintain and improve their efficiency such as promote friendly relation, education and culture among members.
- 3) ***Political activities:*** - That may be related to the function of a political labour party or those reflecting an attempt to seek influence on public policy relating to matter connected with the interest of members.

However, one cannot take a static view of the functions that trade unions perform today in the large interest of the community. In every country the functions of trade unions have to change depending on the stage of economic and social development. It also depend on the strength of the trade union, both organizational as well as financial and up to a great extent on the institutional set up of the society in which they have to operate.

### **3.2.5 Role of the trade unions**

Trade union performs various roles regarding the various classes of the society as follows: -

- Role towards the members of union
- Role towards the organization
- Role towards the union
- Role towards the society

Let us explain these roles in details:

**(A) Role towards the trade union member**

The trade union performs following duties regarding their members employees:

- 1) To safeguard the workers against all sort of exploitation by the employers, by union and by political parties.
- 2) To protect workers from the unfair labour practices of the management.
- 3) To ensure healthy, safe and conducive work conditions.
- 4) To exert pressure for the enhancement of reward associated with the work only after making a realistic assessment of its practical implication.
- 5) To ensure a desirable standard of living by providing various type of services such as health, housing, education, recreational, co-operative etc.
- 6) To guarantee a fair deal and social justice to workers.
- 7) To remove the dissatisfaction and redress the day-to-day grievances and complaints of workers.
- 8) To encourage the worker's participation in the management of organization.
- 9) To make the workers aware about their rights and duties.
- 10) To settle the disputes through negotiation, joint consultation and voluntary arbitration and through adjudication.

## **(B) Role toward the Industrial organization**

**Trade unions perform following functions for the industrial organization in which they are working:**

- 1) To highlight the organization as a joint enterprise between workers and management and to promote identity of interest.
- 2) To increase production quantitatively as well as qualitatively, by laying down the norms of production and ensuring their adequate observance.
- 3) To help in maintenance of discipline.
- 4) To help in removal of dissatisfaction and redressal of day-to-day complaints and grievances and ensure workers loyalty.
- 5) To create opportunity for worker's participation in management and strengthen the co-operation.
- 6) To promote harmonic relationship between workers and management by setting disputes through negotiation, joint consultation and avoiding litigation.
- 7) To create favorable opinion of the management towards trade union and improve their status in industrial organization.
- 8) To exert pressure on the employers to enforce legislative provision beneficial to workers, to share the profit equitably and keep away from various type of unfair labour practice.
- 9) To facilitate communication with management.
- 10) To impress upon the management the need to adopt reformative and not punitive approach towards worker's fault.

## **(C) Role toward the trade union organization**

- 1) To improve financial position of the concern by fixing higher subscription, by realizing the union dues and by organizing special fund raising campaigns.

- 2) To preserve and strengthen trade union democracy.
- 3) To train members to assume leadership position.
- 4) To improve workers network of communication between union and its members.
- 5) To promote harmonic relationship between different unions to create a unified trade union movement.
- 6) To resolve the problem of factionalism and promote unity within the union.
- 7) To prepare and maintain the necessary records.
- 8) To manage the trade union organization on scientific lines.
- 9) To publicise the trade union objectives and functions, to know people's reaction toward them and make necessary modification.

**(D) Role toward society**

- 1) To render all sort of constructive co-operation in the formulation and implementation of plans and policies relating to national development.
- 2) To actively participate in the development of the programs of national development such as family planning, forestation, national integration etc.
- 3) To launch special campaigns against the social evils of corruption, casteism etc.
- 4) To enable unorganized sector to organize itself.
- 5) To create public opinion favorable to government's policies and plans and to mobilise people's participation for their effective implementation.
- 6) To create public opinion favorable to trade unions thereby raising their social and public image
- 7) To exert pressure, after realistically ascertaining its practical implication on the government to enact legislation conducive to the development of trade unions and their members.



So in above way the trade union plays an important role toward the various concerned parties.

### **3.2.6 Future of trade union**

Before studying the future of trade union it is must to know the present condition of trade unions. Let us discuss the present condition of trade unions in India.

#### **Present condition of trade union in India**

In India trade unions are regulated by the Indian trade union act 1926. At present there are about 48000 registered workers' unions and 10 central labour organizations in our country. Some important features of these unions are as follows:

- a) As the National Commission on Labour in India points out the structure of our unions and their types do not admit of any simple generalization. Of the three types of unions (viz., general union, craft union and industrial union), Industrial union is most prominent in our country. But workers in India are unionized mostly on the bases of plants rather than on the basis of industry. Craft unions are found among non-industrial and professional workers only. Thus we have the unions of taxi-drivers, tonga-drivers, rickshaw-pullers, journalists, teachers, bank employees, etc. On the basis of hierarchy we may classify our unions into the following 3 categories:
  - i. Primary unions which operate at the plant level,
  - ii. Regional federations which work at the regional level, and
  - iii. Central labour organisatons which operate at the national level.
- b) The extent of unionization in our country has not been uniform in all industries. Some industries are better unionized than others. Thus in the cotton textile industry nearly 70% of its workers are unionized whereas this percentage is only 24 in jute and 21 in chemicals. In fact, our textile

industry has given rise both to some of the worst strikes in the country and to some of the best trade union leaders and labour organizations.

- c) The State-wise distribution of unions in our country also does not seem to follow any pattern. In some States there is very heavy concentration of unions but in some others there are only a few unions. The following table gives figures of the number of unions and the estimated average daily number of workers employed on factories, in respect of some States in the country:

<b>Sr. No.</b>	<b>State</b>	<b>Average daily number of workers employed in unions factories ('000)</b>	<b>Number of workers submitting returns</b>
1	ASSAM	110	170
2	GUJARAT	695	1025
3	HARYANA	245	356
4	KARNATAKA	752	850
5	MAHARASHTRA	1220	1649
6	ORISSA	138	115
7	PUNJAB	347	476
8	KERALA	283	1882
9	TAMIL NADU	859	2529

Source: Compiled from Pocket Book of Labour Statistics, 1994

- (d) There is very close alliance between our trade unions and politics. This is because in the Pre-Independence days our trade union movement could not remain aloof from the country's struggle for freedom. Motivated by a strong nationalistic sentiment it had close alliance with the congress. Leaders like C.R. Das, Subhas Bose and Pandit Jawahar Lal Nehru acted as President of both the Indian National Congress and the All-India Trade Union Congress. But several splinter groups have now developed which have weakened the movement.

- (e) Being of the 'one shop' variety our unions are small in size. The average membership of a union has come down to 953 from over 1500 nearly 5 decades ago.
- (f) With the membership of the unions becoming smaller, their financial condition has also become more and more weak with the average annual income per union being under Rs. 4000. Financial weakness has made several unions militant in their approach to their problems. Conscious of their inability to carry on prolonged fights with their employers, unions become prone to violence.
- (g) Our shop unions are loosely affiliated to different central unions. We have 10 central organizations. As such it still continues to be the most dominant of the 10 central organizations. Our central organizations maintain their affiliations with international organizations. At present there are two such organizations-one communist-dominated World Federation of Trade Unions with its headquarter in Paris and the other non-communist dominated International Confederation of Free Trade Unions with its headquarter in Brussels. Two of our central organizations (viz., INTUC and HMS) are affiliated with the international confederation of Free trade Unions. AITUC is affiliated with the World Federation of Trade Unions.

A few of our national organizations such as All India Bank Employees Federation , the national federation of Indian railway employees and the national federation of post and telegraph employees are not affiliated to any of the above central organization.

### **Future role**

Historically, unions in our country have been playing the role of agitators and bargainers. The thrust of their activities has been towards the economic well being of the workers. In future unions should be encouraged to make a thrust towards the psychological and social well being of the workers. Some important areas in which they can be asked to participate as follows:

	<b>Name of central union</b>	<b>Unverified membership claim (in lakhs)</b>	<b>Percentage of total membership</b>
1	Indian National Trade Union Congress	54	23.3
2	Bhartiya Mazdoor Sangh	41	17.7
3	Hind Mazdoor Sabha	44	18.9
4	United Trade Union	12	5.2
5	Congress(L.S.) Center of Indian Trade Unions	24	10.3
6	All India Trade Union Congress	30	13
7	National Labour Organisation	7	3
8	United Trade Union Congress	8	3.4
9	Trade Union Coordination Centre	5	2.2
10	National Front of Indian Trade Union	7	3
		<b>232</b>	<b>100</b>

- a) **Communication:** Unions can pass on greater and more varied information to the workers about themselves and the organization. At present they only communicate on service conditions and related issues under the belief that workers are not interested in receiving information on other issues. This is wrong.
- b) **Counseling:** Union can play a very positive role in providing counseling services to employees regarding the social evils.

- c) **Education and training:** Another important area in which unions can play a development role is education of workers. Unions can help them acquire new human relations and work-related skills such as skills of collaboration, empathy, collective action, etc.
- d) **Welfare:** Unions can help management in developing innovative welfare schemes for employees such as workers' cooperatives, workers banks, nursery schools, etc.
- e) **Family and vocational guidance:** Unions can help workers families in several ways. For example, they can provide guidance in respect of the education and career of workers children. They can help in creating jobs for the wives of workers and so on.
- f) **Research:** Unions can play a very significant role in generation of data in various dimensions of workers needs aspirations, standard of living, etc. For this purpose they can launch research projects either independently or in collaboration with academic institutions.

### **Obstacles in the future growth of trade unions**

Our trade unions are not so developed as in the western countries due to following reasons:-

- 1) **Outside Leadership:** In India Trade unions has been dominated by outside leadership. It is a notable feature of Trade Union in India. Now-a-days these leaders are professional political Leaders. Hence, they exploit the sentiments of people for their political purpose. They are not generally interested to solve the problems of workers but exploit them for their political benefits. Most of the negotiations with the employers fail due to such political leadership. The interests and welfare of labours are generally ignored. Therefore, outside leadership is major weakness of Trade Unions in India.
- 2) **Low membership:** Though the number of Trade Unions in India has considerably increased but membership per union has declined. With the help of these data it can be proved. That in 1927-28 the average number of members per union was near about 3500. it was reduced to

about 1400 in 1946-47 and further it decreased to 675 in 1985. The union having low membership would not be more effective.

- 3) Uneven growth of Trade Unions:- The degrees of unionization varies from Industry to industry in coal industry it is 6.1%, cotton textile 56%, tobacco manufacturing 70%, Electricity and gas it is 39% , hence, it can be said that In India Trade Unison activities are concentrated in large scale Industries but in small scale industries it is nominal.
- 4) Multiplicity of Trade Unions: It is also a major problem of Trade Union in India. It has been generally seen that there are many Trade Union in the same Industry. There are sometime as many as 20 unions in the same plant. As the Trade Union act, 1926 permits that any association of seven workers can be registered as unions. Multiplicity of unions instead solving the problems of workers are fighting among themselves. So, the purpose of Trade Unions Fails.
- 5) Absence of paid office Bearers: In India, majority of Trade Unions do not have whole time paid office bearers. Many of them work on honorary basis. Since, they are not paid. They devote only limited time and energy to Trade Union activities. In the absence of full time workers generally political leader dominates unions. Moreover the office bears are not trained properly.
- 6) Weak financial position: In India, most of the Trade Union's financial positions is very weak because their average yearly income is inadequate, as subscription rates are very low. The reason for weak financial position is also multiplicity of unions. The leaders of different unions try to attract workers towards their unions comparatively at low rate of subscription. It is the wrong notion that the Indian workers financially are not too good. Over the years the average income of workers has been on increase hence, it is wrong plea that they cannot afford higher rate of subscription.
- 7) Lack of interest: In India a large number of workers have not joined trade union. About 2/3 of the workers have no link with any union. Moreover all the members of the trade union do not show interest in their affairs. Their attendance at the general meeting of the union is very

low. Under such circumstances trade union cannot be expected to make such progress. In order to make the trade union movement succeed the members of trade union have to take keen interest in the affairs.

- 8) Lack of public support: As most of the trade union believes in the pressure tactics such as strike and demonstration and give limited attention to peaceful methods for the settlement of demands and disputes. The general public is affected due to strike, go slow policy and other practices of unions. As a result public support or sympathy is not available to the unions.
- 9) Limited stress on welfare: Most of the Trade Unions in India undertake only limited welfare activities. They feel that their major activity is to fight with the employer for more wages and allowances.

### **Corrective measures to improve the Trade Unions**

- 1) There should be a strong base to develop the Trade Union by safeguarding the interest of the members and by achieving the target of production.
- 2) To make effective unionism there should be one union in one industry.
- 3) As most of the unions are influence by political parties. Hence, there interference should be eliminated.
- 4) There should be training programmes to develop the internal leadership.
- 5) It will be more effective if office bearers of the Trade Unions are well paid.
- 6) As most of the Trade Unions in India are financially weak. This problem can be solved by raising the membership and collecting more funds for unions.
- 7) Most of the unions are engaged in industrial disputes they do not undertake economic, social and cultural activities which are equally important for raising welfare of the working class.

As a considerable number of Trade Unions are not recognized. Hence, the proper recognition of unions will make them more effective.

### **3.3 SUMMARY**

Trade unions are the associations of employees working as an agent of working class. These unions not only safeguarding the financial interest of the workers but also providing the other benefits such as cultural, political, social and psychological within their broader preview. Trade unions adopts both the aggressive as well as federal measures to solve the problems. In India the trade union activities is regulated by the Trade Union Act 1926. But Indian trade union movement is suffering from several problems such as low membership, multiplicity of trade unions and financial crisis etc. If workers want to strengthen the trade union movement in India and want to ensure better condition of the labour then they have to take corrective measures specified in the text.

### **3.4 KEYWORDS**

- |                        |  |
|------------------------|--|
| Trade Unions           | - Continuous association of wage earners and employees                                 |
| Reformist Unions       | - Who don't believe in the destruction of economy                                      |
| Revolutionary Unions   | - who believe in destruction of the present structure and replace it with the new one. |
| Multiplicity of Unions | - when there are more numbers of unions in the same unit.                              |

### **3.5 SELF ASSESSMENT QUESTIONS**

1. Define the term Trade Union and its features.
2. What do you mean by Trade Union? Describe the various types of the trade unions.
3. Why the employees unions the Trade Unions and what functions a Trade Union performs for their employees?



4. Describe the role of the Trade Unions.
5. Write a note on the current condition of trade union in India? Put a light on its future.

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## **LESSON NO. 4**

### **DISCIPLINE AND GRIEVANCE MANAGEMENT**

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#### **STRUCTURE**

- 4.1 Introduction.
- 4.2 Presentation of Contents
  - 4.2.1 Code of discipline
  - 4.2.2 Indiscipline, causes, sign and symptoms of misconduct
  - 4.2.3 The remedial measures, prerequisites for disciplinary actions.
  - 4.2.4 Approaches, principles and procedure for disciplinary actions.
  - 4.2.5 Red hot-stove rule
  - 4.2.6 Definition, nature, causes of grievance
  - 4.2.7 Management of grievance, Steps for managing grievances
  - 4.2.8 Grievance procedure under code
  - 4.2.9 Grievance procedure in India
- 4.3 Summary
- 4.4 Keywords
- 4.5 Self Assessment Questions
- 4.6 References/Suggested Readings

## **4.0 OBJECTIVE**

This lesson is intended to impart knowledge about:

- the discipline and grievance management.
- the process and prerequisites for discipline and grievance management
- principles of management indiscipline and grievance

## **4.1 INTRODUCTION**

Discipline is very essential for a healthy industrial atmosphere and the achievement of organizational goals. An acceptable performance from subordinates in an organization depends upon their willingness to carry out instructions and the orders of their superiors, to abide by the rules of conduct and maintain satisfactory standards of work.

The term 'discipline' can be interpreted. It connotes a state of order in an organization. It also means compliance with the proper appreciation of the hierarchical superior-subordinate relationship. The concept of discipline emerges in a work situation from the interaction of manager and workers in an organization. Formal and informal rules and regulations govern the relationship between a manager and workers, the formal rules and regulations are codified in the company's manual or standing order. Informal rules, on the other hand, are evolved from convention and culture in the organization.

Webster's dictionary has defined discipline as "first, it is the training that corrects, mould, strengthen or perfect individual behaviour. Second, it is control gained by enforcing obedience, and third it is punishment or chastisement." According to Bremblett, "discipline does not mean a strict and technical observance of rigid rules and regulations. It simply means working, co-operating and behaving in a normal and orderly way, as any responsible person would expect an employee to do." In other words, it may be noted that discipline is employee self control which prompts him to willingly cooperate with the organizational standards, rules, objectives, etc. It is essentially an attitude of the mind, a product of culture and environment and requires, along with legislative sanction, persuasion on a moral plane.

There are two basic concept of discipline; one of them being negative while the other is a positive aspect of discipline. The negative approach to discipline is traditional concept and is identified with ensuring that subordinates adhere strictly to the rules, and punishment is meted out in the event of indiscipline. In other word, for the violation of rules strict penalties are levied and the fear of punishment works as a deterrent in the mind of the employee. In organizations where workers are unskilled and illiterate, it is easier to enforce this kind of discipline this concept uses 'fear' as a means to secure compliance to present norms. While a positive aspect of discipline implies a sense of duty to observe the rules and regulations. It is also called self-discipline. It involves creation of an atmosphere in the organisation whereby employees willingly conform to the established rules and regulations. Positive discipline can be achieved through rewards and effective leadership. Positive discipline promotes cooperation and coordination with a minimum of formal organisation. It reduces the need for personal supervision required to maintain standards.

The code of discipline defines duties and responsibilities of employers and employees/workers. The objectives of the code of discipline are:

1. To ensure that employers and employees recognize each others rights and obligations,
2. To promote constructive cooperation between the parties concerned at all levels,
3. To secure settlement of disputes and grievances by negotiation, conciliation, and voluntary arbitration,
4. To eliminate all forms of coercion, intimidation, and violence in industrial relation,
5. To avoid work stoppages,
6. To facilitate the free growth of trade unions, and
7. To maintain discipline in industry.

The third five year plan document noted that the code lays down specific obligations for the management and the worker with the objective of promoting constructive cooperation between their representatives at all levels, avoiding stop-pages as well as litigation, securing settlement of grievances by mutual negotiations and eliminating all forms of coercion and violence in industrial relation.

## **4.2 PRESENTATION OF CONTENTS**

### **4.2.1 Code of Discipline**

Code of discipline forms the Gandhian approach to industrial relations to bind employees and trade unions to a moral agreement for promoting peace and harmony. It was an outcome of the efforts of Guljari Lal Nanda, the then Union Labour Minister in 1957 to 1958. G.L. Nanda was the true Gandhian. It was at his instance that code was formulated. It was formally adopted at the 16th session of the Indian labour conference (1958). National representatives of both employers and trade unions were parties to it. This code was a unique formulation to voluntarily regulate labour management relations. Indian Labour Conference discussed three draft codes including:

1. A 'code of Conduct' to regulate inter-union relations.
2. A 'code of Discipline' to regulate labour management relations.
3. A 'code of Efficiency and Welfare' for laying down norms of productivity and labour welfare.

The third code was never formally adopted and did not take off. The inter union 'code of conduct' was voluntarily adopted, after a great deal of persuasion by G.L. Nanda on may 21, 1958. The four central organisations of labour then representing on the Indian Labour conference (including INTUC, AITUC, HMS and UTUC) agreed to comply with the code.

The adoption of the 'code of Discipline' was announced in June, 1958. All the representative central organizations of employers and labour accepted it. There were difficulties in persuading the ministries, defense and railways,

employing a large number of industrial workers to accept it in toto. Some adaptations were later on agreed to here and there.

**The main features of this code are:**

1. Both employer and employees should recognise the rights and responsibilities of each other and should willingly discharge their respective obligations.
2. There should be no strike or lockout without proper notice and efforts should be made to settle all disputes through existing machinery.
3. A mutual agreed grievance procedure will be setup and both the parties will abide by it without taking arbitrary
4. Both employers and trade unions will educate their member regarding their mutual obligations.
5. Management will not increase workloads without prior agreement or settlement with the workers.
6. Employer will take prompt for the settlement of grievances and for the implementation of all awards and agreements.
7. Management will take immediate action against all officers found guilty of provoking indiscipline among workers
8. Union will avoid demonstrations, rowdyism all form of physical duress and workers will not indulge in union activity during working hours.
9. Union will discourage negligence of duty, damage to property, careless operation, insubordination and other unfair labour practices on the part of workers.

Thus, the 'code of discipline' consists of three sets of principles, namely (a) obligation to be observed by management, (b) obligations to be observed by trade unions, and (c) principles binding on both the parties.

The code of discipline has been helpful in improving industrial relation in the country. It has focused the attention of employers and workers on their respective obligations. In 1967 the Central Implementation and Review

Committee of the Union Ministry of Labour and Employment made an evolution of the code. With the passage of time the spirit of the code has been lost and the code has not been very effective in ensuring harmonious relations among employers and employees due to their self-discipline and self-commitment.

The National Commission on Labour recommended that the following provisions of the code should be made statutory: (a) recognition of the representative union as the sole bargaining agent; (b) setting up of a grievance machinery; (c) prohibition on strikes and lockouts without prior notice; (d) penalties for unfair labour practices; and (e) provision for voluntary arbitration.

However, the code by itself cannot maintain discipline in industry unless the parties subscribing to it have full faith in it.

#### **4.2.2 Indiscipline, causes, sign, and symptoms of misconduct**

##### **Indiscipline or Misconduct**

The term 'indiscipline' can be described as non-conformity to formal and informal rules and regulations. It is an act or conduct, which is prejudicial to the interest of the employer or is likely to impair the reputation of the employee. It is necessary to correct indiscipline in an organization as soon as it is observed because of its adverse influence on the morale and motivation of the employee as well as organization. Indiscipline results in chaos, confusion and diffusion of results. It gives rise to strikes, 'go-slows', and absenteeism, leading to loss of production, profits and wages.

##### **Causes of Indiscipline**

Basically, indiscipline may arise due to poor management, errors of judgment by employees about their union leaders or a lack of understanding of management policy. This problem could also develop when an individual behaves in disciplinary manner or as an outcome of the managements ignorance to his grievance. It can occur due to lack of commitment towards the work, by an employee in an organization. Various other factors are also

responsible for indiscipline such as: unfair labour practices, victimization by management, wage differentials, wrong work assignment, defective grievance procedure, payment of very low wages (giving rise to poverty, frustration and indebtedness), poor communication, ineffective leadership, result in indiscipline. Thus, various socio-economic and cultural factors play a role in creating indiscipline in an organization.

### **Sign and Symptoms of Misconduct**

Every act of indiscipline is called misconduct. The main acts of misconduct are given as:

- 1 Disobedience or willful insubordination.
- 2 Theft, fraud or dishonesty in connection with the employers business or property.
- 3 Willful damage or loss of employers goods or property.
- 4 Taking or giving bribe or any illegal gratification.
- 5 Habitual absence without leave or absence without leave for more than ten days.
- 6 Habitual late attendance.
- 7 Frequent repetition of any act or omission for which fine may be imposed.
- 8 Habitual negligence or neglect of work.
- 9 Habitual breach of any law applicable to the establishments.
- 10 Disorderly behaviour during working hours at the establishment.
- 11 Striking of work or inciting others to strike in contravention of the provisions of any law.

These are not exhaustive but illustrative examples of misconduct under the model standing orders, framed as a part of the rules made under this Industrial Employment (Standing Orders) Act, 1946.



### **4.2.3 The remedial measures, prerequisites for indisciplinary actions**

#### **Remedial Measures for Indisciplinary Actions**

The labour is the most important factor of production. Therefore, an organisation can prosper only if labour is properly motivated towards the attainment of specific objectives. A tactful human relations approach becomes necessary if management wants to extract more and efficient honest work from its employees. It is therefore, obligatory on the part of management to analyze and study the causes of indiscipline and then take the necessary action in the matter.

Each worker as an individual, need a fair or reasonable wage to maintain him and his family in good health and spirits. Therefore, the wages should be adequate so that the worker may meet the economic needs of his family.

When a worker joins an organization, he agrees, under a contract of employment, to give a certain amount of work and loyalty, and in return expects suitable economic reward, security of employment, fair treatment and other kinds of support from his employer. To encourage him to stay in his job and to allow him the necessary security, amenities and freedom to express his feelings and sentiments, a human relation approach should be adopted.

The trade union leadership should be developed from within the rank and file workers. A leader who comes from within is part of the workmen's associations and is in a better position to know the feelings and reaction of his follow-workers so that he may be able to put their demands in a right way. Finally, the various human resource management policies be made more realistic and progressive.

#### **Prerequisites**

The essential prerequisites for using this approach to manage indiscipline are:

1. Reasonable, legitimate and clear rules and regulations.

2. Workers should be involved in framing rules and regulations so that they willingly accept the rules.
3. Prior notice of the consequences of breaking rules.
4. Consistency and uniformity of punishment.
5. Respect for the human personality.
6. Management personnel should set high standards.

Indiscipline could be dealt with using formal and informal systems through which it is corrected. In case an informal system is being used, either a transfer, an informal warning, or a non-hierarchical but status demotion are the remedies to correct indiscipline. Managements, in order to avoid the legal complexities of the formal system, resort to informal systems.

#### **4.2.4 APPROACHES, PRINCIPLES AND PROCEDURE FOR DISCIPLINARY ACTION**

##### **Approaches**

Basically, there are five approaches regarding to manage indiscipline or misconduct. All these approaches briefly explain here.

##### **1 Judicial Approach:**

It is commonly followed in India. The present day manager has to handle a variety of disciplinary issues. His right to hire and dismiss is curbed to a great extent, especially where unionized employees are concerned. The complexity is increasing in this arbitrary managerial function due to intervention by the government, by providing legislation for governing terms of employment. The need for legislation arose as India is faced with a chronic problem of unemployment and illiteracy among industrial labour. In order to secure security of jobs, the govt. has tried to ensure protection to industrial labour from likely misuse of managerial power to hire and fire.

##### **2 The Human Relation Approach:**

It calls for treating an employee as a human being and considers the

totality of his personality and behaviour while correcting faults that contribute to indiscipline. His total personality is considered, as is his interaction with his colleagues, his family background, etc. and then appropriate punishment for misconduct is awarded.

### **3 The Human Resources Approach:**

The approach calls for treating every employee as a resource and an asset to the organization before punishing the workers, the cause for indiscipline has to be ascertained. An analysis of the cause is made, to find out whether indiscipline is due to the failure of his training and motivating system or the individual's own failure to meet the requirements, and accordingly corrections are made.

### **4. The group Discipline Approach:**

The management in this approach sets and conveys well established norms and tries to involve the groups of employees. The group as a whole control Indiscipline and awards appropriate punishments. The trade union may also act as a disciplinary agency.

### **5. The leadership Approach:**

In this case, every supervisor or manager has to guide, control, train, develop, lead a group and administer the rules for discipline.

## **Principles for Disciplinary Action**

Despite, best efforts, acts of indiscipline occur and it becomes necessary to take a disciplinary action. While taking disciplinary action the following principles must be considered.

- 1 Principles of natural justice: This principle must guide all enquires and actions. This means that no person should be appointed to conducting an enquiry who himself is interested in the outcome – either as an aggrieved party or because he is hostile to the person proceeded against, or for any other reason.

- 2 Principles of impartiality or consistency: There should be no marked difference in the action taken under identical situations where all the factors associated to situations are alike.
- 3 Principle of impersonality: The disciplinary authority should not encourage a person who is failing to fulfill his duty. He should be impartial to every one.
- 4 Principle of reasonable opportunity to the offender to defend himself. Article 311 of the constitution of India says: No “person employed by the union or a state govt. shall be dismissed or remove until he has been given a reasonable opportunity showing cause against the action proposed to be taken in regard to him.”

### **Procedure for Disciplinary Action**

The procedure for taking disciplinary action involves the following steps:

#### **1. Preliminary Investigation**

First of all a preliminary enquiry should be held to find out the misconduct behaviour or situation.

#### **2. Issue of a charge sheet**

Once a misconduct or indiscipline is identified, the authority should proceed to issue of charge sheet to the employee. Charge sheet is merely a notice of the charge and provides the employee an opportunity to explain his conduct. Therefore, charge sheet generally called as show cause notice. In the charge sheet each charge should be clearly defined and specified.

#### **3. Suspension Pending Enquiry**

In case the charge is grave a suspension order may be given to the employee along with the charge sheet. According to the industrial employment (Standing orders) Act, 1946, the suspended worker is to be paid a subsistence allowance equal to one-half of the wages for the first 90 days of suspensions and three-fourths of the wages for the remaining

period of suspension if the delay in the completion of disciplinary proceedings are not due to the workers conduct.

#### **4. Notice of Enquiry**

In case the worker admits the charge, in his reply to the charge sheet, without any qualification, the employer can go ahead in awarding the punishment without further enquiry. But if the worker does not admit the charge and the charge merits major penalty, the employer must hold enquiry to investigate into the charge. Proper and sufficient advance notice should be given to the worker of the enquiry.

#### **5. Conduct of Inquiry**

The inquiry should be conducted by an impartial and responsible officer. He should proceed in a proper manner and examine witnesses. Fair opportunity should be given to the worker to cross-examine the management witnesses.

#### **6. Recording the findings**

The enquiry officer must record all the conclusion and findings. As far as possible he should refrain from recommending punishment and leave it to the decision of the appropriate authority.

#### **7. Awarding Punishment**

The management should decide the punishment on the basis of finding of an enquiry, past record of worker and gravity of the misconduct.

#### **8. Communicating Punishment**

The punishment awarded to the worker should be communicated to him quickly. The letter of communication should contain reference to the charge sheet, the enquiry and the findings. The date from which the punishment is to be effective should also be mentioned.

#### **4.2.5 RED - HOT STOVE RULE**

Douglas McGregor has suggested this rule to guide managers in enforcing discipline. The rule is based on an analogy between touching a red-hot stove and violating rules of discipline. When a person touches a hot- stove,

1. The burn is immediate
2. He had warning that he knew that he would get burn if he touched it.
3. The effect is consistent everybody who touches red-hot stove would be burned.
4. The effect is impersonal. A person is burned because he touches the hot stove not because of who he is.
5. The effect is commensurate with the gravity of misconduct. A person who repeatedly touches the hot stove is burnt more than one who touched it only once.

The same should be with discipline. The disciplinary process should begin immediately after the violation of rules/regulations is noticed. It must give a clear warning that so many penalties would be imposed for a given offence. The same kind of punishment should be consistently imposed for the same offence. Punishment should be impersonal i.e. it should be imposed regardless of the status of the offender. Punishment should be commensurate with the gravity of the offence. For instance, a worker guilty of minor misconduct e.g. irregular attendance should be given less punishment than that given to a worker found guilty of major misconduct like the theft of employers property.

#### **4.2.6 DEFINITION, NATURE, CAUSES OF GRIEVANCE**

While working together, some time employees feel uncomfortable, aggrieved or disappointed about certain managerial decisions, policies and service conditions. There can be a feeling of ignorance altogether. With this ignored approach employees remains unhappy and unsatisfied with working conditions. If this dissatisfaction of employees goes unattended, the increased irritation of the employees may cause unfavourable attitude towards

supervisors, colleagues and the organisation and ultimately a disturbed relationship maintain in an organization. To a large extent, the approach will be governed by several variables such as style of management, size of enterprise, level of education of the workforce, technology of the plant and the extent of unionization of the workforce.

In this present setup, especially in democratic system where an employee can express their frustration, dissatisfaction, whether it is a minor problem, or a serious problem, or a difference of the opinion with the supervisor over terms and conditions of employment. In India, the government has been making a plea for grievance machinery at the plant level ever since 1956-58 when the standing committee of the Indian Labour conference submitted a draft on the various aspects of grievance procedure. The National commission of Labour set up by the Government as a tripartite body in 1969 also spelt out the nature of grievance and a model grievance procedure. However, this remains a recommendation and is not a statute yet.

The grievance procedure is one of the more important instruments available for employees to express their dissatisfaction. It is also a means available to management to keep a check on relevant diagnostic data on the state of organizations health.

### **Grievance Defined**

The term “grievance” has been defined by different researchers in different ways. Mondy and Noe defined grievance as “employees dissatisfaction or feeling of personal injustice relating to his or her employment.”

Jucius defines grievance as “any discontent or dissatisfaction, whether expressed or not and whether valid or not, arising out anything connected with the company which an employee thinks, believes, or even feels, is unfair, unjust or inequitable”. Thus above definitions describes grievance as any dissatisfaction of an employee which is based on his or her perception about the situation with in an organization.

The term 'grievance' varies from company to company, which would include any discontent, which affects the organizational environment. As such, grievance can be real or imaginary, written or oral, legitimate or illegitimate. Keith Davis defines grievance as "any real or imagined feeling of personal injustice which an employee has about the employment relationship." In case of real grievance, the grievance is genuine which may be due to behaviour of supervisor, or employments terms and conditions that have been ignored or violated by management. In case of imaginary grievance, the grievance is not genuine which may be due to employees his or her own perception that they have been some what neglected or ignored by supervisors, or their rights have been violated by management.

There can be formal and informal grievance when an employee put the cause of dissatisfaction in a written form and present it before appropriate Authority. This is known as "formal" or "written" grievance. On the other hand, when an employee goes on talking about cause of dissatisfaction, this type of grievance is called as "informal" or "oral" grievance.

In case of "legitimate" grievance, the employees contractual right with respect to terms and conditions of employment or spirit of collective bargaining are violated. On the other hand dissatisfaction over supervisory behaviour, peer's ignorance or any other situation can cause grievance in employee is "illegitimate" grievance.

From the above discussion different types of grievance can be known. But some times grievance can be interchangeably used with complaints. Several executives of real world distinguish between complaint and grievance. A complaint is a written or oral dissatisfaction, brought to the attention of the supervisors and the shop steward.

While differentiating complaints from grievance, Flippo defines a complaint as a discontent or dissatisfaction, which has not, as yet, assumed great significance to the individual. It can be converted into grievance when an individual feels that an injustice has been caused to him. Thus any type of grievance is not in the interest of employee as well as organization.



## **Nature of grievance**

A grievance may be submitted by workers, or several workers, in respect of any measure or situation, which directly affects, or is likely to affect, the conditions of the employment of one or several workers in the organization. Where a grievance is transformed into a general claim either by the union or by a large number of workers, it falls outside the grievance procedure and normally comes under to purview of collective bargaining.

From a study conducted by Chandra, the following areas were causes of employee grievance:

1. Promotions
2. Amenities,
3. Continuity of Service,
4. Compensation,
5. Disciplinary action,
6. Fines,
7. Increments,
8. Leave,
9. Medical Benefits,
10. Nature of Job,
11. Payment,
12. Acting promotion,
13. Recovery of dues,
14. Safety appliances,
15. Superannuation,
16. Supersession,
17. Transfer Victimization,
18. Condition of work.

The International Labour Organization (ILO) classifies a grievance as a complaint of one or more workers with respect to wages and allowances, condition of work and interpretations of service stipulations, covering such areas as overtime, leave, transfer, promotion, seniority, job assignment and termination of service. Chandra found that policy issues relating to hours of work, incentives, wages, DA, and bonus are beyond the scope of the grievance procedure-they fall under preview of collective bargaining.

### **Causes of Grievance**

There are several causes, which leads to employee grievance in an organization.

### **Management Practices**

1. The behaviour of supervisor, peer's group can cause grievance.
2. The improper division of work among employees lead to employee grievance.
3. The negligence of one's efforts towards the organization.
4. The autocratic organizational environment can cause grievance.
5. The implementation of personnel policies is not intended policies, it well lead to grievance.
6. If task objective is not clearly defined to employee, then also the employee get frustrated and ultimately grievance arises.
7. Matters such as employee compensation, seniority, overtime and assignment of personnel to shifts are illustrations of ambiguities leading to grievance.
8. Poor communication between management and employees is another cause of grievance.

### **Union Practices**

In firms where there are multiplicities of unions, many of whom may have political affiliation, there is constant jostling and lobbying for numerical

strength and support. Where unions are not formed on the basis of specialized craft but are general unions, the pressure to survive is great and, hence there is a need to gain the support of workers. Under such circumstances the grievance machinery could be an important vehicle for them to show their undeniable concern for workers welfare.

The fact that a union can provide a voice for their grievance is an important factor in motivating employees to join a union. Realizing that members expect action and only active unions can generate membership, unions some time incline to encourage the filing of grievance in order to demonstrate the advantage of union membership. It makes union popular that it is the force to solve out the grievance with the management.

### **Individual Personality Trait**

Sometimes mental tension, caused perhaps by ill health also contributes to grievance. Some are basically predisposed to grumble and find fault with every little matter, seeing and looking out only for faults. On the other hand, there are employees who are willing to overlook minor issues and discomforts and get on with the job. A study by Sulkin and Pranis reveals that poor performer tend to use grievance procedure more often than employees who are high performance the union activists, highly educated workers, workers with a high incidence of absenteeism, and worker in lower job classification tend to file more grievances than other employees.

### **4.2.7 Management of grievance, steps for managing grievances**

#### **Management of Grievance**

It has been widely recognized that there should be appropriate procedure through which the grievance of workers may be submitted and settled. The main aim to solve out grievance with fairness and justice, so that workers dissatisfaction about various aspects can be properly examined and solved out. For this grievance resolution machinery is an urgent need to manage. Grievance resolution machinery permits employee to express complaints without affecting their job, and encourages and facilitates the

settlement of misunderstanding between management and labour. The existence of grievance resolution machinery builds confidence in employees to express their discontent, enhance their morale, and satisfy them and also protects them from the injustice, proper and effective communication between management and workers facilitates review and correction. Thus, presence of grievance machinery explains the organizational health, projects the shop floor cultures and shows leadership quality.

### **Steps for Managing grievances**

Flippo describes five steps for managing a grievance. These are following as:

1. receiving and defining the nature of the dissatisfaction;
2. getting the facts;
3. analyzing the facts and reaching a decision;
4. applying the answer; and
5. follow-up.

#### **1. Receiving and defining the nature of dissatisfaction**

The supervisor should receive the grievance in a way which it self is satisfying to the individual. It involves his leadership style. It has been that employee-centered supervisors cause fewer grievances than production – centered supervisors.

#### **2. Getting the facts**

Efforts should be made to separate facts from the opinions and impressions. Facts can be obtained easily if proper records are maintained by supervisors regarding specific grievances and individual attendance, rating and suggestions.

#### **3 Analyzing the facts and reaching an decision**

The supervisor must analyze the facts carefully to reach a specific decision, so that grievance can be solved out fruitfully.

#### **4 Applying the answer**

The supervisor has to effectively communicate the decisions to the individuals even if they are adverse in nature. The answer to the aggrieved individuals must be based on legitimate ground.

#### **5. Follow-up**

The following of the grievance should be made to determine as to whether or not clash of interest has been resolved. In situation where follow-up indicates that the case is not resolved satisfactorily, the former four steps should be repeated.

The frequent errors in processing of grievance break the whole process. The management should attempt to avoid these errors. Indeed, effective handling of grievance facilitates the integration of interests.

In large undertakings, a common type of grievance procedure involves successive steps at different levels, a workers grievance being first discussed with the immediate supervisor and then, if no solution is found, with higher levels of management. The number of levels and steps in the procedure usually increases with the size of undertakings. Sometime, when an important question of principle, which would involve a number of workers, is concerned, the matter may go directly to higher level of management. Under some procedures, bipartite or joint grievance committees with in the undertaking hear grievances after they have been considered at lower levels at a number of earlier stages in the procedure. A settlement reached jointly by workers and management representatives at any level is generally regarded as final and binding on both the parties. A grievance is also deemed to be settled if an appeal is not lodged at the next highest level with in a given time.

#### **4.2.8 The Grievance Procedure under Code**

##### **Grievance Machinery**

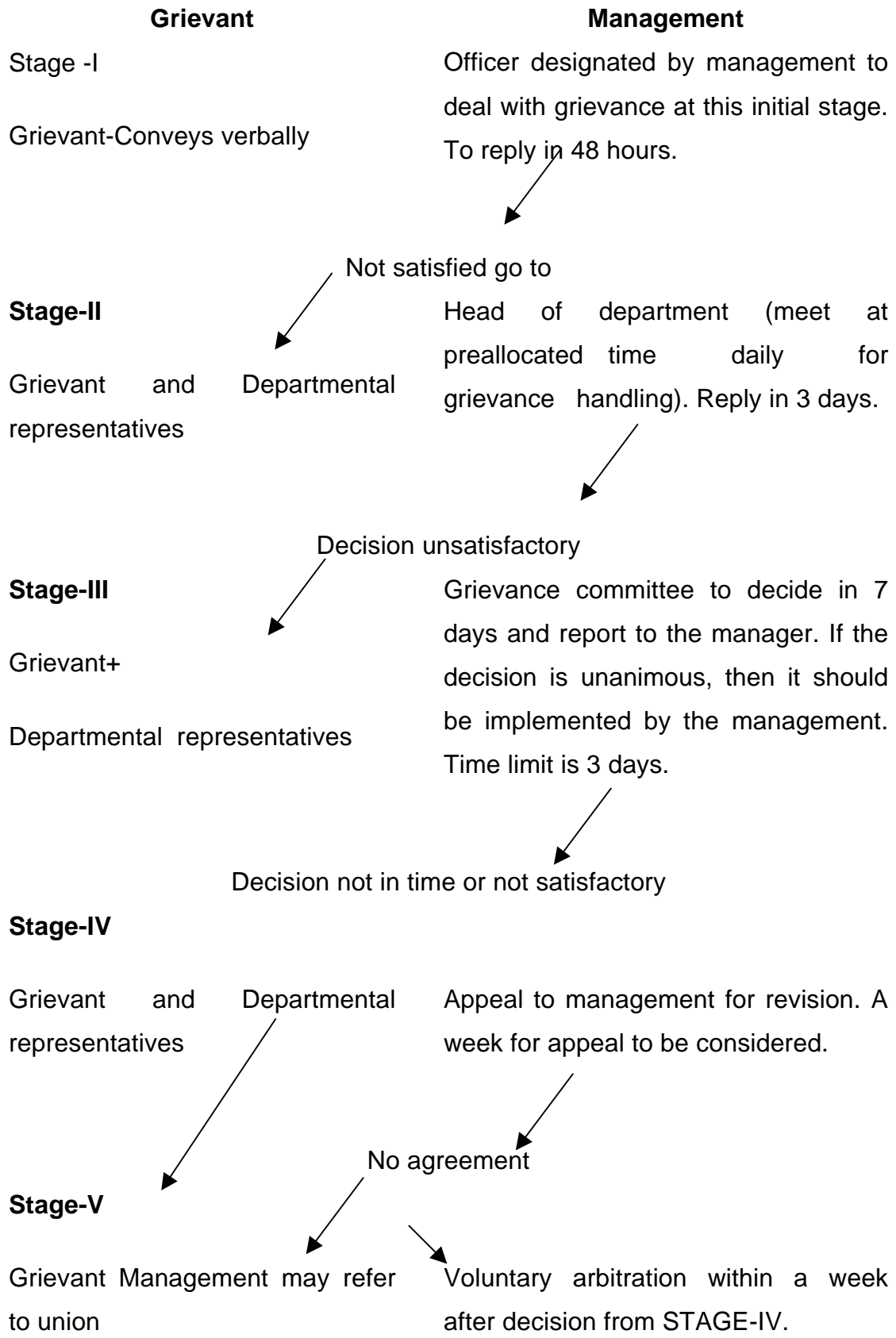
Grievance machinery will be required to set up in each under takings to administer the grievance procedure. For the purpose of constituting a fresh grievance machinery, workers in each department (and where a department is

too small, in a group of departments) and each shift, shall elect, from amongst themselves and for a period of not less than one year at a time, departmental representatives and forward the list of persons so selected to the management. Where the union in the undertaking is in a position to submit an agreed list of names, recourse to election may not be necessary. Similar is the case, where work committees are functioning satisfactorily, since the work committee member of a particular constituency shall act as the departmental representative correspondingly, the management shall designate the persons for each department who shall be approached at the first stage and the departmental heads for handling grievances at the second stage. In the case of appeals against discharges or dismissal, the management shall designate the authority to whom appeals could be made.

### **Grievance Procedure**

While adaptations have to be made to meet special circumstances such as those obtaining in the Defense Undertaking, Railways, Plantations and also small undertakings employing few workmen, the procedure normally envisaged in the handling of grievances should be as follows:

1. Aggrieved employee shall first present his grievance verbally in person to the officers designated by management for this purpose. An answer shall be given within 48 hours of the presentation of complaint.
2. If the worker is not satisfied with the designated officer, he shall, either in person or accompanied by his departmental representatives, present his grievance to the head of the department designated by management for this purpose. The time allotted to reply within 3 days. If the action cannot be taken within that period, the reason for this delay should be recorded.
3. If the decision by departmental head is unsatisfactory, then the grievant may request the forwarding of his grievance to the grievance committee which shall make its recommendations to the managers within 7 days of the worker's request. The management shall implement unanimous recommendations of the Grievance Committee.



**Fig. 4.2.8.1 Grievance Procedure**

4. In case of different opinions of the members of Grievance Committee, the whole episode shall be transferred to the manager for final decision. In either case time limit for management to accept and communicate its decision in 3 days.
5. If the decision is not in time and not satisfactory, the grievant has right to appeal for a revision. And management shall communicate their decision with in a week of workmen's revision petition.
6. If no agreement is still possible, the union and the management may refer the grievance to voluntary arbitration with in a week of receipt by the worker of management decision.
7. Where a worker has taken up a grievance for redressal under this procedure the formal conciliation machinery shall not intervene till final step.
8. If a grievance arises out of an order given by management, the side order shall be complied with before the women concerned invoke the procedure laid down for redressal of grievance. If, however, there is time lag between the issue of order nevertheless must be complied with in the due date, even if all the steps in the grievance procedure have not been exhausted.
9. Worker's representatives on the grievance committee shall have the right of access to any document connected with the inquiry mentioned in the department. On the other hand, management representative shall have right to refuse to show any document which they consider to be of a confidential nature.
10. In case of any grievance arising out of discharge or dismissal of a workman, the above mentioned procedure shall not apply. Instead, a discharged worker shall have right to appeal either to the dismissing authority or to a senior authority who shall be specified by the management with in a week from the date of discharge.



#### **4.2.9 Grievance Procedure in India**

Till the enactment of Industrial Employment Act, 1946 the settlement of day-to-day grievances of workers in India did not receive much attention. Clause 159 Industrial Employment Act, 1946, emphasized to meet successfully any type of grievance arising out of employment by the management. They must show their moral honesty towards this. Under the factories Act, 1948 state government had framed rules requiring Labour welfare officers to ensure settlement of grievances; but this provision did not prove substantially helpful because of the dual role of these officers.

In the past, a detailed grievance procedure worked out by mutual agreement only in a few units. Most of these units did not have any machinery for redressal of grievances. When day-to-day grievances piled-up, the industrial disputes.

Davar describes grievance procedure at TELCO and Sandoz (India) Ltd. The TELCO had developed detailed procedure for handling individual and collective grievances since its very inception with the involvement of the recognized union. The union representatives are involved in making decisions at proper stages.

The company also has a detailed consultative machinery to resolve problems relating to productivity, safety and welfare activities. There exists an Industrial Relations Board consisting of equal number of top company executives and union leaders to make final decisions regarding different industrial relations issues.

The Sandoz (India) limited also recognized since the beginning that even unimportant grievance might cause lack of employee interest and make a individual a problem employee. The company stresses the settlement of grievances at the foreman level. In the case of grievances against any supervisory personnel, a higher official has to elaborate procedure for handling grievances.

The procedure has several steps stated with putting the individual at ease, listening with sincere interest, avoiding argument during discussion,

getting the story straight, getting all the facts, considering the individual view point, willingness to admit mistakes, avoiding the “passing the buck”, providing the benefits of doubt, avoiding “snap judgment”, timing decisions and taking prompt decisions.

### **4.3 SUMMARY**

The various aspects of the complex topic, Discipline, positive and negative dimensions of discipline have been examined in the present chapter. However, in a particular situation, it is the manager, who has to apply his mind, taking into consideration the context and the environment and then decide on the punishment. The managers prerogative is tempered justice, the holding of the enquiry following the complete procedure is a very important aspect in entire process. Enforcement of discipline and the award of a punishment is very much the responsibility of a manager. Therefore a manager has to be aware of a variety of approaches and use the appropriate one at the appropriate time.

While describing the nature of grievances, attempt has been made to define grievance and indicates its causes and symptoms. The major determinant of grievance includes the management practices, personal factors and personality trait of an employees and union strategies and practices. Management literature provides varied techniques to manage grievances effectively. There is arrangement for model grievance procedure under the code of discipline.

### **4.4 KEYWORDS**

- |         |   |                                   |
|---------|---|-----------------------------------|
| Strike  | - | Ceasation of work by employees    |
| Lockout | - | Lock down the premises of workers |

### **4.5 SELF ASSESSMENT QUESTIOS**

1. What is discipline? Describe the various types of discipline.
2. What is meant by discipline? Discuss the objective and prerequisites

for discipline.

3. "Too often discipline is thought of only in the negative sense. In reality, positive discipline is more effective and plays a larger role in business." Discuss the statement and point out the principles to be borne in mind while taking the disciplinary action.
4. Explain the procedure for taking disciplinary action.
5. Define grievance. Why do grievances arise?
6. Describe the grievance redressal machinery.
7. Write a short note on :
  - (a) code of discipline
  - (b) Hot-stove Rule
  - (c) Principle of natural justice
  - (d) Grievance
  - (e) Misconduct
8. What are the major determinants of grievance? How can you manage grievance in organizational setting?

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## LESSON NO. 5

### NEGOTIATION AND COLLECTIVE SETTLEMENT

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#### STRUCTURE

- 5.0 Objectives
- 5.1 Introduction
- 5.2 Presentation of Contents
  - 5.2.1 Scope of collective bargaining.
  - 5.2.2 Characteristics of collective bargaining.
  - 5.2.3 Objectives of Collective Bargaining
  - 5.2.4 Types of Collective Bargaining
  - 5.2.5 Process of Collective Bargaining
  - 5.2.6 Prerequisites for Collective Bargaining
  - 5.2.7 Collective bargaining between developed and developing countries - A comparison
  - 5.2.8 Collective bargaining in India.
  - 5.2.9 Role of collective bargaining in tea plantations in Tamil Nadu – A case study
  - 5.2.10 Collective bargaining in Indian Railways – A case study
- 5.3 Summary
- 5.4 Keywords
- 5.5 Self Assessment Questions
- 5.6 References/Suggested Readings

## **5.0 OBJECTIVE**

This lesson is intended to familiarize the student with

- the concept of collective bargaining
- strategy & tactics of collective bargaining
- the process and prerequisites for collective bargaining
- explore factors that contribute to successful agreement

### **5.2.1 INTRODUCTION**

Industrial Relations is inherently a bipartite relationship. Parties to this relationship include union and management, representing workers and the employers, respectively. Similar to other relationships, the union and management relationship is also highly fragile and complex. It is because of the divergence of interests, perspective, expectations, value systems and goals of the two parties. Consequently, there is a immense possibility of misunderstanding and conflict at any point of time in organizational setting over the terms and conditions of employment. As the organization find it difficult to survive and grow in an environment of conflict and misunderstanding, it is desirable that both the parties sit together to resolve their differences and conflicts through mutual discussions and negotiations without the intervention of the third party. This process of resolving the differences between union and the management in the absence of any third party may be called as collective bargaining.

Perhaps, the term “Collective Bargaining” was identified by Sydney and Beatrice Webb in 1897. Probably, it means, “to bar the gains (of others), collectively.” Collective Bargaining – Contract Negotiation and administration – involves the relations between employers operating through their representatives and the organised labour. It can be defined as the process through which representatives of management and union meet to negotiate a labour agreement. This means that both management and labour are required by law to negotiate wages, hours, and terms and conditions of employment “in good faith”. Good faith bargaining is a term that means both parties are

communicating and negotiating and that are being matched with counter proposals with both parties making every reasonable effort to arrive at agreements. It does not mean that either party is compelled to agree to a proposal.

According to Harbinson, collective bargaining is “a process of accommodation between two institutions which have both common and conflicting interests.” The Asian Regional Conference of ILO held in 1953, asserts that collective agreements are usually the best measures for the determination and adjustment of wages and that attempt should be made as early as possible to develop systems of collective negotiations based on free associations of employers and workers.

In the National Labour Relations Act of the United States, collective bargaining finds a place. The Act, in section 8(d), defines collective bargaining as “the performance of the mutual obligation of the employer and representative of the employees to meet at a reasonable time and confer in good faith with respect to wages, hours and other terms and condition of employment, or the negotiation of an agreement, or any question arising thereunder, and the execution of the written contract incorporating any agreement reached if requested by either party, but such obligation does not compel either party to agree to a proposal or require the making a concession.”

## **5.2 PRESENTATION OF CONTENTS**

### **5.2.1 Scope of Collective Bargaining**

The scope of collective bargaining is quite vast because of the delicacy of the employer, employee relationship, changing necessity of the organization and its employees, changes in the business environment and competition with in the industry and across industry.

According to Monappa, the scope of collective bargaining agreements now covers issues such as wages, bonus, overtime, paid holidays, paid sick leave, safety wear, production norms, hours of work, performance appraisal, workers participation in management, hiring, fixing of job evaluation norms and

modernization. The scope of collective bargaining varies from organization to organization and industry to industry depending upon existence of strong and matured union and its leadership trust and confidence between union and management, past history and present status of organization with respect to negotiation and their implementation.

### **5.2.2 Characteristics of Collective Bargaining**

Randle observes: "A tree is known by its fruit. Collective bargaining may best be known by its characteristics."

The main characteristics of collective bargaining are:

1. It is a group action as opposed to individual action and is initiated through the representatives of workers. On the management side are its delegates at the bargaining table; on the side of workers is their trade union, which may represent local plant, the industry membership or nation-wide membership.
2. It is flexible and mobile, and not fixed or static. It has fluidity and ample scope for a compromise, for a mutual give-and-take before the final agreement is reached or the final settlement is arrived at.
3. It is a bipartite process. The employers and the employees are the only parties involved in the bargaining process. There is no third party intervention. The conditions of employment are regulated by those directly concerned.
4. It is a continuous process which provides a mechanism for continuing and organised relationships between management and trade unions. "The heart of collective bargaining is the process for a continuing joint consideration and adjustment of plant problems."
5. It is industrial democracy at work. Industrial democracy is the governance of labour with the consent of the governed workers. The principle of arbitrary unilateralism has given way to that of self-government in industry. Collective bargaining is not a mere signing of an agreement granting seniority, vacations and wage increases. It is not

a mere sitting around a table, discussing grievances. Basically, it is democratic: it is a joint formulation of company policy on all matters which directly affect the workers.

6. Collective bargaining is not competitive process but is essentially a complementary process, i.e. each party needs something that the other party has, namely, labour can make a greater productive effort and management has the capacity to pay for the effort and to organize and guide it for achieving its objectives.

In the words of Davey: "Collective bargaining is a complex process. It involves psychology, politics and power of the work group. It frequently involves a contest between sovereign institutional entities whose survival requirements are, in some instances related and in other instances, independent of, or in conflict with, one another."

### **5.2.3 Objectives of Collective Bargaining**

The objectives of collective bargaining, according to the Guide, include the recognition of union as an authority in the workplace, improvement of workers standards of living and enlargement of their share in the profit of the enterprise, expression of the worker's desire in a concrete form to be treated with due respect and attainment of democratic participation in decision influencing their working conditions, development of orderly practices for sharing in these decisions and settlement of disputes which may stem in the day-to-day working of the enterprises and accomplishment of broad general objectives including defending and promoting the workers interest through out the country.

According to DeCenzo and Robbins, the objective of collective bargaining is to agree upon an acceptable contract to management, union representative and the union membership. The purpose of collective bargaining is to attain industrial peace not at any price. Rather, it aims at the commonly held goals of a free society. In fact, the major function of collective bargaining is to generate pressures for enhancement of the dignity, worth and freedom of individual workers.



## **5.2.4 Types of Collective Bargaining**

Collective bargaining can be classified on different basis. It can be classified in terms of level of work place as “plant or work place bargaining” between the shop stewards and the plant management representatives. Moreover, at the level of enterprise, there may occur “company bargaining” between representatives of union(s) and management. Further a “national bargaining” may occur at the level of industry between the representative of a union or a federation of unions and those of employer’s association or federation of employer’s associations.

It may be noted that some times there occurs “effort bargaining” where the amount of work to be accomplished for a predetermined wage becomes negotiable alike the wage itself. In addition, there is also a trend of “productivity bargaining” irrespective of financial system involved. Productive bargaining is a process by which employers minimize or at least stabilize unit labour cost by getting more effective work done and by which employees obtain greater rewards for doing it.

Bargaining can be “formal” as well as “informal” forms. Formal bargaining involves only very limited range of issues including basic wage rates and basic conditions of work, the informal bargaining may embrace the wider issues such as financial incentives, disciplines, work practices, recruitment and redundancy.

## **5.2.5 Process of Collective Bargaining**

Collective bargaining has two facets:

- a) The negotiation state; and
- b) The stage of contract administration.

The process of collective bargaining involves six major steps (also see in fig. (5.3.1))

1. Preparing for negotiations
2. Identifying bargaining issues.
3. Negotiating
4. Settlement and contract agreement
5. Administration of the agreement.

As in the figure (5.3.1), the environment influences the collective bargaining process. One bargaining environment is the type of bargaining structure that exists between the union and the company. The four major types of structures are:

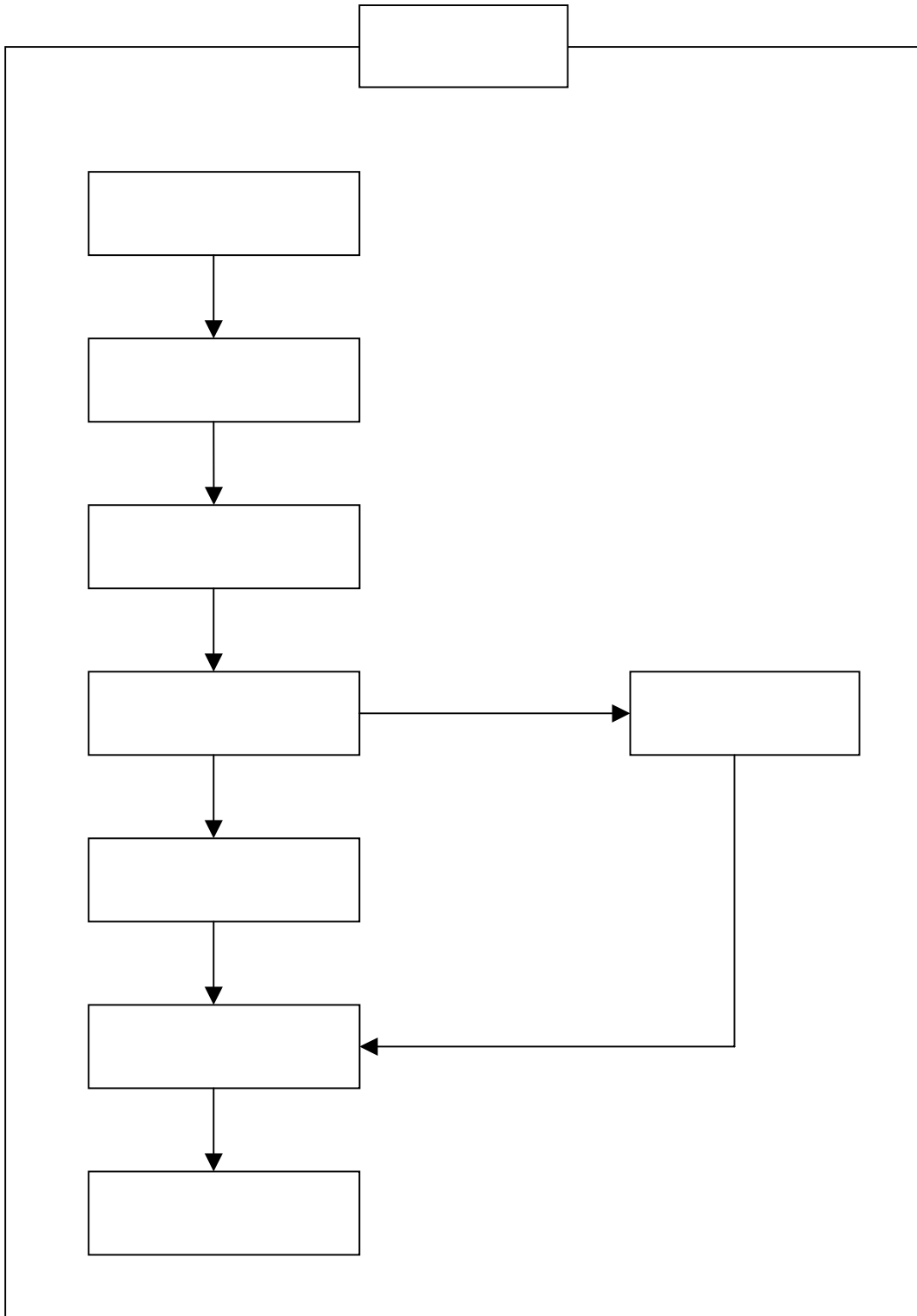
- (i) one company dealing with a single union,
- (ii) several companies dealing with single union,
- (iii) several unions dealing with a single company, and
- (iv) several companies dealing with several unions. The bargaining process is comparatively simple and easy if the structure is of first type and becomes difficult and complicated in the remaining.

### **Negotiation Stage**

At the negotiation stage, certain proposals are put forward which explore the possibility of their acceptance and have the way to mutually agreed terms after careful deliberation and consideration. The negotiation stage itself involves three steps namely preparation for negotiation, identifying bargaining issues and negotiating.

#### **1. Preparation for negotiation**

Careful advance preparations by employers and employees are necessary because of the complexity of the issue and the broad range of topic to be discussed during negotiations. Effective bargaining means preparing an orderly and factual case to each side. Today, this requires much more skill and sophistication than it did in earlier days, when shouting and expression of strong emotions in smoke filled rooms were frequently the keys to getting one's proposals accepted.



Source: Adapted from R. Wathe Mondy and Robert M. Noe III, *Personnel: The Management of Human Resources*, p. 47.

**Fig. 5.2.5 The Collective Bargaining Process**

From the management side the negotiations are required to:

- i. Prepare specific proposal for changes in the contract language.
- ii. Determine the general size of the economic package the company proposes to offer.
- iii. Prepare statistical displays and supportive data for use in negotiations, and
- iv. Prepare a bargaining book for company negotiations, a compilation of information on issues that will be discussed, giving an analysis on the effect of each case, its use in other companies, and other facts.

From the employee's side, the union should collect information in at least three areas:

- The financial position of the company and its ability to pay.
- The attitude of the management towards various issues in past negotiation or inferred from negotiations in similar companies.
- The attitudes and desires of the employees.

The other arrangements to be made are selecting the negotiators from both sides and identifying a suitable site for negotiation.

## **2. Identifying Bargaining Issues:**

The major issues discussed in collective bargaining fall under the following four categories:

### **a. Wage related issues:**

This includes such topics as how basic wage rates are determined, cost of living adjustments, wage differentials, overtime rates, wage adjustments and the like.

### **b. Supplementary economic benefits:**

These include such issues as pension plans, paid vacations, paid

holidays, health insurance plans, retrenchment pay, Unemployment pension, and the like.

**c. Institutional issues:**

These consist of the rights and duties of employers, employees, unions, employee's stock ownership schemes, and the like.

**d. Administrative issues:**

These include such issues as seniority, employee discipline and discharge procedures, employee health and safety, technological changes, work rules, job security, and the like.

While the last two categories contain important issues, the wage and benefit issues are the ones which receive the greatest amount of attention at the bargaining table.

**3. Negotiating:**

Preparations have been made and issues being identified, the next logical step in collective bargaining process is negotiation. The negotiating phase begins with each side presenting its initial demands. The negotiation goes on for days until the final agreement is reached. But before the agreement is reached, it is a battle of wits, playing on words, and threats of strikes and lockouts. It is a big relief to every body when the management representatives and the union finally sign the agreement.

The success of negotiation depends on skills and abilities of the negotiators. At times, negotiations may breakdown even through both the labour and the management may sincerely want to arrive at an amicable settlement. In order to get negotiations moving again, there are several measures that are usually adopted by both the parties, which sometimes even includes unethical measures:

- a. Through third party intervention such as arbitration and adjudication,
- b. Unions tactics likes strikes and boycotts, and
- c. Management strategies such as lockouts, splitting the union, bribing union leaders and using political influence.

## **(B) Contract Administration**

When the process of negotiation has been completed, it is time to sign the contract, the terms of which must be sincerely observed by both the parties. The progress in collective bargaining is not measured by the more signing of an agreement rather, it is measured by the fundamental human relationships agreement. Once an agreement is signed, both the trade union and the management are required to honour it in letter and spirit. The union officers and company executives should explain the terms and implications of the contract to employees and supervisors with a view to ensuring that the day to day working relationship between workers and management is guided by that contract. It is important that contract must be clear and precise. Any ambiguity leads to grievances or other problems.

The whole process of contract administration is identified by two steps, namely settlement and contract agreement i.e. settlement of disputes by collective bargaining and find a solution as an contract agreement between union and management and administration of agreement i.e. implementation according to the letter and spirit of the provisions of the agreement.

### **5.2.6 Prerequisites for Collective Bargaining**

1. There should be careful selection of negotiation teams and issues. The team should have a mixed composition, including productions finance and IR experts. It should be headed by personnel and industrial relations specialists of sufficient seniority, who has adequate authority to commit the enterprise and take decisions, without frequent referrals to top management. For instance, many organizations have a vice-president personnel or director-personnel

heading the team with a brief to commit the organization up to a certain amount which can be spread out depending on the negotiating depending on the negotiating situation based on union demands.

2. It is important for the management to recognize the union and to bargain in more good faith, in unionised situations. This can put pressure on the union to formulate plans and demands in a systematic way. Strong unions and progressive managements can help create an atmosphere of mutual confidence.
3. The negotiating teams should have open minds, to listen and appreciate the other's concern and point of view and also show flexibility in making adjustments to the demands made.
4. The need to study adequately or do 'homework' on the demands presented, i.e. to gather data on wages and welfare benefits in similar industries in the geographical area.
5. Both the management and union should be able to identify grievances, safety and hygiene problems on a routine basis and take appropriate remedial steps.
6. Trade unions should encourage internal union democracy and have periodic consultations with the rank and file members.
7. Trade unions should show their equal concern regarding both quantity of work output as agreed upon and quality of work. They should show their full commitment towards the viability of the firm and its products/services.

Periodic discussions may be necessary between the management and the unions to interpret the provisions of the contract and clarify doubts.

### **5.2.7 Collective Bargaining in Developed and Developing Countries: A Comparison**

Based on a discussion initiated by Morris Weisetz at a meeting of the Delhi Management Association, Chatterjee presents a comparative analysis of

bargaining behaviors in developed and developing economies. As it emerged, the bargaining behaviour in a developing economy and in a developed economy may be different in their approach: ideological, political and social.

### **Ideological Differences**

In developed countries, labour has gained considerably in earning and in accomplishing a standard of living. What is shared with the employer is a cake of big size. Thus, labour, becomes interested in a continuous relationship with the employer rather than in frequent conflicts. However, in developing countries the cake to be shared is of a small size and the conflict is frequent and has at times ideological flavor. In several of these countries the habit of conflict still persists and the idea of class struggle is still appealing to labour.

### **Political Differences**

In developed economies, the industrial revolution emerged much earlier. In some of them, along with the revolution, some kind democratic government was also formed. This has happened in USA and U.K. The democratic government provided gradually the political base to labour which it used for its economic gains. However, the labour organizations, try even today to keep the trade union activities separate from their political activities. This is true even of the UK and France. On the other hand, in developing economies, there may be immense interest in political activities on the part of labour than in activities which directly promote their economic gains.

### **Social Differences**

In developed countries, practically all-available manpower is used for production. There is generally full employment. As productivity is high because of superior technology, less labour is needed. In this process labour become expensive, both highly skilled and highly paid. This explains the migration of cheap labour from less developed countries to developed countries. Within a developing country itself, there may be certain pockets of prosperity which similarly attracts labour from less developed areas. For instance, the green revolution in the Punjab caused for some time a shortage



of labour. In developing countries much more workers are available than that can be utilized. Accordingly, efficiency tends to be low.

### **Some Possibilities Common to both Developed and Developing Countries**

Since the bargaining leads to the joint decisions to regulate working conditions, wage etc., generally it makes for peace and harmony in both developed and developing countries. This is likely to occur especially where such an agreement is entered into with a recognized trade union having a majority following. These joint decisions establish a kind of rule of law in labour-management relations and remove arbitrariness on the part of the employer or militancy on the part of the workers. In an industry where such bargaining take place, a sound mutual understanding is achieved between parties. Each understands the position of the other and a genuine negotiation takes place on the basis of such mutual understanding. Some of e.g. quoted over here are, the TISCO agreements, agreements between the Textile labour Association and Mill-Owners Association of Ahmedabad.

Collective bargaining with its flexible and adjusting behaviour opens with the knowledge and consent of all the parties concerned. Thus, under certain conditions some clauses of agreement can be opened for negotiation.

Collective bargaining reflects a willingness approach towards dispute resolution. So that it is considered as constructive approach towards organizational conflict.

### **5.2.8 Collective Bargaining in India**

#### **Historical Development**

Collective Bargaining on voluntary basis in India has developed after independence, although we find some examples of collective bargaining earlier in textile industry in Ahmedabad. As Sur M. observes, this system is a result of mutual voluntary effort of certain management and trade unions that realized that disputes can be solved easily by discussion rather than industrial court.

The pioneer collective agreements were those made by Dunlop Rubber Company in West Bengal in 1947 for three years embracing the three categories of employees. Thereafter, the Bata Shoe Company in West Bengal made its agreements for two years incorporating a grievance procedure. In 1951, the Indian Aluminum Company made its five-year agreements with employees union in Belur.

The Imperial Tobacco Company negotiated during 1952-54 one of its three series of agreements ranging from four to five years in Bombay and elsewhere. During 1955-56, numerous collective bargaining agreements were made in the Tata Iron and Steel Company, Jamshedpur; Iyer Brothers, Calcutta; the Hindustan Iyer, Bombay; National Newsprint and Paper Mills, Nepanagar.

A study conducted by the Employers Federation of India in 1962 indicates that in all 114 agreements were made during 1954-61 by 49 enterprises involving nearly 4.5 lakhs of employees. These agreements largely related to the issues of pay and allowances as well as annual bonus. It may be noted that collective bargaining agreements are largely obtained in private sector than public sector except in Railways.

### **Emergence of Independent Unions and Unit Agreements**

The emergence of 'independent' trade union leaders changed the scene of collective bargaining. Independent Union leader like R.J.Mehta and Datta Samant in Mumbai were a big challenge to the centralized trade unions. The trade union movement entered a more militant phase. The slowly changing equations within the industrial setting were bringing about a change in employer and employee relationship.

Traditional industries like textiles and jute proved totally uneconomical and their industrial relations were deteriorating. It witnessed the historic strike, which was not successful. Its failure changed the scene of trade unionism in India as well as the equations between employers and employees. Industry level wage negotiations were reducing and were being replaced by unit level agreements. This resulted in increase of independent unions.

## **Unions as Irritants than Threats**

During the regimes of Rajiv Gandhi and V.P.Singh, when economic liberalization was introduced, there was depoliticalization of the working class movement. It is evident from the fact that out of 554 seats of parliament, only 40 seats were decided by workers votes. The 1980's witnessed the weakening of labour movement as it completely lost its focus. The higher failure rate of strikes and the rising frequency of lockouts were responsible for fast deteriorating labour scenario and unions were seen more as an irritant than as a serious threat to the employers.

## **Changed Concept of Collective Bargaining and Compromise**

There was a big change in the concept of collective bargaining in 1980's, though it actually began in the 1960's. The new concept was based on the phenomenon of linking of wages to productivity spread to all major industries. In Premier Auto, the workers were able to accomplish six-fold increase in production during 1978 to 1991 without any major changes in technology or significant capital investment with the existing staff.

## **Growing Employer Activism and Dwindling Fortunes of Employer Union**

It is evident from the fact that between 1976 to 1996 the number of employees unions rose only by 76 percent. With the decreased number of labour unions, the need to bring reforms in laws was felt. The labour unions were not happy with this industrial sector reforms due to economic liberalization. It appears that the employers associations become more assertive in direct contrast to the dwindling fortunes of the employees unions.

## **Need for Reorienting Unions Goals**

As the situation have not changed significantly. Unions must reorient their goals and aspirations. Unions are emerging at floor level. But it is restricted to organized sector only. So there is a need to reorient union's goals in unorganized sector to improve wages and quality of life using collective bargaining.

## **Difficulties**

There are two major difficulties, which include prerogative of management, and multiple and rival unions. The term 'prerogative' implies that the unrestricted right of the sovereign. Indeed, theoretically, management prerogative is peculiar right to do what it likes with the men, metal and money that it employs. However this concept is changing significantly. In a socialistic democracy, labour is considered as a partner in the common table of development. Moreover, management prerogative has no sense in the face of new developments in the field.

Another difficulty is caused due to the rival trade unions. Trade unions are more political than economic in character. The employers frequently exert a pressure on the rival union and to sign the agreement, which is already being negotiated with representative union. Because they want to avoid conflict as well as adopt a tactful approach to take the employees in conference who are already confused by the conflict itself. The management may recognize all unions, negotiate separate agreements with them and persuade them to accept identical clauses in different agreements. Although unions are largely instable and subject to shifting allegiances and political influences, the negotiation should concentrate on the economic issues which is major concern of the rank and file members.

## **What contributes to successful agreements?**

There are several factors examined by Sur influencing successful collective bargaining in India. The size of the company has no relevance to the effective bargaining because it is frequently conducted at the unit level. Both large as well as small enterprises can have successful collective bargaining because at plant level, they have through understanding of local events. Moreover, while linking wages to productivity, some employers have provided the unions and employees a realization of their role in industry. Rational and technological changes contribute to voluntary agreements. The urgent need for increased productivity has forced management to find out measures to introduce changes with the minimum of conflict and provisions for retaining

and absorption of surplus workers in other jobs. The introduction of collective bargaining has been more effective in a relatively new industry.

In addition, the introduction of new management with knowledge of production process and labour relations and a willingness to experiment with them have facilitated the development of effective collective bargaining. A formal recognition of the union should also have a stable and responsible leadership, recognition of the function of management and a desire to discuss problem contribute to effective bargaining process and agreement. Finally, personalities of the leaders on both sides form effective facilitators of collective bargaining. Thus, there are many factors conducive to collective bargaining. However, the management must give a lead towards the development of effective collective bargaining.

### **5.2.9 Role of Collective Bargaining in Tea Plantations in- Tamil Nadu - A Case Study**

The trade union movement in South Indian Plantations in general, and in Tamil Nadu Plantations in particular, is of recent origin. The entry of political parties and the en-actment of the Plantations Labour Act, 1951, has contributed for the growth of the plantation labour unions in tea plantation in Tamil Nadu.

In Tamil Nadu, at present, the tea plantation workers are affiliated under the banners of the three major national trade unions including INTUC, AITUC, and HMS. Besides, the two state level political parties (namely, the DMK and AIADMK) have also their own unions. Whenever negotiations take place, representatives of 14 unions, from all districts tend to participate..

In Tamil Nadu, next to agriculture, tea plantations are the largest single employer providing regular employment to 1,00,000 rural unemployed. Plantation workers of the state are the best-organised sections of rural workers. Plantations being labour intensive, the share of wages is an important element of cost for the planters. The important wage institutions such as Minimum Wage Fixation and Tripartite Wage Boards till 1968 influenced their wages. However, when the two institutions failed to provide not even a need

based minimum wage, the workers started looking for a better alternative system. Accordingly, there emerged bipartism and tripartism as wage setting forces since 1969. In this section based on Meenakshisundarajan's study, an attempt has been made to analyze the role of collective bargaining in the tea plantations in Tamil Nadu since 1969 embracing the period of 25 years (1969-1994).

### **Wage Settlements in Tea Estates**

As per the Wage Board recommendations, the wages of the tea plantation workers were to remain in force till December 31, 1970. However, in the face of workers' agitation, the employers were forced to enter into a wage settlement in June 1969. Inclusive of this settlement, a total of 15 negotiated settlements took place between the Planters' Association of Tamil Nadu and the 14 Union leaders representing the tea workers in Tamil Nadu.

Apart from these settlements, six agreements relating to incentive rates for pluckers, and payment of annual bonus were also entered into between the parties. For arriving at these settlements and agreements, the workers had to resort to strike threats. Out of fifteen, nine settlements were signed only after the workers actually struck work. These were caused by steep rise in the cost of living index. During the period 1969-89, cost of living index had increased annually at the rate of 45.87 with a growth rate of 9.43, which were statistically significant. Due to the wage settlements, the dearness allowance part of the wage component had been increasing more proportionately than the increase in basic wage rate. Accordingly, the present day wage structure resembles a pyramid of which the main base is the ever growing dearness allowance component, whereas the basic wage rate had become progressively less significant. For instance, the share of basic wage in the total wage had declined from 72.76 percent in 1975 to 44.44 percent in 1989. On the other hand, the dearness allowance component had increased from 27.24 per cent to 59.56 per cent in the same period. Thus, the disproportionately large share of dearness allowance had grossly undermined the basic purpose underlying the structure of wages.

## **Money and Real Wages**

Due to these settlements, the percentage increases in money wage for the field workers were at the rate of Rs. 732 for men, Rs. 917 for women, Rs. 774 for adolescents and 880 for children. These increases did not show the real position. It is because the real wages had not increased much. The percentage increase of real wages was at the rate of 38 for men, 69 for Payment of Bonus.

Taking into account the past industry wise settlement on bonus, a long term agreement was reached in respect of the year 1968,1969 and 1970 providing for bonus at 9 percent, 8.75 percent and 8.75 percent respectively to the workers in the tea estates as per the settlement of 1969. In the mean time, on 3'd September 1977, the Payment of Bonus (Amendment) Ordinance, 1977 was promulgated which was later replaced by an Act according to which the minimum bonus payable was fixed at 8.33 per cent whether an establishment made a profit or not.

## **Trend and Growth Rate Estimates**

The trend and growth rate estimates for the area in tea shows an annual increase of 194.01 hectares with a compound growth rate of 0.54, production of tea at the rate of 2.135 million kilograms with a growth rate of 3.04 and the yield per hectare increased annually at the rate of 48.28 kilograms with the compound growth 2.50. The income to the planter showed an annual income of Rs. 2,951 per hectare with compound growth rate of 10.69. All these figures are statistically significant.

## **Average Daily Employment**

For this period also, the daily employment in tea plantations in the state showed significant increase from 77,983 to 85,145 (an increase of 9.18 percent). This significant increase was due to a very significant increase in the area under tea (11 percent). Thus, it also confirms the contention that optimum land-labour ratio was not at all maintained and the plantations could have employed more labourers. The trend and growth rate estimates of the labour employed show that it annually increased at the rate of 807 with a growth rate of 1.01.

## **Significance of Collective Bargaining as a Wage Setting Force**

The present study on the role of collective bargaining shows, that of the three institutional forces which influenced the process of fixation of wages in the tea plantations, collective bargaining had a major and positive influence. Thus, the period from 1969 to 1989 can be considered as the best period of wage fixation for the workers in the tea plantations. The researcher also conducted the analysis to prove this point in terms of the wage structure and wage rates in real terms.

### **Wage Structure**

The minimum wage fixation machinery devised a wage structure consisting of a basic wage and dearness allowance, but in the recommendations, only an all inclusive wage rate was proposed with no provision for protecting the workers from escalating cost of living index. The same is the case with the award of the Wage Board though it recommended annual increase of wages but with a ceiling. However, from the second negotiated settlement of 1975, the basic wage rate and variable dearness allowance were fixed. Again, the rates of dearness allowance were increased in the settlement of 1978. The dearness allowance rates were enhanced upwards during the settlements of 1980 and 1987. Accordingly, in addition to the revision of dearness, in an effort to neutralize the increase in the cost of living, upward revision of basic wage rates were accomplished at least once in two years in a total of 12 wage revisions.

### **Wage Differentials and Rates**

In making recommendation on the wage rates, both minimum wage fixation and wage board award had recommended lower rates for women workers in field and factory work. Labour unions had been demanding equal wages for equal work irrespective of sex differential. Yet this was denied. However, this long standing demand was met and same rates of wages were fixed for men and women under the settlement of 1978.



It was under the collective bargaining that both real and money wages had registered significant increases. The alarming rate of rise in the cost of living index was also a reason for this trend. The period of collective bargaining revealed marked increase in the real wage rates of all categories of workers.

## **Conclusion**

As Meenakshisundarajan concluded, there were a series of wage settlements. The result of these settlements was a considerable increase in money wages and separate calculation of basic wage and dearness allowance. Payment of bonus and other benefits became possible.

However, a close scrutiny of all these wage settlements reveals that despite their strength, the workers could not accomplish all their just demands during the negotiations and some important issues were postponed from settlement after settlement till these issues became the cardinal points. At times, the negotiations went on for long and the workers forced to agree for postponement of some of their demands. Though it is claimed by the planters that they have been paying fair wages to the workers, it is a fact that cent percent neutralization is yet to be provided. Compared to the periods of previous wage institutions, the period of collective bargaining represents a more alarming rate of increase in the cost of living index, the result of which was that the increase in the real wage of the workers during the last two decades was only marginal.

Further, during this period, the prosperity of the plantations was far higher than the earlier periods. Accordingly, it is only justifiable that the workers should at least have been paid a need based minimum wage in tune with the increase in cost of living. It is sure that, as long as the present system of wage settlements continues, there is no possibility for the workers to earn a wage, based on their minimum requirements.

Therefore, under the circumstances, the workers have to continuously fight in order to protect the existing level of their living standards. They are not likely to demand the wage rates based on justifiable calculation of minimum requirements. A need-based system of wage payment is yet to be evolved and it remains a dream for the tea plantation workers.

### **5.2.10 Collective Bargaining In Indian Railways - A Case Study**

As Subba Rao and Narayana based on their study (described in this section) observe, the economic liberalizations announced by the Government of India and consequent programmes implemented could not shake the railway industry in India. Of course, these programmes could bring the management and trade unions of Indian Railways closer to each other by changing their attitudes to meet the challenges of competition from other modes of transportation and thereby create favourable climate for collective bargaining and participative management.

The Government of India adopted a number of industrial relations strategies to facilitate the process of industrialization. It accorded legal recognition to collective bargaining in 1952, which had been in practice since 1920. The scheme of workers' participation in management adopted by the government (Resolution No. S 61011 (4) 75-DK-I (B)) on October 30, 1975 as part of its Twenty point Economic Programme, forms one such industrial relations promotion strategy. The important objectives of the scheme were reduction of industrial conflict and improvement of productivity.

Three schemes of collective bargaining and workers' participation in management are in operation at present in Indian Railways (viz., Permanent Negotiating Machinery, Joint Consultative Machinery and Compulsory Arbitration and Participation of Railway Employees in Management - formerly known as Corporate Enterprise Group).

### **The Structure of Indian Railways**

Indian Railways, the core of nation's transport system forms Asia's largest and World's forth-largest rail system. It is largest employer in the country with an average employment of 1.60 million by the end of 1994-95. It is also the largest undertaking in the country with an invested capital of Rs. 177, 125 million and with route kilometers of 82.458 (by the end of 1991- 92) spread geographically throughout the length and breath India. Railways in India is owned and managed by the Union Government except a few branch lines on the narrow gauge which are owned and managed by private companies and

municipal bodies. The management responsibilities of the Railways vest with the Railway Board headed by a chairman who is a functional member. It is divided into nine zones, each headed by a general manager. The chief personnel manager at this level assists the general manager in bargaining and workers' participation the management. Every zone is divided into several divisions headed by a divisional manager who is helped by a division personnel officer.

### **Formation and Recognition of Trade Unions**

In view of the failure of individual unions and to strengthen the railway trade union movement, the concept of an All India Railway Employees Union was first evolved in the year 1921. Accordingly, the All India Railwaymen's Federation (AIRF) with the, affiliation of union at company level was constituted in 1925. The Federation was granted recognition by the Railway Board in 1930.

The railway management was criticised for refusing recognition to most of the in unions at company / zonal level with large-size membership during 1924 and 1947. The plethora of rules imposed made recognition a sore point for the unions.

A rival federation emerged in 1948 under the leadership of the Congress Party (by dividing the workers). It was designated as The Indian National Railway Workers the Federation (INRWF). This federation was also recognised by the Railway Board in the same year. The formation and recognition of INRWF was questioned by the AIRF. With the formation of INRWF grave rivalries came into existence in the railway trade union movement. This led to the formation of two rival unions in each zone.

After the co-existence of the two rival camps for about four years, the AIRF and of the INRWF were merged into a new federation called National Federation of Indian Railwaymen. However, this unity could not exist for long and the federation was divided into All India Railwaymen's Federation (AIRF) and National Federation of Indian Railwaymen (NFIR). Thus, currently, there are two recognised federations. AIRF and NFIR. Instead of improving industrial

relations, recognition of the second federation is responsible for inter-union rivalries and non-settlement of grievances. This has hampered their bargaining strength with the formation of craft unions.

### **Working of Permanent Negotiating Machinery and Joint Consultative Machinery**

In this section an attempt will be made to examine two schemes of collective bargaining in Indian Railways including Permanent Negotiating Machinery and Joint Consultative Machinery. Permanent Negotiating Machinery (PNM) has been functioning at the Railway Board level, Zonal level and divisional level since 1952, whereas Joint Consultative machinery (JCM) has been functioning at the National level since 1967 and at the Railway Board level since 1968.

The performance of PNM during the period 1991-92 to 1994-95 compared to that of 1970-71 to 1990-91 has been improved. The percentage of issues settled in favour of employees to total was 29.48 during the period 1970-71 to 1990-91 and 33.41, during the period 1991-92 to 1994-95. This is most probably due to the fact that the trade unions referred the issues like hike in wages, dearness allowance, recruitment 991 promotions and transfers to the PNM before 1991-92 whereas the issues relating to railway safety, gauge conversion, employee training in business handling and passenger service, competition with other modes of transport etc., were referred to the PNM by the trade unions during and after 1991-92.

It has been charged that management before 1991 generally favoured the NFIR while settling the issues; the percentage of items settled in favour of the NFIR being 35.11 as against 25.45 percent in case of AIRF during the period 1970-71 to 1990-91. This further aggravated inter union rivalry between AIRF and NFIR. It has been further charged that the machinery, which was set up to resolve disputes and differences, was itself becoming the source of disputes and differences. It is also observed that though the management continued favouring NFIR while settling the issues during the period 1991-92 to 1994-95 also, the scheme was not targeted for criticism as the percentage

of items settled in favour of NFIR being 33.23 as against 31.14 percent in case of AIRF during the period. This is mostly due to the fact that AIRF referred more of the issues relating to passenger service, business handling, etc., to the PNM meetings.

Although it is claimed that the Joint Consultative Machinery did not contribute inter-union rivalry as the management met both the federations jointly and its functioning was relatively better, it could also not solve major problems of workers. Thus, the functioning of the two machineries did not lead to settlement of major grievances of the workers including shortage of staff of crucial categories such as station masters, drivers, guards and train examiners (Railway Accidents Inquiry Committee, 1978) leading to overload of work of the existing employees and abnormal delay in confirmation of services resulting in employees' dissatisfaction. The most crucial demands employees for parity of wages with those of other public sector organizations, payment of bonus based on the Payment of Bonus Act, 1965, extension of employee benefits and services adequately to all employees have not been accomplished at the time of the study. The NFIR criticized that the management created crisis in industrial relations by not implementing the agreed decisions regarding re- classification of staff and cadre structuring. Non-implementation of the decisions of the cadre and restructuring of the committee created a deadlock in the functioning of PNM and JCM during the period from August, 1982 to July 1983.

Both the federations criticised that from the management side meetings were conducted with least seriousness; there was always a tendency to brush off subjects without resolving the issues. More than anything else, bureaucratic and highhanded behaviour of the officers had almost spoiled the purpose for which these machineries were constituted. The federations further felt that the machineries did not accomplish their objectives, because of the non-cooperation on the part of the management.

The management, on the other hand, holds that absence of cooperation and coordination between the federations in conducting meetings were responsible for the limited success of PNM and JCM. It has been charged that

industrial unrest arose. It was the management's attitude towards the labour in respect of amicable settlement of their problems. It is observed that the JCM has contributed to the inter-union cooperation after 1991 as both the unions referred the items relating to the increase in productivity, strength of railways compared to other modes of transport, energy conservation and modernisation. Again, the management tended to seek the cooperation between the two unions in view of the challenges posed by globalization.

### **Union-Management Conflicts**

The failure of the Railway Management to settle employee problems such as retrenchment of temporary staff, delay in confirmation, anomalies arising out of the implementation of the recommendation of the First Pay Commission and uniformity of conditions of services in all Zonal Railways was responsible for conflicts and loss of 760.90 mandays per 1000 workers employed during the period from 1950-51 to 1959-60.

High incidence of loss of mandays (0.81 million) during the year 1960-61 was the result of non-settlement of the grievances including payment of dearness allowance on the basis of the First Pay Commission's recommendations, grant of a national minimum wage, appointment of a permanent wage board and recognition of unions. Strikes were launched during the period from 1961-62 to 1973-74 (except in 1961-62, 1965-66 and 1966-67) in order to demonstrate the discontent of the employees in the matter of wages, dearness allowance and problems of the craft unions.

An All-India strike was organised in May, 1974 for 18 days due to the absence of cooperation from the management regarding the demand for the payment of bonus, parity in wages between railway employees and those in other public sector undertakings, etc. This strike was launched by the AIRF and all other unrecognized unions and federations. This strike resulted in a loss of 14.84 million of mandays. The inter-union rivalry between the AIRF and the NFIR was also aggravated. Thus, the cooperation between the two recognised federations and between the labour and management was altogether non-existent during the period.

However, it was observed that labour extended their cooperation to the management during 1965-66 and 1966-67 despite their discontent regarding economic standards and working conditions. The railway management stated that labour also extended their cooperation during 1981-82 and 1985-86 in view of the settlement of the problem of the payment of bonus and due to the enlightened approach in the matters of cadre restructuring re-classification of artisan workers and in issues raised by organised-labour, which were pragmatically resolved. However, the railway unions felt that they extended their cooperation to the management after 1979-80, though the management did not implement the agreed decisions relating to the varied issues until July, 1983 which caused a deadlock of PNM and JCM meetings. However, craft unions organised strikes in 1986-87. NFIR tended to criticise that the management was not interested in settling issues through consultation. However, it did not participate in strikes because (as claimed) it strongly believed in consultation, Thus, labour federations criticised that labour management cooperation in Indian Railways before 1991 meant cooperation from the labour to the management and vice-versa.

As Subba Rao and Narayana conclude, the challenges posed by the economic liberalisations created a positive climate for cooperation between trade unions and railway management. Trade unions and management have taken initiative to discuss the issues for strengthening railways and cooperating with each other consequently there were no industrial conflict in Indian Railways after the liberalisation.

### **5.3 SUMMARY**

While describing the nature of collective bargaining, attempt has been made to present its definition, characteristics, objectives, functions, process and types. The widening scope of collective bargaining embraces various issues. The collective bargaining procedure involves variation, preparation, stages, critical situations, drafting and designing of contract and contract administration. It reveals several prerequisites for collective bargaining. It also reveals several similarities and dissimilarities across developed and developing countries. At present, trade unions are irritant rather than threat to

management. Accordingly, concept of collective bargaining has changed with growing power of employers and dwindling fortunes of trade unions.

#### **5.4 KEYWORDS**

Collective Bargaining - To bar the gains collectively

Class Bargaining - Bargaining for their own community

#### **5.5 SELF ASSESSMENT QUESTIONS**

1. What is collective bargaining? What are its major functions?
2. Describe the nature and scope of collective bargaining?
3. Describe the characteristics & classification of collective bargaining.
4. Describe various strategies and tactics of collective bargaining.
5. Describe the procedure of collective bargaining.
6. Explain the major similarities and dissimilarities of collective bargaining in developed and developing countries.
7. Explain the historical background of collective bargaining in India.

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## LESSON NO. 6

### PARTICIPATIVE MANAGEMENT

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#### STRUCTURE

- 6.0 Objectives
- 6.1 Introduction
- 6.2 Presentation of contents
  - 6.2.1 Meaning of Workers' Participation in Management
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  - 6.2.4 Kinds of Involvement and Participation of Employee at Different Levels
  - 6.2.5 Government Policies and Participation
  - 6.2.6 Hurdles in the way of Workers Participation in India
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- 6.5 Self Assessment Questions
- 6.6 References/Suggested Readings

## 6.0 OBJECTIVES

The present Lesson is an attempt to overview the concept of participative management. After reading the Lesson the students will be able to understand:

- meaning, essence and objectives of Workers Participation in Management (WPM)
- various forms, levels and varieties of WPM
- history and present scenario of workers participation in India
- government view point and efforts towards WPM
- hurdles in participative management
- requirements for successful employee involvement and participation

## 6.1 INTRODUCTION

*It is almost a matter of common sense that human will take greater pride and pleasure in their work if they are allowed participatory freedom in shaping the policies and decisions which affect their work.*

Management of the employment relationship has been subject to significant change in the last two decades, as the process of globalization has intensified competition in product and labour markets. In this context, modern management theorists and practitioners have commonly emphasised the importance of two-way communication and cooperation between management and labour in determining the success of HRM strategy and maximizing workplace efficiency. Cooperation relies upon building employee commitment, and employee consultation and participation are intrinsic to this process.

Industrial democracy and participative management or workers' participation in management, as it is popularly known, has gained recognition in developed and developing countries. The concept is extension of political process to workplace. It emphasizes that workers and employees should feel that in their work they would be evaluated and respected as free persons of

equal value within the rules, order and discipline. In the atmosphere of co-operation, mutual respect and tolerance, they should have the right to influence conditions and measures that affect them directly and the enterprise as a whole.

The term 'participation' is derived from Latin word 'participare' that means taking part or sharing. Sharing is a bilateral process involving motivational and functional manifestations. The term workers' participation involves sharing, in an appropriate manner, the decision-making power with the lower ranks of the organization. Participation has a unique motivational power and a great psychological value. It generates a we-feeling among workers and promotes harmony and peace between workers and management. When workers participate in organizational decisions, they are able to see the big picture clearly, i.e. how their actions would contribute to the overall growth of the company. They can offer feedback immediately based on their experiences and improve the quality of decisions significantly. Since they are involved in the decisions from beginning, they tend to view the 'decisions' as 'their own' and try to translate the rhetoric into concrete action plans with zeal and enthusiasm. Participation makes them more responsible. They are willing to take initiative and come out with the quality-suggestions and growth-oriented ideas. With the feeling of being treated 'as equals' they begin to view the job and organization as their own and commit themselves to organizational activities wholeheartedly. Bilateral decisions help in bringing out radical changes in organizational systems, plans and procedures more easily. Employees do not feel threatened by such moves as they understand and appreciate the reasons behind such 'strategic shifts'.

## **6.2 PRESENTATION OF CONTENTS**

### **6.2.1 Meaning of Workers' Participation in Management**

The concept of workers' participation in management is a broad and complex one. Depending on the socio-political environment and cultural conditions, the scope and content of participation may change. Various terms have come to be used to denote different forms and degree of participation.

For example, joint consultation, labour-management cooperation, co-determination, joint decision making, workers' participation in industry and workers' participation in management. These terms or their variants have been interpreted and explained differently. In any case, a common thread running through all interpretations is the idea of associating employees in managerial decision-making. *The International Institute for Labour Studies defined WPM as "the participation resulting from practices which increase the scope for employee's share of influence in decision-making at different tiers of organizational hierarchy with concomitant assumption of responsibility"*.

**In the words of Gosep, Workers' Participation may be viewed as:**

- an instrument for increasing the efficiency of enterprises and establishing harmonious industrial relations;
- a device for developing social education for promoting solidarity among workers and for tapping human talent;
- a means for achieving industrial peace and harmony which leads to higher productivity and increased production;
- a humanitarian act, elevating the status of a worker in the society;
- an ideological way of developing self-management and promoting industrial democracy.

**A clear and more comprehensive definition is**

Workers' Participation, may broadly, be taken to cover terms of association of workers and their representatives with decision-making process, ranging from exchange of information, consultation, decisions and negotiations to more institutionalized forms such as the presence of workers' member on management or supervisory boards or even management by workers themselves.

**6.2.2 Objectives and Aims of WPM**

It would be more appropriate to classify the objectives of Workers Participation in Management in the following broad categories:

## **Ethical or Moral Objectives**

In an ethical or moral context, participation in decision making is designed to promote individual development or fulfillment in accordance with the conception of human rights and dignity to which the Universal Declaration of Human Rights (1948) probably gives the most widely published expression. The declaration reads-“All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood. Further, everyone, as a member of society... is entitled to realization...of the economic, social and cultural rights indispensable for his dignity and the free development of his personality”.

The Special Advisory Committee, set up by the Government of Jamaica, defined “Workers’ Participation” as “the extension of the individual’s human rights at the work place” and stressed that “the procedures, institutions, rules and styles of management should bring the worker’s recognition, treatment and attention as a human being rather than as a mere statistical unit of production”.

## **Socio-Political Objectives**

Political democracy ceases to have much significance in the absence of democracy in economic life. A citizen cannot be regarded as sufficiently mature for political democracy if he is denied democratic rights in his economic life. The industrial democracy programme adopted by the Swadeshi Trade Union Confederation in 1971 emphasised: “Industrial democracy is part of the effort made by the labour movement to extend democracy throughout society...Life away from the workplace has developed in one way and life at the workplace in another. The difference constantly grows and is at the root of the increasing need which employees feel to exert an influence on conditions of work and on management...If arbitrary situations are allowed to persist in one sector of society, they are an obstacle to the progress of democracy in the other sectors...Industrial democracy should be regarded as part of the general process of democratization.”

In our own country, the Second Five Year Plan, which was directed to the establishment of a socialist society, stated that a socialist society was based not only on cash incentives but also on the idea of serving the community and its willingness to recognize such service. So, individual workers must be induced to feel that in their own way they were helping to build a state directed towards progress. Consequently, the introduction of industrial democracy was a prerequisite for the establishment of a socialist society.

### **Economic Objectives**

Economic objectives relate directly or indirectly to increasing the efficiency of the undertaking. By associating the workers with the decisions taken, it is hoped to improve the quantity and quality of output and the utilisation of labour, raw materials, equipment and introduction of new techniques. There is growing awareness of the fact that the knowledge, experience and intelligence of those who actually do the work are not sufficiently used for improving industrial organisation and methods. Through participation, it is also hoped to reduce the areas of conflict of interest between management and labour and to improve labour relations.

The implications of workers' participation in management have been summarized in a publication of the International Institute for Labour Studies:

- Workers have ideas, which can be useful.
- Effective upward communication facilitates sound decision-making at the top.
- Workers may accept decisions better if they participate in them.
- Workers may work harder if they share in decisions that affect them.
- Workers may work more intelligently if, through participation in decision-making, they are better informed about the reasons for and the intention of decisions.

- Workers' participation may foster a more cooperative attitude amongst workers and management, thus, raising the efficiency by improving team spirit and reducing the loss of efficiency arising from industrial disputes.
- Workers' participation may act as a spur to managerial efficiency.

Conversely, it has been pointed out that the absence of participation results in misunderstanding, resistance, low morale and suspicion.

The CIPD in its Code on Employee Involvement and Participation in the United Kingdom (1993) states that the involvement of, and participation by, employees in any organization, should aim to:

- generate commitment of all employees to the success of the organization;
- enable the organization better to meet the needs of its customers and adapt to changing market requirements and hence to maximize its future prospects and the prospects of those who work in it;
- help the organization to improve performance and productivity and adopt new methods of working to match new technology, drawing on the resources of knowledge and practical skills of all its employees;
- improve the satisfaction the employees get from their work ; and
- provide all employees with the opportunity to influence and be involved in decisions, which are likely to affect their interests.

### **6.2.3 FORMS OF EMPLOYEE INVOLVEMENT AND PARTICIPATION**

Worker participation is a situation where workers are involved in some way with decision-making in a business organization. Worker participation can take many forms. There might be a Consultative Council in the Company, where trade unions and management meet regularly to discuss points of mutual interest. Workers can be organized in quality circles and meet regularly in small groups to discuss ways in which their work could be better organized.

Decision-making may be further pushed down the line so that even the most junior worker has some say in how work is organized. On a financial level, workers may be invited to buy or be given shares in the Company, encouraging them to participate in the affairs of the Company as shareholders. In a worker cooperative the shares and control of the company lie with its workers.

Marchington (1995) has identified five forms of employee involvement and participation:

### **Downward communications**

Downward communications (team briefing and meetings) take place from managers to employees in order to inform and 'educate' staff so that they accept management plans.

### **Upward problem solving**

Upward problem solving is designed to tap into employee knowledge and opinion, either at an individual level or in small groups. The aims are to increase the stock of ideas in an organization, to encourage cooperative relationship at work, and to legitimize change. Attitude surveys, quality circles, suggestion schemes and, total quality management/customer care committees come into this category.

### **Task participation**

Task participation and job redesign processes engage employees in extending the range and type of tasks they undertake. Approaches to job design, such as horizontal job redesign (extending the range of tasks undertaken at the same level) job enrichment, vertical role integration (taking greater responsibility for supervisory duties) and team working (where the team organizes its own work so that it becomes 'self managed') may be used.



## **Consultation and representative participation**

Consultation and representative participation enables employees to take part through their representatives in management decision-making. One of the aims of management in encouraging this form of participation is to use it as a safety valve - an alternative to formal disputes - by means of which more deep-seated employee grievances can be addressed. Joint Consultative Committees and the appointment of worker directors falls into this category.

## **Financial involvement/participation**

Financial involvement or participation takes the form of such schemes as profit sharing and employee share ownership. Some companies also use gain sharing as a means of involvement. The general purpose of Financial Participation is to enhance employee commitment to the organization by linking the performance of the firm to that of employee. Employee is more likely to be positively motivated as he or she has a financial stake in the company by having a share of profit or by being a shareholder.

## ***Co-ownership***

In this scheme, the workers are involved in management by making them shareholders of the Company. Thus, workers share the capital as well as profit. This may be done by inducing them to buy equity shares. The management may promote the scheme by allowing the worker to make payment in installments. It may also advance loans or even give financial assistance to such workers to enable them to buy equity share. Workers may also be allowed to leave their bonus with the Company as shares (bonus shares).

Participation through ownership has the distinct advantage of making the worker committed to the job and to the organization. It also offers recognition of the claim of the dignity of labour as the worker is viewed as partner in the business. This would, in turn, create a sense of belongingness among workers and stimulate them to contribute their best for the continued progress of the Company.

### ***Productivity Bargaining***

In this scheme workers' wage & benefits are linked to productivity. Information on Company performance is provided to employees as part of the scheme and they are encouraged to discuss with their managers or team leaders the reasons for success or failure and methods of improving performance. A standard productivity index is finalized through negotiations initially. Workers do not have to perform at exceptionally high levels to beat the index. If they are able to exceed the standard productivity norms, they will get substantial benefits. The aim of such schemes is to educate employees and gain their commitment. Without such agreement, workers may not realize the importance of raising productivity for organizational survival and growth.

### ***Gainsharing***

A form of contingent compensation where owners and employees share in productivity gains, as an incentive for improvement. Gains are determined by agreed-upon measures of organizational performance. Gain sharing typically provides for a long term distribution to manufacturing or similar units of a set percentage of the costs saved through the often substantial revamping of production processes. Gain sharing programs encourage teams within a firm to solve fundamental problems within their specific area of expertise.

## **6.2.4 KINDS OF INVOLVEMENT AND PARTICIPATION OF EMPLOYEE AT DIFFERENT LEVELS**

Employee involvement and participation can vary according to the level at which it takes place, the subject matter of participation, the degree to which decision making is shared, and the extent to which the mechanisms are formal or informal.

### ***Levels***

Involvement and participation takes various forms at different levels in an enterprise. These levels are described below.

The job level involves team leaders and their teams and the processes include the communication of information about work and interchange of ideas about how the work should be done. These processes are essentially informal.

The management level can involve sharing information and decision making about issues, which affect the way in which work is planned and carried out, and working arrangements and conditions. There are limits. Management as a whole, and individual managers must retain authority to do what their function requires. Involvement does not imply anarchy. But it does require some degree of willingness on the part of management to share its decision-making powers. At this level, involvement and participation may become more formalized, through consultative committees, briefing group or works councils involving management and employees or their representatives. At the policy making level, where the direction in which the business is going, is determined, total participation would imply sharing the power to make key decisions.

At the ownership level, participation implies a share in the equity, which is not meaningful unless the workers have sufficient control through voting rights to determine the composition of the Board.(also see Box-6.1)

### ***Subject matter of Participation***

The range of subjects covered by participative managements can vary. At one extreme the matter discussed could include issues of strategic importance to the whole enterprise, such as product range, investment decisions and other commercial and financial matter of similar significance. At the other, the subject matter may be more restricted to issues relating to items quite peripheral to the running of the business, for example the state of the car parking or canteen. Between these two extremes are issues of varying degrees of operational importance, such as those concerned with production or service decisions.

## Box-6.1

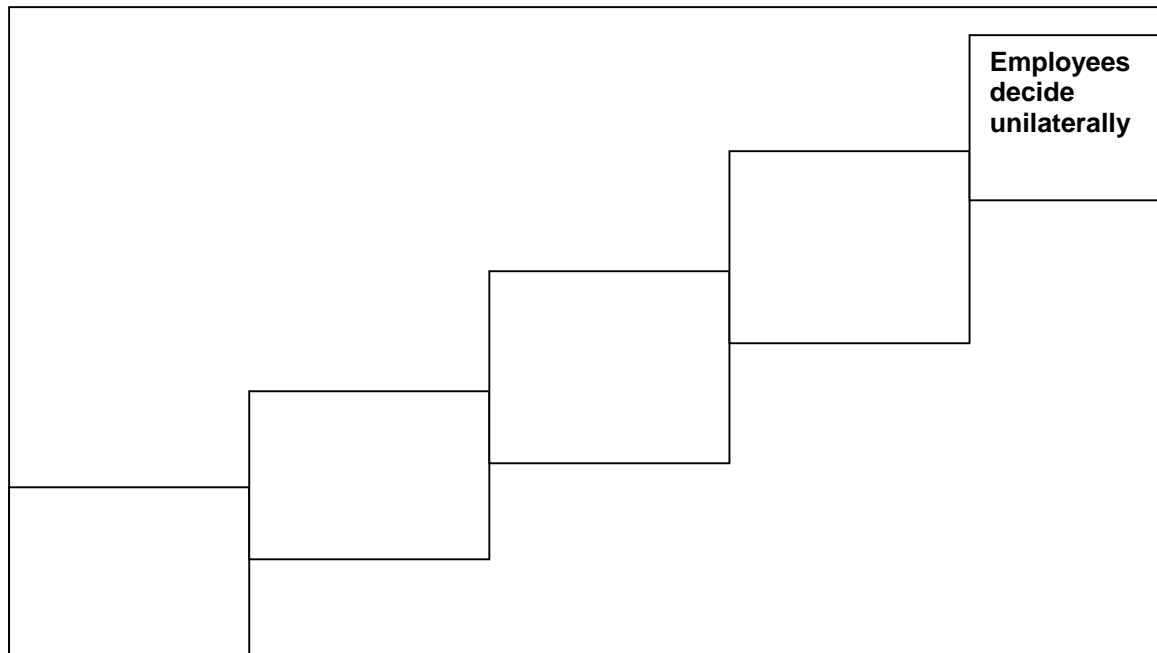
### Levels of Worker Influence on Company Decision Making

(Center for Labor Education and Research, *Florida International University*)

7. Workers' Council or Assembly SUPERIOR to managers (and if outside constituencies have representatives on this body, they must be approved by the workers). Known as FULL WORKER CONTROL or "SELF MANAGEMENT" (WORKERS AUTONOMY)
6. Joint power or PARTNERSHIP (workers and managers co-decide on joint board). This has many different voting proportions in existence and is considered JOINT MANAGEMENT or CODETERMINATION.
5. Workers wait until management has decided; then may VETO or APPROVE: if veto, then management submits modifications. Also known as "collective bargaining."
4. MANAGER DELEGATES some decisions generally to workers, reserving ultimate veto, which is rarely used.
3. Workers initiate CRITICISMS AND SUGGESTIONS and discuss them face-to-face with managers. Latter still have sole power to decide, but usually adopt workers' proposals.
2. Same as immediately above but managers usually reject workers proposals.
1. Managers give PRIOR NOTICE of a change, workers have a chance to voice their views, and perhaps stimulate reconsideration.
- 0 Impersonal SUGGESTION BOX system; managers accept or reject without giving reasons.

### ***The degree to which decision-making is shared***

At the one end of the scale, management makes decisions unilaterally; at the other end, in theory, but never in practice except in a workers' cooperative, workers decide unilaterally. Between these extremes, there is a range of intermediate points, which can be expressed as a scale (Figure 6.1)



**Fig 6.1 Scale of participation**

The point on this scale at which participation should or can take place at any level in an organization depends on the attitudes, willingness and enthusiasm of both management and employees. Management may be reluctant to give up too much of its authority except under pressure from the unions (which is unlikely today), or from Government Directives on workers' consultation.

### ***Mechanisms for involvement and participation***

At the job level, involvement and participation should be as informal as possible. Teams may be called together on an ad hoc basis to consider a particular problem, but formal committees should be avoided. Team briefing can be used to provide for informal two – way communications.

At the next higher level, more formality may be appropriate in larger organizations. There is scope for the use of consultative committees or departmental councils with carefully defined terms of reference on the matters they can discuss. At the enterprise level, company or works councils can be set up.

At the policy-forming level, company or works councils may be given the chance to discuss policy issues, but if the final decision on any matter, which is clearly not negotiable, is made at board level, the works council may be seen as an ineffectual body.

Further mechanisms for involvement on an organization wide basis can be provided by quality circles and suggestion scheme.

### **6.2.5 GOVERNMENT POLICIES AND PARTICIPATION**

The participation of workers in management in India is not a novel idea, imported from outside. Advocating the idea, Mahatma Gandhi insisted that “capital and labour should supplement and help each other; they should be a great family, living in unity and harmony”. Since independence, several schemes have been formulated by the Government of India to promote workers’ participation in management, which are discussed below.

#### **Mill Committees**

Instances of informal joint consultation can be traced back to the second decade of the 20th century, in cotton textile industry. The employers in the textile industry stated joint consultation with the workers, by establishing ‘Mill Committees’ which were merely to ascertain and represent the grievances of workers. But the management did not accept the committees as spokesmen on behalf of the emerging trade unions, the existence of which they preferred to ignore. Though such consultation was of a rudimentary type, yet it was significant, as it was first of its kind in the country.

## **Royal Commission on Labour and Workers' Participation in Management (1920)**

The Government of India, in 1920, constituted joint committees in their Printing Presses and Railways. During the same period such committees were formed in Tata Iron and Steel Company, Jamshedpur. At the instance of Mahatma Gandhi, the workers and employers of the textile mills in Ahmedabad agreed in 1920 for mutual discussions and consultation of issues failing which they were to be resolved by arbitration. There was a permanent

Arbitration Board consisting of a nominee each from the association of labour and employers. Although the scope of mutual consultation was confined largely to grievances of workers, yet the Ahmedabad Agreement may be regarded as a milestone in the history of joint consultation in our country. The Royal Commission on Labour opined that the system is admirable in its intention and has had a substantial measure of success.

From 1922 onwards, joint committees of workers and management were formed in Bengal, Madras and other states. One of the examples was the formation of Workers Welfare Committee in Buckingham and Carnatic Mills, Madras (now Chennai). The Committee had the object of securing close contact with the workers by discussion on matters relating to their work and welfare and proved useful in maintaining sound relations between the management and the workers.

Assessing the performance of such committees, the Royal Commission on Labour recommended the formation of works committees and viewed that if they are given proper encouragement and past errors are avoided, these committees can play a useful part in the Indian industrial relations system. Along with the work's committee, the Commission also stressed the setting up of a joint machinery for the internal settlement of disputes on the pattern of the informal consultative machinery of Ahmedabad textile industry.

These recommendations of the Commission have had no impact on the system of joint consultation for the settlement of disputes. This is because of the economic depression in the 1930s, which led to deterioration in industrial

relations because of wage cuts, rationalization and emergence of militant trade unionism under communist leadership. Further, with the outbreak of the World War II, the Government under the Defence India Rules prohibited strikes and lockouts and required compulsory reference of disputes to conciliation or arbitration. This again gave a setback to the movement.

### **Developments during 1940s**

With all these setbacks, joint consultation did not entirely die out, but had receded to the background at the plant level. The wartime developments, however, led the labour management and Government to come closer. Around the same time the Indian Labour Conference was held to promote closer ties between the two parties of the Indian Labour Conference in August 1942. The conference was modelled on the pattern of the International Labour Organisation and was advisory in nature.

The National Planning Committee of the Indian National Congress, as far back as 1940, had recommended the nationalisation of industries like engineering and heavy explosives. Also, the committee had suggested that both in the interest of industry and community, it was desirable to associate workers progressively with control and management. The Indian Federation of Labour also endorsed the policy of nationalization. The All India Trade Union Congress also raised similar demands.

After attaining Independence, India attempted to introduce workers participation in management. One of the earliest attempts to promote this was the enactment of the Industrial Disputes Act, 1947 and the Factories Act 1948, for the establishment of bipartite committees. Another type of scheme that was introduced is the Joint Consultative Machinery in government undertakings to facilitate cooperation between the government and its employees. Government also tried another form of having workers' representatives on the Boards of Management in certain public sector undertakings.



## **Works Committees (1947)**

The Industrial Disputes Act, 1947, provides for the setting up of bipartite Works Committees as a scheme of workers participation in management, which consists of representatives of employers and employees. The Act provides for these bodies in every undertaking employing 100 or more workmen. The aim of setting up of these bodies is to promote measures for maintaining harmonious relations in the work place and to sort out differences of opinion in respect of matters of common interest to employers and employee. The Bombay Industrial Relations Act, 1946, also provides for these bodies, but under the provisions of this Act they can be set up only in units that have a recognised union and they are called Joint Committees. The workers directly elect their representatives where there is a union.

### ***Functions***

The Works Committees /Joint Committees are consultative bodies. Their functions include discussion of conditions of work like lighting, ventilation, temperature, sanitation, etc., amenities like water supply for drinking purposes, provision of canteens, medical services, safe working conditions, administration of welfare funds, educational and recreational activities and encouragement of thrift and savings. It shall be the duty of the Works Committee to promote measures for securing and preserving amity and good relations between the employers and workmen and to comment upon matters of their common interest or concern and endeavour to reconcile any material difference of opinion in respect of such matters.

### ***Structure***

The Works Committees have, as office bearers, a President, a Vice-President, a Secretary and a Joint Secretary. The President is a nominee of the employer and the Vice-President is the workers' representative. The tenure of these bodies is two years. The total strength of these bodies should not exceed 20. The employees' representatives have to be chosen by the employees.

These committees functioned actively in some organisations like Tata Iron and Steel Company, Indian Aluminum Works at Belur and Hindustan Lever. In all these, the managements have evolved Joint Committees independently of the statutory requirements.

### **Joint Management Councils (JMCs1958)**

The Second Five-year Plan recommended the setting up of Joint Councils of Management consisting of representatives of workers and management. The Government of India deputed a study group (1957) to study the schemes of workers' participation in management in countries like UK, France, Belgium and Yugoslavia. The Indian Labour Conference (ILC) considered the report of the study group in its 15th session in 1957 and it made certain recommendations:

- (i) Workers' participation in management schemes should be set up in selected undertakings on a voluntary basis.
- (ii) A sub-committee consisting of representatives of employers, workers and government should be set up for considering the details of workers' participation in management schemes. This committee should select the undertakings where workers' participation in management schemes would be introduced on an experimental basis.

### **Objectives**

The objectives of Joint Management Councils are as follows:

- (i) to increase the association of employers and employee there by promoting cordial industrial relations;
- (ii) to improve the operational efficiency of the workers;
- (iii) to provide welfare facilities to them;
- (iv) to educate workers so that they are well prepared to participate in these schemes; and
- (v) to satisfy the psychological needs of workers.

A tripartite sub-committee was set up as per the recommendations of Indian Labour Conference, which laid down certain criteria for selection of enterprises where the JMCs could be introduced. They are:

- (i) The unit must have 500 or more employees;
- (ii) It should have a fair record of industrial relations;
- (iii) It should have a well organised trade union;
- (iv) The management and the workers should agree to establish JMCs;
- (v) Employers (in case of private sector) should be members of the leading Employers' Organisation; and
- (vi) Trade unions should be affiliated to one of the central federations.

It was observed by the sub-committee that if the workers and employers mutually agree they could set up JMCs even if these conditions are not met. The sub-committee also made recommendations regarding their composition, procedure for nominating workers representatives, the membership of JMCs etc. The details of these aspects have to be worked out by the parties themselves. A draft model was drawn up regarding the establishment of JMCs. This sub-committee was later reconstituted as the "Committee on Labour-Management Co-operation" to advise on all matters pertaining to the scheme.

### ***Functions***

The following are the important functions of JMCs:

- (i) To be consulted on matters like standing orders, retrenchment, rationalisation, closure, reduction of operations etc.
- (ii) To receive information, to discuss and offer suggestions.
- (iii) To shoulder administrative responsibilities like maintaining welfare measures, safety measures, training schemes, working hours, payment of rewards.

### ***Working of JMCs***

Over the years, there has been a good growth in number of units adopting JMCs in public sector. JMCs in some of the public sector undertakings, for example, Bharat Heavy Electricals Limited, have provided an appropriate forum for effective communication and managements unreservedly furnished all facts and information sought for. The unions have responded by moderation their enthusiasm and exercising reasonable restraint in demanding information, disclosure of which could be detrimental to the interest of the organisation. Deliberations in the JMCs are characterised by mutual understanding and a high level of objectivity in the appreciation of problems without acrimony or emotionalism.

But the working of the JMCs indicates that they have not been successful both in private and public sectors. JMC was first introduced in Hindustan Machine Tools in 1958 among the public sector units but survived less than one year. The scheme has also failed in other public sector units like Posts and Telegraphs, Railways, Hindustan Insecticides, Indian Airlines Corporation, Air India and Fertilizer and Chemical Corporation.

It is often criticised by different quarters that the scheme of employee participation in management did not make headway though it was initiated with much enthusiasm. The National Commission on Labour observed that “mental reservations which operated against it are the same both in the ranks of management and among the workers”.

### **Board Level Participation (1970)**

Following the recommendations of Administrative Reforms Commission, the Government has accepted that representatives of workers be taken on the Board of Directors of public sector undertakings. It was introduced in Hindustan Antibiotics Ltd, Hindustan Organic Chemicals Ltd, National Coal Mines Development Corporation, BHEL, National Textile Mills, Newsprint and Paper Mills, etc. The worker Director was supposed to be elected by all the workers of the company through secret ballot. After the nationalization of banks, the government advised all nationalized banks to

appoint employee directors to their boards – one representing employees and the other representing officers – having a tenure of 3 years. The scheme required verification of trade union membership, identification of the representative union and the selection of a worker director who is chosen out of a panel of three names furnished to the government by the representative union within a prescribed period. In some of the banks, the scheme could not be introduced smoothly after 1971 owing to difficulties in verifying union membership figures. A study of the scheme in the nationalised banks by the National Labour Institute has indicated that it has failed in promoting cordial relations between labour and management.

### **Shop and Joint Councils (1975 and 1977)**

The 1975 scheme has come into existence after the emergency was declared in June 1975. It had envisaged the setting up of Shop Councils at the shop/ departmental level and Joint Councils at the enterprise level. These were to be introduced in manufacturing and mining units employing 500 or more workers – whether in public, private or cooperative sector.

The actual number of Shop Councils in an enterprise was to be decided by the employer after consultations with the recognised union/ workers. The chosen workers' representatives must be actually working in the shop or department concerned. The Chairman of the council will be elected by management and the Vice-Chairman by the workers' representatives. The council shall function for 2 years and will meet regularly to discuss matters relating to safety, discipline, physical working conditions, welfare measures, productivity norms and targets, absenteeism, flow of communication etc.

The Joint Council, having a tenure of two years, shall be constituted for the whole enterprise consisting of representatives of both the management and the labour. The chief executive shall be the Chairman of the council and the representatives of workers shall nominate the Vice-President. The Council will meet once in a quarter to discuss matters which remain unsolved by shop councils including: schedules of working hours, holidays, optimum use of materials, productivity standards, training facilities to develop skills of workers,

awards to workers for creative suggestions, general health, safety and welfare of workers, etc.

Apart from manufacturing and mining units, commercial and service organisations (such as railways, hospitals, P&T, state electricity boards) were also covered in the 1977 scheme. Both the schemes evoked considerable interest and were introduced with a lot of enthusiasm, covering a wide spectrum of public and private sector units. However, after the emergency was lifted, most of the councils became defunct. Several operational problems surfaced from time to time, including: (a) inadequate sharing of information, (b) absence of a participative culture, (c) indifferent attitude of management, (d) lack of interest on the part of workers, (e) failure to clarify the norms for the nominations of representatives, (f) absence of a single union interested in a bipartite consultative process etc.

### **Adding Article 43A in the Indian Constitution**

In view of the growing acceptance of the importance of workers' participation in management for increasing productivity, maintaining industrial peace and accelerating the pace of economic development, Article 43A was inserted in the Indian Constitution under the Directive Principles of the State Policy in 1977. The Article provides that the State shall take steps, by suitable legislation or any other way, to secure the participation of workers in the management of undertakings, establishments or other organisations engaged in any industry.

### **The New Scheme (1984)**

A new scheme of workers' participation in management was prepared and notified in 1984 after reviewing the progress of various schemes in industry. It was applicable to all central public sector enterprises. It was decided that workers would be allowed to participate at the shop level, the plant level and the board level. The mode of representation of workers' representatives was to be determined by consultations with the concerned unions. A wide range of work related issues (personnel, welfare, plant, operations, financial matters, etc.) were brought within the ambit of the

councils. The Ministry of Labour constituted a tripartite committee to review the working of the scheme and to suggest corrective measures.

### **Participation of Workers in Management Bill, 1990**

The Participation of workers in Management Bill was introduced in the Rajya Sabha on 30th May 1990. This Bill had been referred to the Parliamentary Standing Committee on Labour and Welfare. This Bill is still under consideration of the Standing Committee.

The bill aims at providing participation of workers in management at shop floor level, establishment level and board of management level.

### **Provisions**

#### ***I. Shop floor council***

Except for industries having one shop floor, all other industries are required to have shop floor council in accordance with the rules.

**Functions:** It carries out functions specified in Schedule I of the Bill which include:

- (i) production facilities
- (ii) storage facilities
- (iii) materials economy
- (iv) operational problems
- (v) wastage control
- (vi) hazards and safety problems
- (vii) quality improvement
- (viii) cleanliness
- (ix) monthly targets and production schedule
- (x) cost reduction programme
- (xi) formation & implementation of work systems
- (xii) design group working
- (xiii) welfare measures.

## ***II. Establishment council***

Every industry is required to set up an establishment council at establishment level.

**Functions:** An establishment council can exercise powers as specified in Schedule II of the Bill, which includes:

### **(A) Operational Area:**

- (i) evolution of productivity schemes
- (ii) planning, implementation, fulfillment and review of monthly targets and schedules
- (iii) material supply & its shortfall
- (iv) storage and inventories
- (v) house keeping
- (vi) improvement in productivity
- (vii) encouragement and consideration of suggestion
- (viii) quality of technological improvement
- (ix) machine utilisation, knowledge and development of new product
- (x) operational performance figure, etc.

### **(B) Economic and Financial Areas:**

- (i) profit & loss statement and balance sheet
- (ii) review of operating expenses, financial result and cost of sales
- (iii) plant performance in financial terms.

### **(C) Personnel Matters:**

- (i) absenteeism
- (ii) problems of women workers
- (iii) initiation of supervision of workers' training programme
- (iv) administration of social security schemes.



**(D) Welfare Areas:**

- (i) operational details
- (ii) implementation of welfare schemes
- (iii) safety measures etc.

**(E) Environmental Areas:**

- (i) extension activities and community development projects
- (ii) pollution control.

***III. Representation of Board of Management***

“The representatives of workmen are to constitute 13% and those of other workers 12% of the total strength of the Board of Management.” The bill provides for a monitoring committee to advise on matters of administration of the Act and scheme under it.

**6.2.6 HURDLES IN THE WAY OF WORKERS PARTICIPATION IN INDIA**

The foregoing discussions reveal that ever since the independence of the country, Government has been keen on promoting workers' participation in management in the country. There has been a growing realisation in the country, especially in the Government circles, that promotion of workers' participation would lead to increase in productivity and would be helpful in maintaining industrial peace and accelerating the pace of economic development. With the adoption of planning as an instrument of economic and industrial development, maintenance of cordial relations between labour and management is considered all the more desirable. To achieve these objectives, Government embarked upon different programme of workers participation at different intervals of time, for example, Works Committee (1947), Joint Management Councils (1977), Shop Floor and Plant Councils (1983) and so on. However, experience has shown that these schemes, which were launched so enthusiastically, have on the whole proved to be a failure. This has been supported by the findings of the studies conducted in regard to

their functioning. The failure of the schemes of workers' participation in management may be attributed to several factors:

### **Employer-related**

Employers, by and large, were not very enthusiastic about schemes of workers' participation in management. They feared dilution of their powers, participation would take away from them their right to manage. Also, they felt that workers might not be able to contribute much in discussions relating to matters where they lack a broad perspective. When employers tried to substitute trade unions with the bipartite bodies, conflicting situations developed, vitiating the atmosphere of give and take.

### **Worker-related**

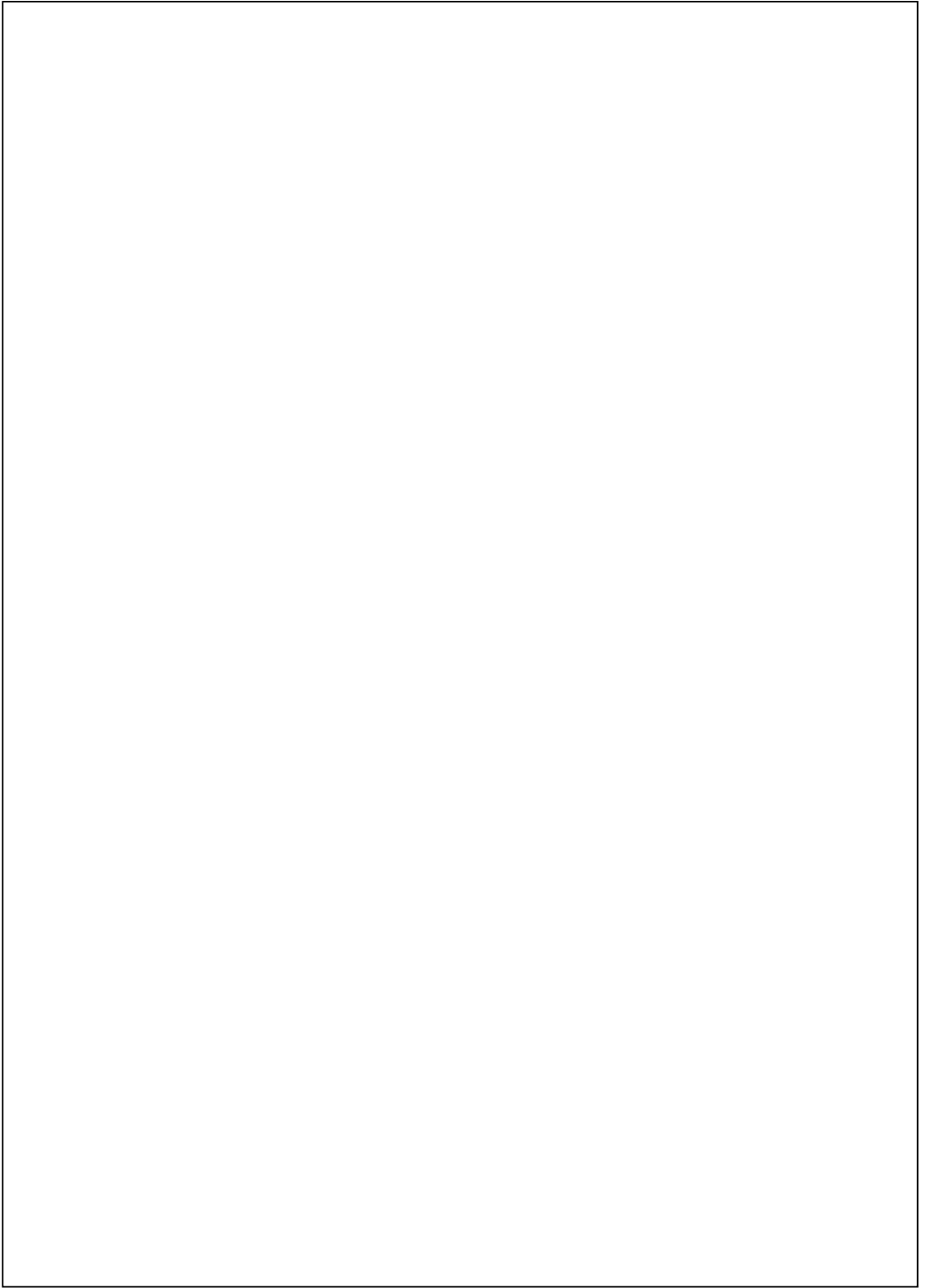
By and large, workers' representatives were not fully equipped to participate in discussions relating to organisational issues. Factors, such as illiteracy, lack of knowledge, lack of enthusiasm to update their viewpoints, have often come in the way of extending wholehearted support to the schemes of workers' participation in management.

### **Union-related**

Trade union movement in India is largely fragmented, poorly organised, characterized by intense inter union rivalry and colored by various political ideologies. In such an atmosphere, the union representatives are not expected to act in the best interests of workers and the organisations.

### **Macro level factors**

All the schemes of workers participation in India are non-statutory. The different pieces of labour legislation have complicated matters further. There is no central law on the subject. Some of the forms of participation envisaged by the government like Works Committees, Joint Management's Councils – appear to be similar in scope and function. The multiplicity of such bipartite bodies with loosely defined structure and purpose, not surprisingly have failed to deliver the goods.



### **Box- 6.3**

#### **Necessary Elements for Effective Worker Participation in Decision Making**

***(Center for Labor Education and Research, Florida International University)***

*From an article by Dr. Paul Bernstein, Journal of Economic Issues, Vol. X No. 2 June 1976*

In this classic article on work place democracy efforts Bernstein identifies six necessary components for successful programs on worker participation in decision making:

1. Workers must have an increased degree of power vis-a-vis management regarding various levels of decision making in the company.
2. Workers must have access to and sharing of management level information. If employees are to make decisions on the issues that go on in areas outside their normal jobs, they will need information such as engineering reports and company economic information that was previously only available to accounting or finance departments. A corollary to this component is that workers must be trained to understand and use this information in a correct and effective manner.
3. A guaranteed right of protection from reprisal for employees who voice criticisms of management.
4. An independent board of appeals to settle disputes between labor and management (grievance procedure).
5. A participatory/democratic consciousness or a set of beliefs and traits among the work force and among management that tends to worker participation in decision making. The belief that workers have the ability to make good decisions or a strong feeling of self-reliance are two such traits.
6. A guaranteed economic return on cost savings or surplus produced above the employee's regular salary. This sometimes is labeled as "gainsharing."

Moreover as pointed out by Sheth (1972), mere creation of institutions and structures does not guarantee success. In some cases even elementary procedures for ensuring the success of the schemes were not clearly laid down: such as selection of representatives, recognition of union, procedures for holding meetings, etc. (Sheth 1977). As far as public sector is concerned, Lall (1984) concluded that apart from other factors, absence of genuine bargaining platforms also leads to lack of trust between the labour and management leading to eventual breakdown of meetings.

### **6.2.7 REQUIREMENTS FOR SUCCESSFUL EMPLOYEE INVOLVEMENT AND PARTICIPATION**

The overall success of workers' participation (employee involvement) depends fundamentally on:

- building trust;
- eliminating status differentials;
- committing the organization to vigorous training and envelopment;
- breaking down barriers to change the organization's culture.

Armstrong suggested the following 10 basic requirements for success:

- i. The objectives of participation must be defined, discussed and agreed upon by all concerned.
- ii. The objectives must be related to tangible and significant aspects of the job, the process of management or the formation of policies that affect the interests of employees.
- iii. Management must believe in and must be seen to believe in involving employees. Actions speak louder than words and management must demonstrate that it will put into effect the joint decisions made during discussions.
- iv. The unions must believe in participation as a genuine means of advancing the interests of their members and not simply as a way of getting more power.

- v. Joint consultation machinery should be in line with any existing system of negotiation and representation. It should be regarded as a process of integrative bargaining complementary to the distributive bargaining that take place in joint negotiating committees.
- vi. If management does introduce joint consultation in a non-union environment, it should be prepared to widen the terms of reference as much as possible to cover issue concerning company employment policies and plans and working arrangements and conditions (e.g., health and safety matters).
- vii. Consultative committees should always relate to a defined working unit, should never meet unless there is something specific to discuss, and should always conclude their meetings with agreed points which are implemented quickly.
- viii. Employee and management representatives should be properly briefed and trained and have all the information they require.
- ix. Managers and team leaders should be kept in the picture and, as appropriate, involved in the consultation process – it is clearly highly undesirable for them to feel that they have been left out.
- x. Consultation should take place before decisions are made.

### **6.3 SUMMARY**

As evident from various studies conducted in different countries, participative management can be a very effective tool in the hands of managers in solving various problems, as also achieving the other organisational objectives. Decisions based on “collective wisdom” of the concerned people could prove to be superior in many cases and also there would be fewer problems in the matter of their implementation. Participative management does not alter the “balance of control” in any significant way. Experts would continue to influence the final outcome of the discussions.

Past studies indicate that participation and consultation can become a way of working even in a vast organization, like TISCO, because there has

been a genuine desire on the part of both top management and the union to give the experiment on “working together” a fair trial. If the management policies and methods are oriented not only towards better performance and higher profitability, but also towards concern for employees and if the management is sincere in its approach to evolve an internal climate, where employees can freely express their views on all relevant issues without fear of reprisal, the psychological barrier from the side of employees against participation could be largely overcome. People learn from the failures, not only of their own, but also of others. If the commitment to the concept is strong, initial setbacks in the functioning of the scheme need not cause frustration, or deter the parties from going ahead. In due course, a kind of culture for working together would grow and develop as a natural process. While the scheme is at its initial stages, “nurturing” by both management and the union would help it in taking a proper shape. However, it should be left to the management and the union to discuss and decide the framework, scope and powers of such a scheme and to modify same as warranted by the local conditions and needs from time to time.

Thus, it can be said that even under Indian conditions, participative management that is “home-grown” and oriented towards the culture and needs of the organisation can be workable. Better, if it is introduced after necessary preparation and understanding with the trade union of workmen, and in stages: first at the department or “shop floor” level and after acquiring necessary experience, it can be extended to all departments at the “plant level”. While finalising the scope of such a forum, matters coming within the area of “collective bargaining” should be specifically excluded. A “law” may be useful in providing the basic framework and breaking the inertia, but it should leave enough freedom for individual organisations to formulate their own scheme to suit their individual needs and requirements.

The present “band” of workers, here and elsewhere, it should be realized, are more knowledgeable in terms of skills and professional attainments. They are also more conscious of their rights. They belong to a generation where respect for the “values” of yesteryears based on the laws, custom, authority and discipline are often questioned. They are also impatient.

In the coming years, managers will be expected not only to deal with “militant” trade union leaders but also with a different kind of workforce that is more demanding and volatile. And this is the “perspective”.

Participation is like a “child” and it requires only two willing partners to make it a reality. In industries, participation requires both “willingness” and “capability” of the two partners to participate. Third party intervention or extraneous influence or pressure, in both cases, tantamounts to interference and tends to prove counter-productive.

It is, therefore, imperative that participation should be viewed by managers as an “opportunity” rather than a “threat”, irrespective of the fact whether there is any law requiring it or not. Perhaps, Drucker (1980), was right when he said: “The one certainty about the times ahead, the times in which the managers will have to work and to perform, is that there will be turbulent times. And in turbulent times, the first task of management is to make sure of the institution’s capacity to survive a blow, to adapt to sudden change and to avail itself of new opportunities”.

#### **6.4 KEYWORDS**

Coownership	- Joint ownership
Participative management	- Associating employees in management decision making

#### **6.5 SELF ASSESSMENT QUESTIONS**

- (i) “Employee participation is a must today” Comment.
- (ii) What is meant by workers’ participation in management? Describe the objectives of WPM.
- (iii) What are different forms of WPM?
- (iv) Discuss different varieties of workers’ participation/involvement.
- (v) Examine various schemes of workers’ participation in India. What are your suggestions to improve them?
- (vi) “The concept of WPM is facing tough times today and reason lies on



part of all those involved". Discuss

- (vii) "Workers' participation in India has not been a resounding success".  
Do you agree? Give reasons.

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## **LESSON NO. 7**

### **EMPLOYEE EMPOWERMENT**

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**Vetter: Prof. H.L. Verma**

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#### **STRUCTURE**

7.0 Objectives

7.1 Introduction

7.2 Presentation of Contents

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7.2.2 Need for Empowerment

7.2.3 Process of Empowerment

7.2.4 Managerial Imperatives for successful Empowerment

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7.6 References/Suggested Readings

## 7.0 OBJECTIVES

Having motivated employees is an important goal for any organization, and employee empowerment is an important motivational tool organizations have to use in current scenario. The present Lesson discusses the concept of Employee Empowerment. After reading the Lesson the students will be able to understand:

- Meaning, essence and objectives of Employee Empowerment
- The need of Employee Empowerment
- Various phases for the implementation of Employee Empowerment Program
- Managerial Imperative for the success of Employee Empowerment Program

## 7.1 INTRODUCTION

*Excellent companies pay attention to four things: customers, innovation, people and leadership. The challenge for leaders is to empower employees so that they create great customer relations and continuous innovations.*

- Tom Peters and Nancy Austin

Donald Petersen was the President of Ford Motor Company from 1980 to 1985 and CEO and Chairman of the Board from 1985 till his retirement in 1990. In his book, 'A Better Idea', written with John Hillkirk, he describes the turnaround of that 370,000-person company from one that was losing money and market share to one that produced high-quality products, made big profits, and created the Ford Taurus, one of the best-selling cars in American history. The primary vehicle for the turnaround was employee involvement, participation, and empowerment. The net effect was a significant change in the Company's culture from being a top-down, autocratic, functionally-oriented Company to one that gave responsibility and power to cross-functional teams at all levels of the Organization. Ford became a different Company, and a much more successful Company, by empowering its employees.

You pick up any popular business periodical; you will find interesting profiles of managers whose roles have changed considerably. They are being called coaches, advisors, sponsors and facilitators. The dividing line between the roles of managers and workers has become very thin. You will find in progressive, pro-active organizations, decision – making authority being pushed to lower levels, where workers are given a free hand to decide about schedules, procedures and work – related issues – all by themselves. In early 1980s managers encouraged workers to participate in work related decisions. Now managers let employees make decisions at all levels of an Organization without seeking approval from upstairs simply stated, managers are asking employees to take charge of what they do. The idea behind empowerment is quite simple. People, who do the job for years together, are in the best positions to learn how to do that job in the best way. So, when there is a chance to improve it, people should go ahead and carry out improvements without getting the stamp of approval from the manager.

## **7.2 PRESENTATION OF CONTENTS**

### **7.2.1 WHAT IS EMPOWERMENT?**

Simply stated, empowerment means to enable, to give power, to allow or to permit. Empowerment has been defined in several ways. Ken Murrell defines Empowerment as “an act of building, development and increasing power” Conger and Kanungo see Empowerment as a motivational concept associated with ‘enabling’ rather than ‘delegating’. Gupta and Murrari define Empowerment as “a process of making the organization responsive and flexible; providing a climate for continuous learning; developing a culture which values initiative, honesty and encouraging the employees to take more responsibility through sharing of power and responsibility by working together. “Amalgamating the above definitions, one can conclude that empowering employees means entrusting them - their intellect, their creativity, and innovation, their commitment towards Organization, which would yield a performance beyond expectations.

Empowerment, thus, is the authority to take decisions within one's area of operations without having to get approval from anyone else. Here the operatives are encouraged to use their initiative to do things the way they like. To this end, the employees are given not just authority but resources as well so that they not only take decisions but also implement them quickly. This empowerment means giving the employees the authority to make decisions and providing them with financial resources to implement these decisions.

Belasco uses a simple four-step model to describe the empowerment process: "preparation," "create tomorrow," "vision" and "change." One of the most important ingredients of empowerment is vision a coherent, credible picture of the desired future. Developing a clear vision, devising a strategy to achieve the vision, and unleashing the intelligence and energy of the work force to accomplish the vision are what empowerment is all about, according to Belasco.

Table 7.1 Key differences between Traditional organizations and Empowered- team organizations

<b>Element</b>	<b>Traditional Organization</b>	<b>Empowered-team Organization</b>
Organization Structure	Layered/Individual	Flat/Team
Job Design	Narrow/Single-task	Whole Process/Multiple Task
Management Role	Direct/Control	Coach/Facilitator
Leadership	Top-down	Shared with Team
Information flow	Controlled/Limited	Open/Shared
Rewards	Individual/Seniority	Team-based/Skill-based
Job Process	Managers plan, control, improve	Team plan, control, improve

The most visible features of empowerment in organizations include the following:

- (i) a flatter organization structure facilitating dispersion of authority;
- (ii) participative decision making and allied activities in the organization;
- (iii) open communication systems and exchange of information; and
- (iv) resource sharing

In an empowered organization, people should not expect to be told what to do, but they should know what to do. The primary role of management is “to support and stimulate their people, co-operate to overcome cross functional barriers, and work to eliminate fear within their own team”

Empowered-team organizations differ from traditional organizations in several aspects. Table 7.1 brings out the key differences.

## **7.2.2 NEED FOR EMPOWERMENT**

James Belasco, author of famous book ‘Teaching the Elephant to Dance: *The Managers Guide to Empowering Change*’ believes

- (i) that only massive changes will suffice to keep organizations viable in the future,
- (ii) that people will not naturally embrace the needed changes, and
- (iii) that empowerment is the key to getting people to want to participate in change.

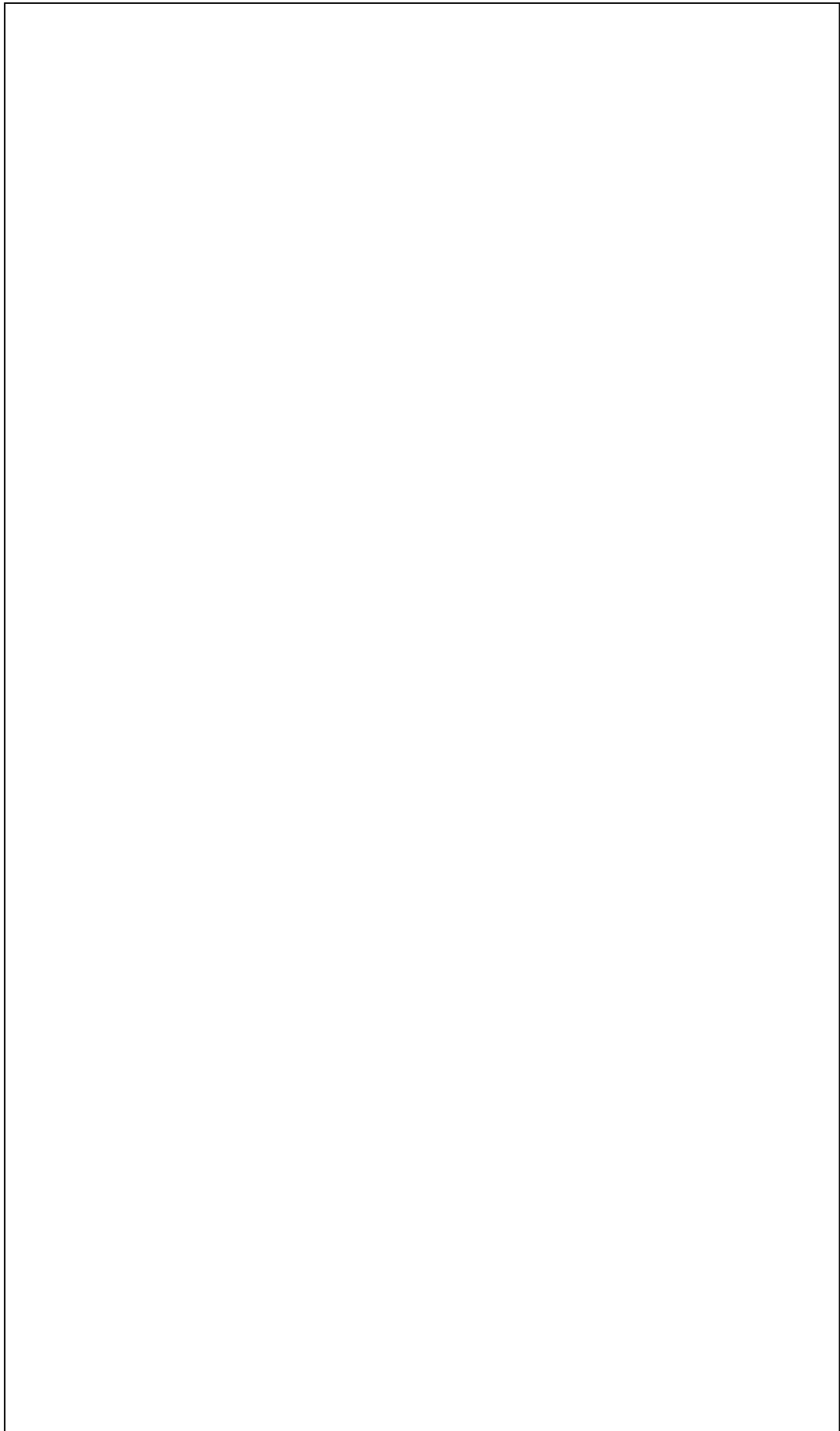
Thus, empowering employees no longer remains an optional decision, but has become a necessity to make organizations flexible and adaptable to the volatile environment.

Why are more and more companies empowering employees? One reason is the need of quick decisions by those people, who are most knowledgeable about the issues – often those at lower organizational levels. If

organizations are to successfully compete in a dynamic global economy, they have to be able to make decisions and implement changes quickly. Another reason is the reality that organizational downsizings during the last part of the twentieth century left many managers with larger spans of control. In order to cope with the increased work demands, managers had to empower their people.

If an organization implements employee empowerment properly—that is, with complete and total commitment to the program and with appropriate employee training results can be impressive for the entrepreneurial venture and for the empowered employees. The business can enjoy significant productivity gains, quality improvements, more satisfied customers, increased employee motivation, and improved morale. Employees can enjoy the opportunities to do a greater variety of work that is more interesting and challenging.

In addition, employees are encouraged to take the initiative in identifying and solving problems and doing their work. For example, at Mine Safety Appliances in Murrysville, Pennsylvania, employees are empowered to change their work processes in order to meet the organization's challenging quality improvement goals. Getting to this point took an initial 40 hours of classroom instruction per employee in areas such as engineering drawing, statistical process control, quality certifications, and specific work instruction. However, the Company's commitment to an empowered workforce has resulted in profitability increasing 91 percent over the last five years; 95 percent of the Company's employees achieving multi-skill certifications; and the Company being named Home Depot's Supplier of the Year in 1999 in its first year of supplying the Company. See Box 7.1 for more examples of success with empowerment.



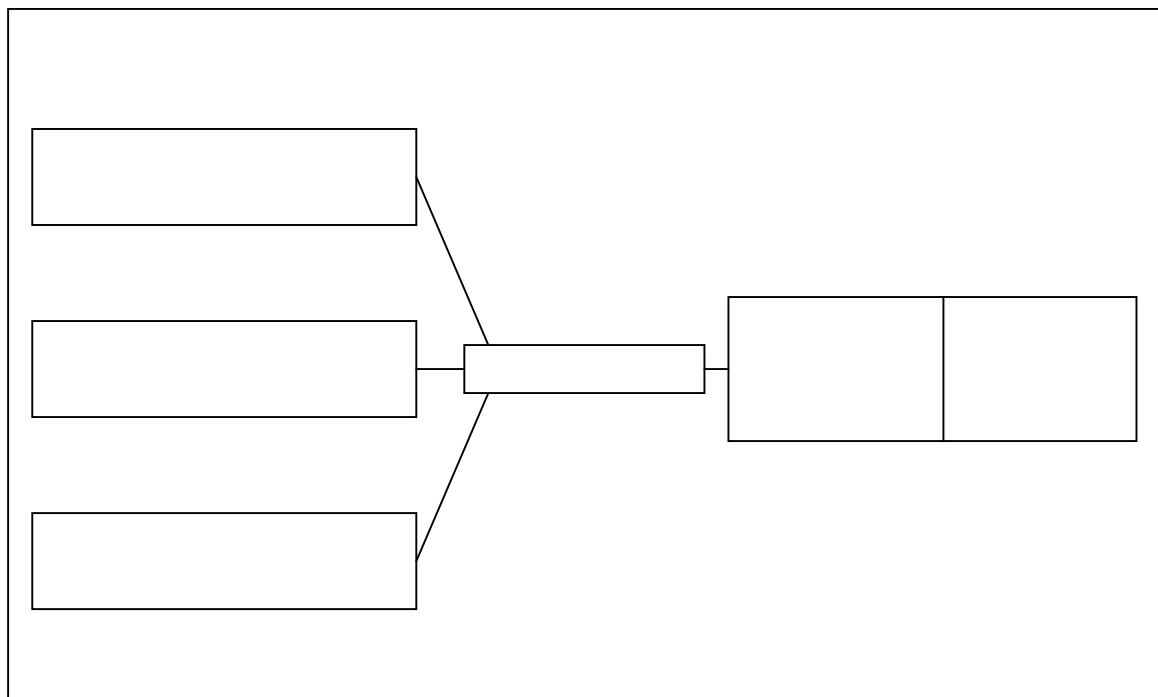


### 7.2.3 PROCESS OF EMPOWERMENT

The process of empowerment will differ from organization to organization, depending on their:

- concept of empowerment;
- organizational objectives and strategies;
- resources, financial and non financial;
- attitudes towards customers and employees; and
- employee's knowledge, skills, enthusiasm towards job and loyalty to Organization, etc.

Empowerment is a philosophical concept that organizations have to buy into. For many organizations, it is a gradual process and is facilitated by a combinations of factors including values, leadership actions, job structure and reward system as illustrated in Fig. 7.1



**Fig. 7.1 Facilitators of Empowerment**

Organizations can begin by using participative decision-making in which employees provide input into decisions. Although getting employees to participate in decisions isn't quite taking the full plunge into employee empowerment, yet, at least, it is a way to begin tapping into the collective array of employees' talents, skills, knowledge, and abilities.

Another way to empower employees is through delegation-the process of assigning certain decisions or specific job duties to employees. By delegating decisions and duties, the management is turning over the responsibility for carrying them out.

When the Organization is finally comfortable with the idea of Employee Empowerment, fully empowering employees means redesigning their jobs so they have discretion over the way they do their work. It's allowing employees to do their work effectively and efficiently by using their creativity, imagination, knowledge, and skills.

The whole process of Empowerment can, therefore, be spread in three phases:

Phase- I      Studying the work environment of the employees.

Phase- II      Redefining tasks and reallocating resources.

Phase –III      Focusing on the psychological and motivational needs of employees in empowered position.

**Phase-I: Studying the work environment of the employees:**

Empowerment is brought in to meet several objectives, such as improving the quality of service encounters, increasing efficiency and productivity, etc. Therefore, it is of utmost importance to study the work environment, where employees work. It is, therefore, important to consider the following:

- present level of employee- skills, confidence, and enthusiasm towards

job etc;

- financial and physical resources of the organization;
- present level of decision making authority with customer contact employees etc.; and
- Relationship between frontline employees and next, organizational hierarchy.

Such a preliminary analysis or study provides a framework that helps management design the empowering process for employees, so that the ultimate objectives of empowering are effectively met. The adage, “well begun is half done” is very apt for this situation because careful analysis and planning will ensure that whole empowerment process goes smoothly and the purpose for which empowerment is incorporated is met without any chaos.

Biswajeet Pattanayak has proposed the following guidelines for empowerment process.

- Understand why the organization is making the change and what it wants to achieve?
- Select strong leaders to head the change
- Involve people in planning how to introduce empowerment
- Create transition project teams to test and co-ordinate efforts and communicate results
- Provide training in new skills and behaviors
- Acknowledge and reward achievements

***Phase-II: Redefining tasks and reallocating resources:***

Every organization will have its own concept about empowerment. There is no specified process which can be universally applied to organizations and, therefore, every organization has to design the empowerment on individual basis. What exactly needs to be done to empower will be based on the analysis of management in Phase-I. It would include a

number of activities such as information sharing, redesigning communication system, job enrichment, allocating resources or providing decision-making authority. Pailin has defined empowerment as having three major dimensions

- **Influence over standards/participative decision-making:** Frontline employees know best what must be done. They have first-hand experience with a wide range of problems and they know what is required to solve them. Employee input is essential for job design and setting of appropriate performance standards, and it should be taken seriously. Therefore, decision-making should be participative so that employees can give continuous feedback to management on how to improve service delivery.
- **Resource availability: To be truly empowered, employees must be** given adequate tools to do the job. They need information about customers, about their organization, its products, and its performance. They must have access to the basic equipment and supplies necessary to serve customers well. They may also require the assistance of support personnel to expedite their tasks, and they definitely need full support of senior management.
- **Decision-making authority: Empowered employees must have the** authority to make timely decisions so as to be able to take the appropriate actions during the initial moment of truth. Such decisions might have clearly identified limits that are instilled through training. This component of empowerment affects customer satisfaction most directly.

Further, Bowen and Lawler defined empowerment as the sharing of four commodities with frontline employees

- Information about organization's performance
- Rewards linked to the organization's performance
- Knowledge that, allows the workers to understand the organization's performance and make contributions to it
- Power to make decisions that influence the organizational performance

Once again, it may be emphasized that the range and continuum of

activities, incorporated by the Organization to empower eventually, would be contingent upon the operating environment of the employees and the organizational objectives.

***Phase-III: Focussing on the psychological and motivational needs of employees in empowered position:***

It is not enough to mechanically undertake steps or activities to empower. Cogner and Kanungo point out that delegating- authority to employees may be necessary to empower them, but it doesn't guarantee that they will have the will or incentive to use it. They propose that employment should be thought as a motivational construct - the act of giving a person a sense of power. It is, therefore, important to psychologically enable employees by instilling in them a belief that their actions can make a difference.

The founder of a restaurant chain that evolved into an empowered organization found that its employee progressed through several stages. At first they were wary of using the broad authority they were told they had to delight customers. Only after considerable coaxing and demonstrations of sincerity on the part of senior management did employees come to believe in its stated commitment and embrace it wholeheartedly. (Source: Rust, Zahorik L. Keiningham, 1999, Service Marketing)

#### **7.2.4 Managerial Imperatives for Successful Empowerment**

“No leader can possibly have all the answers...The actual solutions about how best to meet the challenges of the moment have to be made by the people closest to the action...The leader has to find the way to empower these frontline people: to challenge them, to provide them with resources they need, and then to hold them accountable, As they struggle with...this challenge, the leader becomes their coach, teacher and facilitator. Change how you define leadership, and you change how you run a company”

These lines by Steve Miller, Group Managing Director of Royal Dutch/Shell, highlight the role of lower and middle level managers for the success of empowerment program for employees.

The role of lower and middle level managers is vital for the success of empowerment programs for frontline. Rust, Zaharik & Kenningham have highlighted new duties at the managerial level, which are as follows:

***Mentoring*** employees in problem solving, decision-making, and teamwork skills. Managers must foster a spirit of trust, treat workers with respect, and listen carefully to their ideas. They must be able to help teams and individuals and make decisions for themselves.

***Coaching*** employees to do their work better. This approach requires that managers recognize achievement and provide encouragement and psychological support. They must also get away from the mindset of punishing “wrongdoers”, and rather help employees to build from successes and learn from mistakes.

***Setting goals*** and providing incentives through compensation and special awards, both monetary and otherwise. Managers must ensure that the goals of lower level units are consistent with the goals of the Organization as a whole.

***Facilitating*** the work of the front line by making available necessary resources and training. The need for adequate resources to do the job required is clear. Continuous learning is also essential in a Company that hopes to produce quality. But teams and individuals should be responsible for their own learning. It is the manager’s job to help them identify their training needs and to teach them how to learn and how to train others.

***Coordinating*** the work of teams, helping to resolve problems within and between teams, allocating resources among them, and helping them to share their best practices with other parts of the Company.

***Monitoring and evaluating*** internal and external performance. Producing consistent quality requires that diagnostic measures be regularly monitored. Several measures seem to be obvious candidates for tracking the progress of an Empowerment System. Measures of the effectiveness of the process itself should include surveys of employee satisfaction and employee turnover, and measures of employees’ perceptions of the extent of their empowerment.

### **7.3 SUMMARY**

Empowerment has come to play a major role in corporate excellence. It is, today, in the forefront to facilitate management efforts to bring about increased productivity quality improvements in every sphere of activity in the Organization and to build high morale among employees, which are the cornerstone of survival, competitive edge and progress.

The process of empowering employees involves studying their operating environment, reallocating resources and providing a psychological and motivational support. The success of empowerment programs would depend upon management's sincerity as reflected by continuous support, open communication and a compatible reward system. Though empowering involves both monetary and nonmonetary costs, yet training and monitoring programs can minimize these costs. Eventually the benefits would always exceed costs.

Although empowerment is not a universal panacea, especially when employees have the knowledge, skills, and experience to do their jobs competently and when they seek autonomy and possess an internal locus of control, yet empowerment can be beneficial.

### **7.4 KEYWORDS**

Empowerment	- Process of making the organization responsive and flexible
Participative Management	- Associating employees in management decision making

### **7.5 SELF ASSESSMENT QUESTIONS**

- (i) "Employee empowerment is a must today", Comment

- (ii) Describe the concept of Employee Empowerment
- (iii) Discuss the need for Empowering Employees
- (iv) Employee Empowerment is an important motivational tool Organization can use” Discuss the statement and explain how empowerment motivates employees.
- (v) Discuss the process of Employee Empowerment
- (vi) How managerial roles are changing in the current scenario? State the conditions necessary for success of employee empowerment program.

## **7.6 SUGGESTED READINGS**

- (i) The Essence of Personnel Management and Industrial Relations *by Alan Cowling and Philip James. Prentice Hall of India Pvt. Ltd., New Delhi.*
- (ii) Essential of Human Resource Management and Industrial Relations *by Dr. P. Subba Rao. Himalaya Publishing House, Delhi.*
- (iii) A Handbook of HRM Practices by Micheal Armstrong. Kogan Page Ltd., London.
- (iv) Human Resource Management by VSP Rao. Excel Books, New Delhi.
- (v) Human Resource Management and Personnel Management by K. Aswthappa. Tata McGraw Hills Publishing Company Ltd., New Delhi.
- (vi) Industrial Democracy by Sidney Webb and Beatrice Webb. Longman, Melbourne.
- (vii) Empowerment in Organizations by Murrell and Vogt. S. Chand & Company, New Delhi.
- (viii) Management by Stephen P Robins and Mary Coulter. Pearson Education.

**“Workers, affected by proposed changes, must be involved in the**



**decision to change, else they will fight progress”**

## LESSON NO. 8

### QUALITY MANAGEMENT: AN INTRODUCTION

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#### Structure:

- 8.0 Objectives
- 8.1 Introduction
- 8.2 Presentation of Contents
  - 8.2.1 Total Quality Management Concept
  - 8.2.2 Features of TQM
  - 8.2.3 Quality Management and Leadership
  - 8.2.4 Quality Policy and Mission Statements
  - 8.2.5 Organisational Structure for QM
  - 8.2.6 Training for QM
  - 8.2.7 Role of HRD in implementing QM
  - 8.2.8 Cost of Quality
  - 8.2.9 Quality Circles
- 8.3 Summary
- 8.4 Keywords
- 8.5 Self- assessment Questions
- 8.6 References/Suggested Readings

## **8.0 OBJECTIVES**

The major objectives of the present chapter are to

- Discuss the nature, features and importance of various elements that constitute Quality Management and TQM.
- Gain appreciation for basics of quality policy and statement and provide a guideline to frame an appropriate quality policy and mission statement.
- Explain the means of providing QM training to employees and outline the role of HRD.
- Identify the basic patterns of quality costs, and understand the Quality Circles.

## **8.1 INTRODUCTION**

Although the concept of quality is very old, today it is perhaps the major preoccupation of organisations worldwide. However, in the recent years, Total Quality Management (TQM) has captured the worldwide attention and is being adopted in many organisations, both profit and non-profit. TQM is being accepted as a management philosophy. Many organisations around the globe are conducting Organisational Development (OD) programmes to enhance quality awareness and change the attitudes of their employees. These efforts towards understanding, adopting and promoting TQM are primarily because of the changes taking place in the global economy, changing market conditions and customer's expectations and increasing competitive pressures. Many large organisations have recognized the important contributions that TQM can make in dealing with these challenges.

'Quality' though familiar to everyone has a variety of uses and meanings. The classic perception of quality is the position of a product attribute on a good-bad scale. Most people associate it with defects in products. However, quality relates not only to the product but also to the instructions for its use, to installations, to service, to marketing and so on. Quality has been defined in various ways. Some of the important definitions of quality are presented as:

- Quality is fitness for use. (Juran, 1974).
- Quality is conformance to requirements (Crossby, 1984).
- Quality means best for certain customer conditions. These conditions are: The actual use and the selling price of the product (Feigenbaum, 1961).
- Quality is the capability of products or services to knowingly satisfy those reconceived composite wants of the user(s) that are intelligently related to the characteristics of performance, and do not cause major overt or covert reactions or actions by other people. (Johnson, 1987).
- The totality of features and characteristics of products or services that bears on its ability to satisfy given needs (ANSI & ASAC, 1978).

Quality is, thus, both a user-oriented and a production-oriented expression. From the user's point of view, quality is an expression of the products/services usefulness in meeting the needs and expectations and its reliability, safety, durability and so on. From the production point of view, the quality of a product is measured by- the quality of its performance, which depends on the quality of design and the quality of conformance. Quality of design is concerned with the stringency of the specifications for manufacturing the product. The quality of conformance is concerned with how well the manufactured product conforms to the original requirements.

## **8.2 PRESENTATION OF CONTENTS**

### **8.2.1 Total Quality Management Concept**

TQM has been defined in various ways such as a search for excellence, creating the right attitudes and controls to make the prevention of defectives possible and optimise customer satisfaction by increased efficiency and business effectiveness. All pervading characteristics of TQM has been described by Oakland (1989) in the following definition:

“Total Quality Management (TQM) is an approach to improving the effectiveness and flexibility of business as a whole. It is essentially a way of

organising and involving the whole organisation, every department, every activity, every single person at every level”.

TQM has been considered as a combination of various processes representing the dynamic behaviour of an organisation for this, organisation is referred to as a total system (socio-technical), where the activities carried out are geared towards meeting customer requirements with efficiency and effectiveness in mind and where the health of business is considered by measuring costs/returns at each stage of the business cycle as reflected by the following definition given by Zaire and Simintiras (1991). The definition takes a dynamic system view of TQM.

“Total Quality Management is a combination of socio-technical process towards doing the right things (externally), everything right (internally), first time and all the time with economic viability considered at each stage of each process”.

Another approach of TQM has been based on the quest for progress and continual improvement in the areas of cost, reliability, quality innovation, efficiency and business effectiveness. Pfau (1989) states that TQM is an approach for continuously improving the quality of goods and services delivered through the participation of all levels and functions of the organisation. Tobin (1990) views TQM as the totally integrated efforts for gaining competitive advantage by continuously improving every facet of organisational culture. For environmental quality management, Bemowski (1991) states that TQM should pursue and achieve continuous improvement in every process of an organisation’s environmental compliance program through the integrated efforts of all members of the program so as to lead to a reduction in the total cost of environmental quality.

Atkinson (1990) describes TQM as a strategic approach to produce the best product and service possible through constant innovation.

According to Price and Chen (1993), TQM is a management system, not a series of programs. It is a system that puts customer satisfaction before profit. It is a system that comprises a set of integrated philosophies, tools and

processes used to accomplish business objectives by creating delighted customers and happy employees.

TQM can also be viewed as an integration of two philosophies, that is, Total Quality and Quality Management. Thor (1992) feels that the "Total" in TQM has four fundamental definitions; horizontal, vertical, intellectual and strategic.

"Horizontal" total means that the unit of analysis is the business process that cuts its way across the organisation, starting with external suppliers, passing through operational and/or support groups of the organisation, and ending with the final customer.

"Vertical" total means that all levels of the organisation have adopted the basic quality ethics and apply it in the processes they touch or otherwise influence. Quality is not the exclusive interest of production workers, or executives, or first line supervisors. Problem solving teams are often made from several organisational levels. There is a quality way to issue legal opinions and to advertise the products, just as there is a quality way to make and sell the products.

An "intellectual" process means that the thoughts and models that drive the improvement process have been derived from, and reflect the best managerial, behavioural and technical thinking.

"Strategic" means the improvement efforts at any level and any where in the organisation must be linked with the priority needs of the organisation.

Total Quality, thus, is a long-term success strategy for the organisation. Customer satisfaction, employee satisfaction, product quality at all stages and continuous improvements and innovations are the main ingredients of Total Quality.

Whereas Quality Management is the way of working and managing that combines the capabilities of all the employees for continuous improvement of every process with the main purpose of increasing customer satisfaction.

TQM, therefore, can be viewed as the process wherein the top management along with the people in the organisation ensure improvement in the product quality and work environment continuously at all the stages and levels, with the aim of improving customer's and employee's satisfaction. It is a process of examining every critical system in an organisation, establishing base line measures of performance and then constantly working to improve them.

The underlying principles behind TQM efforts, therefore, are:

- Customer satisfaction.
- Continuous improvement.
- Management-by-fact
- All functions are interdependent.
- Participative and Integrated problem solving process, and
- Every work stations a control point.

Organisations are dynamic entities in a societal milieu. They undergo changes in the structure, culture, values, systems and beliefs continuously. The expectations of the customers who take services from organisations vary from customer to customer and from time to time. To meet these varying expectations of the customers, an all out effort is required from every part of the organisational system. TQM plays a major role in bringing such a change and therefore we define TQM as a pragmatic long-term systems approach initiated and driven by the top management to bring about a total change culture and interlink and integrate everyone, every function, every process and every activity of the organisation through involvement, participation and cross-functional management to meet the dynamic needs of the customer and to create a' loyal but at the same time a diversified customer base."

### **8.2.2 Features of TQM**

#### **1. TQM is a pragmatic long-term systems approach:**

TQM is not a randomized approach. It is not a buzzword. It is a concept,

which can be adopted and practised through proper planning, systematic evaluation and allocating responsibilities and resources. It is also not a one-time strategy but a long-term continuous approach.

**2. TQM is initiated and driven by top management:**

TQM is a strategic direction and only the top management can trigger such a direction. Developing organisational vision, mission, philosophy, strategies, objectives and plans is the responsibility of the top management. Top management, therefore, needs to be involved in TQM and the quality improvement process and should lead the new way of thinking to bring innovations.

**3. TQM aims at bringing about a total cultural change in every facet of the organisation:**

TQM creates an organisational culture, which is conducive to continuous improvement. Treating every other person receiving help as a customer and directing all efforts to satisfy his needs is the primary purpose of every person in the organisation.

**4. TQM interlinks and integrates the various subsystems of the organisation:**

Each department in the organisation strives for excellence and tries to achieve its set objectives. However, in most cases these departments conflict either in their objectives or approaches. TQM tries to break down the barriers between the departments and integrates the objectives of various departments with the main objective of the organisation so as to follow the same common, unified approach for meeting the customer requirements.

**5. TQM requires involvement, participation and cross-functional management:**

The objectives of TQM cannot be achieved unless there is participation of all, at different levels in the problem solving process. In a conventional system, the employees of one department rarely get a chance to interact and



understand the problems of other departments. By forming cross-functional quality improvement teams, TQM overcomes this barrier.

**6. TQM aims at meeting the dynamic needs of the customer and creates a loyal and diversified customer base:**

TQM recognizes customers both as internal as well as external. It also recognizes that the needs of these customers vary across the population and also with time. To meet these expectations it is essential to make a continuous effort to identify the customers, their needs and expectations and then develop strategies to meet them. Through this it tries to create a diversified and loyal customer base, which promotes the profitability of the organisation and helps to withstand any competition.

**8.2.3 Quality Management and Leadership**

The first step towards the quality excellence is the major business decision to make quality leadership a basic strategic goal of the concern. Unless the management of the company clearly defines to the organisation, the specific quality results that are required, and budgets the specific financial resources for manpower, machines and systems to meet these priorities, the quality results are not going to come about.

Feigenbaum (1988) defines quality leadership as a policy commitment to the engineering, production” and sale of products that consistently and with very low failure rates, will perform correctly for buyers when first purchased, and that with reasonable maintenance, will continue to perform with very high reliability and safety over the life of the product.

Quality is what customer perceives it to be. However, as the customers go on changing as well as their needs-also-change, the quality level needs to be improved continuously to meet their demand. The quality level, therefore, is not static, fixed standard but is dynamic in nature. The traditional quality control programs fix a standard quality level and efforts are directed to reach and achieve it. However, as this level is met, the organisation finds the customer more demanding. Therefore, quality leadership demands more and

more upgraded quality levels as a way of life throughout the organisation. The organisations must realise that the products that represent a high risk of customer dissatisfaction are not necessarily those with high failure rates but those with high exposure to a large total number of dissatisfied customers.

Generally, the quality leadership is perceived as encouraging the commitment of all stakeholders and establishing a knowledge base for the people so that they can learn to deliver the continued and improved quality of services, in all dimensions. However, unless and until the leadership accepts the personal responsibility to educate them as to what their role and responsibility is in QM, the goal of commitment from all cannot be achieved. The leadership, therefore, has to be more pro-active than reactive in nature.

However, it must be realised that leadership should devote more time to quality management issues as compared to financial budgeting. The leadership thus needs to be exhibited and directed in this sense, both in manufacturing as well as in service operations. People learn and do what they see their leader is doing. The commitment of the leadership to quality, therefore, is of vital importance to promotion and movement of QM culture within the organisation. Leadership's involvement in promoting the importance of quality and customer satisfaction needs to be exhibited through activities such as speeches, meeting with customers, giving formal and informal recognition, receiving training and imparting training to others. Leadership needs to develop key values of OM such as importance of the customer, process orientation, continuous improvement, teamwork, and management by fact, mutual respect and dignity, value of individual employee and recognition of his contributions. Furthermore, these values need to be communicated to one and all through proper channel. Leadership also needs to develop an understanding of OM, internal and external customers, knowledge of processes and application of such knowledge in their own functional areas. There are some roles, which are played by leaders in quality management. These are as follows:

**(i) Identify and encourage employee potential**

Every person, however bad a workman he may be, has some talents and potentials. Most of these remain hidden as they are not recognised and no opportunity is provided to reveal them. The management has the responsibility to explore these talents and inspire the workforce to make use of these towards OM efforts. This can be done through an open environment and better communication.

**(ii) Accept the responsibility**

The responsibility for the quality of output from the work area rests with “the manager. In fact, it is said that there is really no such thing as a quality problem; there are real problems related to workmanship, design problems, accounting problems, and the like. Instead of the quality control department revealing these problems, it is essential that the management shoulders and accepts the responsibility and accountability for the output from their own areas investigate the causes for it and formulate action plans for improvement.

**(iii) To play a role model**

Each manager is responsible for setting the standards for quality and setting the example, through their own actions and behaviour, for the employees. The honest conviction about the importance of quality and the need to improve it must be revealed through their directions and be communicated to one and all. Management’s actions count, not words. Some can be fooled sometimes, but all cannot be fooled all the time. Generally, the stress placed by the management is on production schedules or meeting the requirements in specific time and thus the quality gets a backseat in the minds of employees. However, management must realize that neglecting quality at the expense of emphasis on cost and schedules will result in increased cost because of scrap, rework, and rejection and thus the managers need to put more stress on quality and exhibit it through their actions.

The management can expect a total commitment to quality from employees only if they also are careful in following principles proposed by

them, as employees also watch the performance of management and are better in understanding the hidden intentions behind the management's actions. Thus, a truthful behaviour and commitment is essential on the part of management. This commitment must be revealed through allocation of resources, organising the work, setting policies, goals and performance standards, establishing operating procedures, measuring and rewarding performance and setting priorities.

#### **(iv) Remove Roadblocks**

QM demands a total change and thus resistance is expected at different levels. First-line and middle managers resist it as they are not familiar with it and they feel uncomfortable facing the uncertainty. Furthermore, it is viewed as another bandwagon which will come and go with time, replaced by a new philosophy. Over a period of time, each manager develops a style unique to himself. Furthermore, because of concern about job security, loss of authority, increased workload, loss of power, doubt about top management commitment and fear of failure, the middle level management resists the QM. However, this misconception must be removed, as a better work environment will result in improving communication amongst employees resulting in solution to the problems, which never get solved.

Leaders are committed to work for quality management in the following positions:

#### **(i) Role of the Chief Executive**

Total commitment of chief executive is considered as the key factor in implementing QM. It is the first and the most critical step in initiating QM. The review of QM applications reveals that without this commitment, the implementation would certainly fail. The Chief Executive should provide the necessary resources to start and foster the development of a quality program and keep it running. He should recruit and demand the involvement of key executives and personally 'sell' the process. Bringing a quality improvement process to life requires changing the culture of the organisation. This cultural alteration must be shaped at the top with the leader's vision translated into

strategic action and a change in the organisational direction. Commitment can be achieved and demonstrated as follows:

- The chief executive should be the first trainee in the philosophies and practices of QM.
- He should participate in the training of others.
- He should regularly attend QM seminars.
- He should address quality issues every time he meets the employees.
- He should seek the help of outside consultants and should lead the quality improvement committee.

**(ii) Role of top management:**

Members of top management must lead the QM effort. They must provide the vision of where the company is heading with its quality effort. They must lead in creating a cultural change within the company. The top management thus should

- Study QM ahead of everyone else in the company; investigate how QM is implemented elsewhere and have a good understanding of the issues involved.
- Establish policies defining the positions the company will take in regard to QM.
- Establish 'priority of quality' and 'customer satisfaction' as the basic policy and determine the long-term goals
- Assume leadership in bringing about a cultural change.
- Check to see if quality improvement programs are conducted as planned.
- Assume leadership in bringing about a breakthrough.
- Establish the QM vision for the future, and personally communicate it.
- Become coaches and cheerleaders, encouraging and supporting the managers during the transition phase of the transformation change.

- Generate enthusiasm for QM activities.
- Create coordination and harmony in departments.
- Enforce code of conduct.
- Visit other companies to observe QM functioning.
- Attend QM training programmes.
- Teach others to better the society and the surroundings.

**(iv) Role of middle management:**

The position occupied by middle management is important as they act as a link between the top and bottom. Their job is, therefore, difficult in terms of developing and maintaining vertical and horizontal relations. They have to fulfill following responsibilities towards QM

- Delegate authority to subordinates to make them more responsible and active.
- Provide opportunities to the subordinates to grow in their jobs.
- Don't always look to the top for direction.
- Strive to become an indispensable person.
- Make quality circle and other participative activities work.
- Cross-function management; communicate with other departments.
- Serve as mini-coordinators.
- Promote QM in each area.

**Leadership Accountability:**

The important role a leader has to play in driving QM efforts and bringing about a cultural change is of vital nature. In playing this role it is also necessary to put checks and balances to monitor the efforts. Leadership accountability towards quality is an important factor to drive the QM message throughout the organisation. In management theory, accountability has been viewed as authority and responsibility. This view has been somewhat restrictive in real life. The value of accountability lies in its applicability to all types of human activities oriented towards the welfare of a society of human

system, which is the basic mission of quality management. As a guiding mechanism for governing work activity, this view holds immense benefit for the clarification of individual and group behaviour.

From the Concise Oxford Dictionary of 1982, one can find that the term “accountable” means “bound to give an account”, “responsibility for things, to persons”. Accountability is an implicit answerability that arises when responsibility is accepted and the acceptance creates an “obligation to perform”. Accountability is a systematic means to seek assurance on an expected end. Some researches have identified two kinds of accountability, 1. that which is personally imposed, and which results from personal involvement with the decision and the outcomes related to it; 2. that which is externally imposed, and which results from being accountable to others for the decisions rather than for the quality of the procedure used to make the decisions. These research findings have some implications to quality management. These are as follows:

1. Leaders in quality management system depend upon a flow of timely and accurate information for the performance of their work. They are likewise responsible for generating a flow of timely and accurate information to others. The performance of the organisational leaders is heavily influenced by the quality and timeliness of information available to them.
2. Managers who have formal authority issue a variety of commands, instructions, orders, directives, procedures and so on that have the function of ordering and instructing subordinates concerning the performance of their responsibilities. These methods may constrain the freedom to exercise one’s own judgment in performing the work. Sometimes managers transmit messages, which have the purpose of altering the attitudes and behaviours of other organisational members. The purpose of such messages may be either to influence the members behaviour directly or to influence the frame of reference within which members interpret information from other parts of the organisation or from outside the organisation. This brings the concept of interpersonal

interaction, within the quality management system. (Mohanty 1993)

3. Quality management is an integration of all behavioural operations, which is essential in assuring smooth and coordinated function of the organisation. Peculiar to each organisation, the problem of coordinating and directing the interaction of its members may be a complex one. This co-ordination function is one of the primary dimensions of accountability. The coordination functions are not performed in isolation, but in interaction with authority, responsibility, workflow, technology, tasks and people.

Quality management today is teamwork and needs managing of a network of relationships. Traditionally, the degree to which the management function assumes accountability for quality has been largely ignored. The network of relationships as desired in TQM brings to the fore the importance of the accountability issue. The challenge to quality management lies in meeting accountability both through economic and social controls and not merely coping with responsibility within the defined framework of authority. The lack of recognition to this results in the decline of quality performance, dilution of standards and erosion of human values in organisation life. In view of this, Mohanty (1993) has outlined some propositions that can enhance the accountability behaviour towards the quality management:

- Make it crystal clear that is accountable to whom in the organisation for quality improvement.
- Involve the individual, however small he may be in the organisation, in setting up the standards for accountability without persuasion or coercion.
- Tie accountability to how excellently the process is being carried out particularly to build linkages and outcomes.
- Create a system to facilitate all leaders in the organisation to become aware of themselves and others and become more tolerant towards others through development not through harassment so as to make them accountable towards humanity at large.



## 8.2.4 QUALITY POLICY AND MISSION STATEMENTS

An organisation must have quality policy and mission statements because they determine and strongly influence how work is done and how people behave and are treated. Policies and mission statements are usually indicative of an organisation's value system, its assumptions about people and human behaviour and its understanding of and beliefs about what makes organisations effective.

According to Flippo (1976), a policy is a man-made rule of a predetermined course of action that is established to guide the performance of the work toward the organisation's objectives. It is a type of standing plan that is established to guide subordinates in the execution of their tasks. Policies are plans or course of actions adopted by business units to guide or channel thinking, and designed to influence and determine decisions, actions and other matters. It is a guiding principle considered to be expedient, prudent and advantageous. Quality policy, therefore, refers to principles and rules of conduct designed and formulated to govern the relationship with employees in the attainment of the organisation's TQM objectives. Quality policy and mission statement, therefore, is

- the key-stone and the life-blood for the successful functioning of quality improvement process.
- the statement of intentions of top management guiding a set course of action and indicating specifically what the organisation proposes to do.
- a statement that suggests the values and viewpoints which dominate the organisation's actions and translates the goals of an organisation into selected routes.
- a positive declaration and a command to an organisation.
- a means of encouraging initiative and autonomy.

Organisations need to create a sound quality policy:

- To build enthusiasm and loyalty of people.
- To serve as a standard for evaluating performance.

- To support the mission and principles of the organisation.
- To break barriers between people and groups of people.
- To encourage improvement and create conditions that allow
- Innovation.
- To support global optimization and long-term objectives.
- To promote teamwork and leadership.
- To foster decision.-making at appropriate levels.
- To enable an organisation to carry out the main objective of customer satisfaction.

While designing the quality policy and mission statement, it is essential to observe the following:

- The statement of policy should be definite, clear and easily understood by everyone in the organisation.
- It should be well written and documented.
- It should be the result of careful analysis of all the available data.
- It should focus on quality, continuous improvement and customer satisfaction.
- It should not be rigid.
- It should provide a rallying point, uniting people so that they feel satisfied in working towards a common goal.
- It should be communicated properly to one and all in the organisation.

The development of quality policy and mission statement is a complex, long and arduous task, caning for the help of experts. Top management has the responsibility for preparing it with the involvement of employees and consultation with unions, vendors, customers etc. The policy should be evolved after studying existing documents, surveying industry and community practices, reviewing the prevailing conditions in the company, interviewing other executives in the organisation to collect appropriate information and

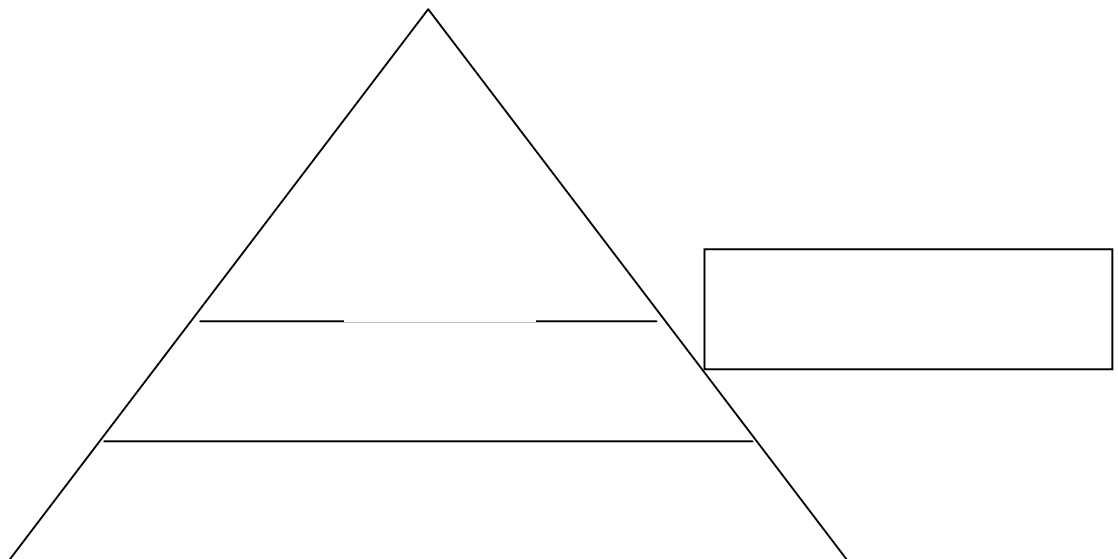
obtaining their suggestions and cooperation. The policy plan should also deal with future developments in customer needs, performance requirements, training and skill requirements, supervisory methods etc. The top management should critically analyze the policy statement, once prepared. Next stage is to circulate it widely to all concerned with the organisation. Constructive criticism and suggestions from various channels provide input for further modifications and change. Developed in this manner, the policy statement will stand the test of time and will hold even under conditions of stress. It must, however, be remembered that it takes a substantial time to develop a guiding policy and mission statement. Also, periodic review and evaluation is essential to keep it vibrant. In brief, the steps necessary in designing a policy and mission statement are

- Initiating a policy by top management.
- Collecting and analysing facts and information from all sources.
- Preparing a written draft of the policy.
- Expanding and discussing the proposed policy with persons concerned with the organisation.
- Adopting and launching it.
- Communicating it to all levels.
- Follow up and evaluation.
- Reformulation.

The quality policy and mission statement, once framed, should be written, published and communicated to all concerned. The written policy makes it apparent to everyone that the management means business and does what it says. It also helps to ensure that the set path is followed even if some changes take place in the organisation. A quality policy and mission statement provides guidance and an overall picture of corporate policy. It, therefore, needs to be communicated to everyone concerned with the organisation.

## 8.2.5 Organisational Structure for QM

In order to be successful in quality improvement effort it is essential to set up an organisational structure at the outset for the introduction of QM. The organisational structure required for QM includes a quality steering committee and quality improvement teams. The management with the help of an outside consultant to determine whether a different organisational structure is required for the quality effort can evaluate the structure of the organisation. The structure helps to harness the total potentials to improve at every level of the organisation. It also ensures that each individual in each department really gets involved in the quality improvement process. Organisational structure involves the followings:



**Fig. 10.1: Framework of Organisation Structure**

### **QM Promotion Committee:**

The promotion committee is, actually, the top management of the company, which establishes and approves QM policies and programmes. The promotion committee also gives the approval to start the program and offers basic guidelines to make the QM program operate effectively. Once the promotion committee approves the program, mission statement should be established so that guidelines can be set for the rest of the organisation.

Generally, the steering committee handles most of the quality improvement program. However, the promotion committee performs the following functions:

1. Understands the principles and concepts of QM.
2. Promotes QM in the organisation.
3. Explains benefits and advantages of QM.

### **QUALITY STEERING COMMITTEE:**

The first line managers constitute the quality steering committee. Members of all the major departments are represented in the committee. The committee determines policy, establishes direction, provides support and by example demonstrates commitment to quality improvement. The committee is responsible for supervising the entire quality improvement process. This includes the following:

- Maintain the momentum of the quality improvement effort.
- Identify the processes that are to be improved by quality improvement teams.
- Make recommendation for allocation of resources to selected areas.
- Establish educational methods and policies.
- Establish recognition policies.
- Develop quality awareness programmes.
- Evaluate quality improvement efforts, including monitoring processes, both before and after attempts at improvement.
- Meet regularly.
- To establish an environment where quality improvement groups can flourish.
- Establish procedures for measuring ongoing performance and cost of quality and ensure corrective actions wherever appropriate.

- Actively support the implementation of the established policy consistently and on a continuous basis ensuring that all disciplines/work areas are fully involved in quality improvement.
- To measure personal performance and display it to demonstrate commitment to the quality improvement process.

It is essential that the meetings of the steering committee must get priority over other meetings. Otherwise it will appear as if quality improvement is merely a project that will be worked on only when there is extra time. Furthermore, the focus of the committee must be confined to the aforementioned responsibilities and an outside consultant must be involved with the committee to keep it on track and maintain its objectivity.

### **Quality Improvement Teams (QIT)**

QITs are groups of people who are responsible for making actual improvements in processes. QITs operate all levels in the organisation on a departmental basis. Once the process requiring improvement is identified, an improvement team meets to identify probable causes of deficiencies and recommend changes in the process to improve performance. These teams are to have representatives of all departments affected by the process being studied. This is necessary to gain knowledge of every part of the process.

QITs operate on group dynamics and team approach. They create a framework where personnel involvement can be maximized in striving for improvement and excellence. The issues are approached with the purpose of reducing waste and error, enhancing performance and proposing corrective actions. Benefits for those participating include improved morale, increased job satisfaction, stimulation of teamwork and development of skills.

### **Facilitator Team or Corrective Action Team**

The facilitator team addresses specific corrective action requests with the purpose of establishing a permanent and cost effective solution. The facilitator, therefore, should have a good educational background, communication skills, and public speaking skill, be bold and tactful. The facilitator team carries out following duties:

- Works as an active member of the steering committee.
- Serves as quality improvements coordinator.
- Trains members, leaders, and management.
- Co-ordinates QITs.
- Maintains progress records.
- Prepares new training material.
- Spreads some good words about the program.
- Links all people in the organisation.
- Follows up on completed projects.
- Attends meetings and conferences]

#### **8.2.6 Training for QM**

An effective and successful training programme for the managers and workers is the heart of QM implementation programme. The fundamentals of QM must be taught to everyone, because everyone has a role to play in the quality improvement process. The training thus should concentrate on building awareness, improving communication skills and problem solving techniques. However, training cannot be done in abstract. It needs to be designed and built in the implementation plan to focus on:

- The quality problems and challenges faced by the organisation.
- Understanding and assimilating the QM concept.
- Developing leadership qualities.
- Problem solving attitude.
- Involving everyone and making him or her more responsible.
- Breaking down the existing barriers.
- Building up trust between individuals and departments.
- Introducing totally new ways of working.

### **The goals of the quality education programme should be to**

- Develop an understanding of the fundamentals of quality.
- Create awareness and perspective of the national and international quality issues as they apply to the company's growth strategy.
- Provide tools to help management build and use quality systems as a major lever to achieve business objectives.
- Influence management to integrate quality as a primary company goal in the decision making process;

The properly organised QM training program should have the following objectives:

- i. Provide an opportunity for free communication on the quality
- ii. Issues rose during the training program.
- iii. To generate creative ideas helpful in diagnosing and solving quality problems.
- iv. The facilitate development of mutual understanding and cooperation amongst different personnel from various departments.
- v. To improve the moral and human relations climate in the organisation.
- vi. To provide an opportunity for self-development.
- vii. To remove imbalance in quality related practices and programmes adopted in an organisation.
- viii. To create awareness about quality problems and challenges, to develop the knowledge and skills needed to solve these problems and to meet these challenges.

### **8.2.7 Role of HRD in Implementing QM**

Total quality management requires the introduction and acceptance of an individual, group and organisational change throughout a company's operations; a complete change in the way a business is managed. QM provides real opportunities to make and influence behaviour and attitudes, which have real effects on internal and external relationships and the way the



organisation conducts its business. Any changes and restructuring will have to be achieved by a process of continuous and ongoing change. To make and sustain the necessary changes in the company culture and at the same time run day-to-day business operations is a difficult task and thus Human Resource Development Department has to play a major role.

Changing people's behaviour and attitude is one of the most difficult tasks in implementing QM. 'Resistance to Change' is a term often used to describe a situation when the quality improvement process enters a trough and becomes stagnant. In order to appreciate fully the task and implications of changing a culture, managers need to understand not only assumptions about individual motivation and learning, but also about the process, various strategies for change and about individual resistance to change. This is where HRD comes into the picture. This paper explores and outlines the issues and concerns of HRD in the process of organisational change to facilitate implementation of QM. Organisational change can take place at three levels; the individual, the group and the organisation.

Individual change is the basis for all change; unless an individual changes in some way, nothing changes. The HRD must make efforts to ensure that the employees understand that through a process of continuous quality improvement the thought process, decision-making, suggestions, initiatives, communications and presentation skills improve. The initiation and establishment of a company-wide QM education and training programme, therefore, must be based on the premises that those responsible for planning the strategy understand the theories of human learning. The participation of people in decision making and training is essential to ensure long-term involvement and commitment.

Organisational changes and developments, on the other hand, have following five characteristics:

- They are planned.
- They take place organisation-wide.
- They are initiated and managed from the top.

- They attempt to increase the organisation's effectiveness.
- They are involved in changing not only the structure but also the organisation's processes.

The following three-step process promoted by HRD should help to bring about organisational and individual change required for QM:

**Step 1:** Establish a number of key cultural parameters to provide the basis for a common understanding throughout the company as to the style or way of working the organisation is seeking to encourage. The parameters should be selected with considerable care and forethought and must be applicable to all levels of the organisation. They should highlight fundamentals as opposed to superficial aspects of management style.

**Step 2:** Devise a means of measuring the parameters and assess the current position against these parameters. Relate the extent of the presence or absence of the key behaviour parameters identified to the effectiveness of the organisation and for individual departments. The connection between organisational effectiveness and corporate culture would strongly support the efforts to bring about cultural change and identify a desirable future situation.

**Step 3:** Develop an action plan, which will address the weaknesses and achieve the transition. This could be done, away from the workplace, in a traditional training forum, or at the workplace by means of facilitative support.

For the change to take roots a new mind-set is required. People with an intoxicating and compelling vision, possessed with an impulse to excel are the only ones who would change for the better on a continuous basis. They ought to have a missionary zeal and be prepared for hard work. For establishment of an environment conducive to accomplish the acceptance of a new paradigm, as envisaged in QM, Human Resource Development has to play a key role through setting of new objectives aligned with its role and guiding the organisational cultural change process.

### **8.2.8 COST OF QUALITY**

In spite of the organisational benefits that a successful QM program can provide, its real value will ultimately be determined by its ability to contribute to profit. The top management always likes to have tangible proof, in terms of profit improvement, for continuing all the efforts and providing the resources to continue quality improvement programmes. This is provided by collection, reporting and use of quality related cost information. .

Quality costs are a measure of all costs associated with achievement of product quality. Traditionally, collection and analysis of quality related costs received less attention because of the lack of understanding of the concept and difficulties in measuring and linking it with the organisation's cost system. However, the measurement of these costs helps to:

- highlight to all employees the importance of product and service quality to business profitability.
- form a basis for decision making.
- identify areas which need immediate attention and improvements.
- measure the effect of action taken.
- budget the expenditure for accomplishing the QM program.

For achieving these purposes an understanding of quality costs and a program for evaluating these is required. Quality costs incurred in manufacturing are divided into four major classifications: prevention, appraisal, internal failures and external failures.

#### **1. PREVENTION COSTS**

This category involves all those activities aimed at preventing defects, defective products and errors, on the one hand and building acceptable quality into products and services, on the other. It includes designing, implementing, maintaining and auditing - the quality system where such a system is actually identified. It includes planning, training, seminars, customer surveys and consumer research, oriented at improving quality.

However, prevention, as is used, is a negative term and should be replaced in QM by a new phrase as “cost of building acceptable quality”. The term thus will not be related only to quality control activities, which aim at preventing defects and errors but will be related to all employees and operations.

## **(2) APPRAISAL COSTS**

These include those costs incurred in attempting to measure the extent to which QM objectives are met. These activities include measuring, inspecting, testing and auditing products and performance to determine conformance with acceptable quality levels, standards of performance and specifications. These include evaluating products, components and purchased materials. It includes performance of employees, performance of equipment and machines, receiving field tests, laboratory tests, quality audits, life testing, quality data processing, failure testing and random time sampling for appraisal.

## **3. FAILURE COSTS**

These can be classified into two categories, internal failure cost and external failure cost.

**(a) Internal failure costs:** These are the costs, which are incurred because of defects in the product before its shipment to a customer. These include:

**(1) Scrap and Rework:** For the purpose of obtaining operating quality costs, scrap represents the total cost of defective product (material, labour and overheads) which can not be economically reworked to conform to requirements. This includes the cost of material or product, which is discarded because of irreparability or uneconomical rework, the total cost incurred in selling and price differential required to sell a non-conforming substandard product, and productive labour hours lost.

Rework cost represents the cost of correcting defectives for reuse. It includes material and labour cost incurred in rework and the cost of inspection and test

additionally required.

**(2) Downtime costs:** This includes costs incurred because of loss of productive time of engineers, workers etc and the machines.

**(b) External failure costs:** These represent all costs incurred on defective products after it is delivered to a customer. These include:

- (i) the cost of investigating and resolving individual customer complaints.
- (ii) costs associated with receipt and replacement of defective products returned by the customer.
- (iii) the cost to correct defects according to the required specifications.
- (iv) the total cost of additional claims to be paid to the customer to cover legitimate expenses.
- (v) liability costs and Penalty costs.

#### **4. ANALYSIS AND USE OF QUALITY COSTS**

The quality cost data collected through a systematic program needs to be analysed for orienting efforts to reduce them. For this, it must be realized that for each failure there is an assignable cause, causes can be discovered and prevented and prevention is always economical. The strategy for analysing quality costs involves:

- i. Use zero defect program to eliminate failure costs.
- ii. Review the quality standards for their utility.
- iii. Use cause and effect' analysis to reveal failures and causes for it.
- iv. Eliminate through effective corrective action.

#### **8.2.9 QUALITY CIRCLES**

The concept of Quality Circle is essentially Japanese. After the World War II, the Japanese economy crumbled and the product quality suffered. To improve this, Dr. Kaoru Ishikawa of Japan made a successful experiment of

establishing a Quality Circle in order to create an awareness of quality. Quality Circle was formed for the purpose of propagating Q.C. philosophy. The concept of Q.C. is based on the management's faith in the capabilities of employees. A Q.C. is only a forum to operationalise this faith.

Quality Circle essentially is a participatory management process where the actual involvement of people at the grass root level of the organisation is effectively applied. Q.C. is a small voluntary group of people from the same work area who meet together, on a regular basis, for the purpose of identifying, selecting, analysing and solving work related problems of quality, productivity, cost reduction, safety, customer service. The problems are chosen in their work area, leading to improvement in their work effectiveness and enrichment of their work life. The Q.C. is a group of persons consisting of 3 to 12 employees doing similar work and drawn from the same section of the unit. The group members volunteer to meet regularly for one hour every week or fortnight usually in 'Paid time', to identify all the problems or opportunities for further improvement in the work area. Thereafter, the group takes up one problem after another, collects pertinent data, analyses them, applies different quality circle tools, techniques and based on their findings make their recommendations and present solutions to the management for decision making.

Quality circle thus is a people building philosophy, providing self motivation and happiness in improving environment without any compulsion or monetary benefits. It is primarily based upon the recognition of the value of the work doer as a human being, as someone who willingly involves his wisdom, intelligence, experience, attitudes and feelings on his job. A large amount of creative and productive potential remains to be explored at work places. If people are convinced that the management trust them to be capable of responsibility and contribution, an explosion of creativity can spontaneously permeate the entire organisation. The people, the doers of actual jobs, are the real experts on the intricacies of their jobs. They can make valuable suggestions on many small things that go wrong or are not fully utilised. Quality circle provides them with the right environment for meaningful contribution.

The organisation structure of the Quality Circle is pyramidal. It consists of:

**1. Non-members:**

Who help in implementing decision of Q.C.

**2. Members:**

They are the basic elements of Q.C who voluntarily join the circle, take active part in its working and performance. They identify their problems, discuss them, use the techniques, identify causes and arrive at solutions. They also present and demonstrate their solutions to the management.

**3. Leader:**

He is mutually elected by the members to regulate the working of the group, to ensure members' involvement, to chalk out action plan, to assign tasks and to maintain discipline and decorum during meetings. He trains members, organises and keeps all records.

**4. Facilitator:**

He is nominated by the management and is responsible for the successful performance of the circle. He ensures continued and visible management support, availability of necessary facilities, timely review and organises management presentations.

**5. Steering committee:**

It is constituted of major heads of departments, to take an overview of circle activity, to take decisions on important recommendations, to give major policy guidelines and direction and to decide financial support.

**6. Top management:**

It provides support, finance and encourages healthy growth of Q.Cs.

## **7. Coordinating agency:**

It co-ordinates all activities of Q.Cs in the organisation, keeps records, interacts with all Q.C. members for effective performance of the circles.

The Q.Cs by using various techniques such as brainstorming, data collection, pare to analysis, line graph etc. achieves the following objectives

- change in attitude from 'I don't care' to 'I do care'
- continuous improvement in quality of work life through humanization of work
- self development
- development of team spirit.
- Improved organisational culture.

Q.C. thus is a widely accepted team work participative management process to bring about total involvement of people at all levels.

## **8.3 SUMMARY**

QM is not uni-dimensional approach but is multifaceted in nature. Understanding these facets is essential to promote a successful quality improvement program. Focussing only on a few dimensions and overlooking others would create problems leading to the failure of the program. An integrated mutual supportive approach from all parts of the organisation, focussing on all vital components of QM is required to achieve the desired goal.

## **8.4 KEYWORDS**

- |                          |   |
|--------------------------|---|
| Total Quality Management | - an approach to improving the effectiveness and flexibility of business as a whole |
| Accountable              | - Bound to give an account  |



- Quality Policy - principles and rules of conduct designed and formulated to govern the relationship with employees
- Quality Improvement Team - groups of people who are responsible for making actual improvements in processes
- Quality Circles - participatory management process where the actual involvement of people at the grass root level

### **8.5 SELF-ASSESSMENT QUESTIONS**

1. Explain the nature, features and importance of various elements that constitute QM.
2. What is the perspective scenario of QM and TQM?
3. How can you train the managers for QM?
4. How to identify the basic pattern of quality costs, and the role of vendors in QM?
5. Discuss the concept of Quality circles

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## LESSON NO. 9

### INDUSTRIAL RELATIONS AND TECHNOLOGICAL CHANGE

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#### **Structure:**

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- 9.1 Introduction
- 9.2 Presentation of Contents
  - 9.2.1 An Industrial Relations Concept
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## **9.0 OBJECTIVE**

The objective of this chapter is to provide:

- an overview of events and factors influencing industrial relations
- industrial relations in changing technological environment
- the importance of sound industrial relations
- policy formulation for sound industrial relations
- the available options to transform a conflictual system into a more cooperative one.

## **9.1. INTRODUCTION**

Besides employers and employees, governments and institutional bodies have also become relevant actors in the Industrial Relations, with the aim to define policies related to labour related problems. New information and communication technologies and their particular characters determine deep changes in industrial organisation and, particularly, in work culture. Relevant consequences are arising with regard to traditional content of Industrial Relations, such as professional skills, future career perspectives, work satisfaction, working time, etc.

The role of public authorities is to broaden the range of choices, eliminating constraints and, sometimes, to guarantee procedures. In addition, old tools of unionist bargaining have to be updated and to assume a different character, trying to improve worker's autonomy. At a general level, there emerges a need of a more consistent industrial democracy in a socio-economic framework continuously evolving towards the so-called globalisation.

Technological innovations, linked to network and multimedia work development clearly emphasise meanings and forms of distance working. During the recent past, at organisational level, telework has enlightened a need of a flexible and centralised management of the workforce, asking for a precise individualisation of formal relationship between parties, usually determined by national labour law.

## **9.2 PRESENTATION OF CONTENTS**

### **9.2.1 An Industrial Relations Concept**

Industrial Relations or Labour Relations, is an expression used not only for relationships between employers and Trade Unions, but also for those involving Government with the aim of defining policies, facing labour problems.

As an Industrial Relations definition we can accept the following concept of the set of:

- rules for employment management;
- methods defining those rules;
- typology of actors (not only employers and workers organisations and their representatives, but also State and institutional bodies);
- interaction processes between these entities.

Historically (in industrialised western countries) the various styles of relations can be summarised in a double typology: participative and conflicting: the first is highly regulated by government and industry based, and last one is less regulated by government and firm based. Drawing up collective agreements, i.e. the last step of a negotiation, is the traditional objective of the parties. The customs across which rules have been accepted must be shared by Industrial Relations actors: employers, organisations, management and its organisations, State and institutional organisms, Trade Unions. All they aim to stipulate collective bargains to take under control social conflict.

### **9.2.2 Industrial Relations facing Technological Innovation**

Now, when Industrial Relations impact with new information and communication technologies, their traditional framework is deeply changing. In fact, Information Communication Technologies are:

- horizontal and pervading all sectors, more and more reciprocally linked;
- dynamic, i.e. rapidly innovating;

- labour and capital saving and, principally, flexible (i.e. suitable for many purposes).

Such changes themselves reflect alterations at industrial or organisational levels, as well as at the single job level. At the organisational level (professional requirements, the workplace environment, health and safety in the workplace, future career prospects, work satisfaction, working hours and remuneration levels) constitute further aspects of working life, which can be modified considerably by technological changes. These changes can, in fact, be even more striking in newly founded industries that incorporate the latest technological developments and working organisational models which are quite different from those already operating in the same sector, division or area.

Classical studies on technological innovation have focused on lack of direction in technological planning as a whole and disregard for the impact of any mutations. The impact on labour is more the result of a series of decisions made by those directly involved in introducing new technologies, including those who are responsible for the introduction of changes, for management norms, as well as those who have to work with the new technologies, i.e. the workers and their Trade Unions. In order to achieve specific organisational objectives, conscious technological choices may be adopted. For example, one particular technological option may be preferred on the basis of its potential to reduce costs or rationalise procedures, without taking into account the effect this can have on occupational levels or the physical conditions of the workers involved. The operational area, which deals with technological choices, has been described by several authors as a 'project area'.

When changes are programmed or carried out, technological choices may frequently be affected, unconsciously, where alternative technological options or 'project areas' are simply unknown or not taken into consideration. For example, in many industries, when a new data processing system is being developed, the Systems Analyst is never asked to consider the impact of the new system on the people who have to work with them, thus, the possibility of satisfying both economic and social objectives are never taken into account.

The choice for those, who are directly involved in the implementation and management of the changes, may seem limited by the range of elements, such as, the economic position of the industry in question, temporal obligations, the lack of experience and organisational pressures. Such constraints can apply to Trade Unions representatives as much as to industrial management. The role of public authority is to broaden the range of choices, eliminating constraints and making alternative choices known to those directly involved. Furthermore, it must guarantee procedures, which ensure that the best choices are introduced. This refers not only to the span of economic and social policies, which accompany the changes, but also to those institutional regulations, which are at the basis of the changes introduced at the workplace level.

### **Forcing Limits of Traditional Trade Unions' Strategy**

At a general level, one can understand that the dialectic between technology and Industrial Relations System appears in our post-industrial society very complex, in accordance with the difficulty of Trade Unions to face new processes of technological re-organisation. After the advent of computer-based work in the Seventies, Trade Unions in industrialised countries discover their own methods inadequate to represent different positions and professional novelties from the labour market. While management strategies and practices often try to change some of the rules, or the whole Industrial Relations System, Trade Unions point to concentrate their efforts on a new confederate organisational system. Consequently, the old tools of their action and, among these, the collective bargaining, assume a different character: they try to improve worker's autonomy, to reach the drawing of a more consistent level of industrial democracy. Within a general framework of negotiation on technological innovations, Trade Unions warn either the crisis of previous organisational models (accompanied by a problem of decreasing representation), as well as the need of information and participation to choices concerning introduction of new technologies in traditional production processes.

In particular, Trade Unions try to define new strategies facing the problem of companies' re-organisation but in a broader sense, also to build new-styled agreements in a socio-economic framework more and more evolving towards the so-called "globalisation" of economy.

### **Telework and New Bargaining Demand**

In any case, it is necessary to consider that, in a next future, technological innovations will be linked to networked and multimedia development, emphasising meanings and forms of distance working, or telework (in its various typology). The Industrial Relations framework has supplied with similar extension of legal regulation. At organisational level, telework assumes a flexible and not centralised management of the work force. So, it requires a precise individualisation of formal relationship between two parties, usually determined by national labour law.

A fundamental issue of telework related to Industrial Relations regards new skills and competencies. The loss of traditional skills is strictly related to the possibility of reaching new ones. More exactly, it is very important to deal with the new working aptitudes requested by these absolutely new material and immaterial conditions.

Even more, as many European experiences show, the flexibility increases the need of a regulating framework. Teleworkers, as persons involved in a social network, claim for a clear definition on references, generally refusing - if skilled - to work in a sort of "stand-by" form, or sometimes accepting it, if unskilled. Nevertheless, the work flexibility needs rules enabling to exercise some fundamental rights. This is important for safeguarding the teleworker from the ambiguity linked to post-fordist new paradigms.

### **9.2.3 Factors Influencing Change**

Management Practices Changes in labour relations within an organization are often affected by management practices. Therefore, attitudes towards industrial relations should be understood in the background of theories

and practices relating to the management of enterprises and organizational behaviour. In this context it is useful to note two important - and diametrically opposite - theories about management. The first and earlier theory is to be found in the scientific management school (best represented by F. Taylor), which viewed the worker as a mere cog in the organizational structure. Since, according to Taylor, the worker does not possess creative ability let alone intelligence and wisdom, the elements of a human-oriented management system which promotes sound industrial relations such as communication, consultation and participation, found no place in the theory.

The hallmarks of organizations based on this model are centralized and clear lines of authority, a high degree of specialization, a distinct division of labour, and numerous rules pertaining to authority and responsibility, and close supervision. This concept of management can be seen as an ideal breeding ground for an industrial relations system based on conflict rather than on cooperation. The opposite theory, appropriately styled the human relations school, had as one of its earliest and greatest exponents, Douglas McGregor. He gave an impetus to the development of a management theory, which focused on the human being as part of an enterprise, which, in turn, was viewed as a biological system, rather than as a machine. Human relations, trust, delegation of authority, etc. were some of the features of this theory. In the preface to his classic *The Human Side of Enterprise*, Douglas McGregor underlined the necessity to learn about the utilization of talent, about the creation of an organizational climate conducive to human growth.

This volume is an attempt to substantiate the thesis that the human side of enterprise is 'all of a piece' - that the theoretical assumptions management holds about controlling its human resources determine the whole character of the enterprise. They determine also the quality of its successive generations of management." Two basic realities of an organization in McGregor's model is the dependence of every manager on people under him and the potential of people to be developed to match organizational goals. He, therefore, postulated that people are not, by nature, resistant to change in an organization, and that people have the potential to be developed and to shoulder responsibility. As such, management's main task is to organize



business in such a way as to match people's goals with organizational ones. McGregor believed that the dynamism for organizational growth is found in the employees of the organization. It could be said that in McGregor's Theory Y (as it is called) is to be found the essence of human-oriented management and workplace industrial relations systems. The events noted in the succeeding paragraphs which are compelling enterprises to pay greater attention to the human factor in management, serve to vindicate McGregor's basic theory propounded as far back as 1960, if not earlier. However, subject to exceptions (such as Japan in Asia) most large enterprises continued to be dominated by hierarchies. This is reflected in the classic "strategy, structure, systems" (the three Ss) of modern corporations, vividly expressed by two writers:

"Structure follows strategy. And systems support structure. Few aphorisms have penetrated western business thinking as deeply as these two. Not only do they influence the architecture of today's largest corporations but they also define the role that top corporate managers play." As explained by Bartlett and Ghoshal, in this concept of an enterprise top level managers see themselves as the designers of strategy, the architects of structure, and the managers of systems. The impact of the three S's was to create a management system, which minimized the idiosyncrasies of human behaviour, emphasized discipline, focus and control, and led to the view that people were "replaceable parts". The basic flaw - particularly in the context of today's globalised environment of this concept is that it stifled the most scarce resource available to an enterprise: the knowledge, creativity and skills of people. Successful enterprises have now moved away from this corporate design, and their philosophy, which has transformed corporations enabling them to compete in the new competitive environment, consists of the following:

"First, they place less emphasis on following a clear strategic plan than on building a rich, engaging corporate purpose. Next, they focus less on formal structural design and more on effective management processes. Finally, they are less concerned with controlling employees' behaviour than with developing their capabilities and broadening their perspectives. In sum, they have moved beyond the old doctrine of strategy, structure, and systems to a softer, more organic model built on the development of purpose, process, and people."

Those enterprises which have effected a successful transformation to a more 'people focused' organization recognize that the information necessary to formulate strategy is with their frontline people, who know what is actually going on, whether it be in the marketplace or on the shop floor. The chief executive officer, for instance, can no longer be the chief architect of strategy without the involvement of those much lower down in the hierarchy. How do these developments relate to enterprise level labour relations? In essence, they heighten the importance of the basic concepts of information sharing, consultation and two-way communication. The effectiveness of the procedures and systems which are established for better information flow, understanding and, where possible, consensus building, is critical today to the successful management of enterprises and for achieving competitiveness.

As such, the basic ingredients of sound enterprise level labour relations are inseparable from some of the essentials for managing an enterprise in today's globalised environment. These developments have had an impact on ways of motivating workers, and on the hierarchy of organizations. They are reducing layers of management, thus, facilitating improved communication. Management, today, is more than an activity rather than a badge of status or class within an organization, and this change provides it with a wider professional base. The present trend in labour relations and human resource management is to place greater emphasis on employee involvement, harmonious employer -employee relations and mechanisms, and on practices, which promote them. One of the important consequences of globalization and intense competition has been the pressure on firms to be flexible. Enterprises have sought to achieve this in two ways.

First, through technology and a much wider worker skills base than before in order to enhance capacity to adapt to market changes. Second, by introducing a range of employee involvement schemes with a view to increasing labour-management cooperation at the shop floor level, necessary to achieve product and process innovation. Achieving flexibility does not depend on the absence of unions. Organization flexibility "depends upon trust between labour and management. It implies that workers are willing to forego efforts to establish and enforce individually or through collective action

substantive work rules that fix the allocation of work, transfer among jobs, and workloads. Organizational flexibility also implies that workers are willing to disclose their proprietary knowledge in order to increase labour productivity and the firm's capacity for innovation". Manufacturers in Japan and Germany were more successful than those in Britain and France in achieving this flexibility. The former two countries, after World War II, institutionalized labour management consultation.

Many organizations have successfully transformed themselves to promote the role of trust. In both strategies involving the use of technology and promotion of innovation, employees are a critical factor. The requirement of organizational flexibility and its industrial relations and human resource implications have had a major impact on the way organizations are structured (less hierarchical), how authority within the firm is exercised (less unilateral), and on how decisions are arrived at and work organized (through information sharing and consultation, transfer of more responsibility to employees and cooperative methods such as team work). Traditional assumptions that efficiency is achieved through managerial control, technology and allocation of resources have given way to the view that efficiency is the result of greater involvement of employees in their jobs, teams and the enterprise. Organizations which have made this shift tend to reflect the following characteristics: few hierarchical levels; wide spans of control; continuous staff development; self managing work teams; job rotation; commitment to quality; information sharing; pay systems which cater to performance rewards and not only payment for the job; generation of high performance expectations; a common corporate vision; and participative leadership styles. It hardly requires emphasis that achieving most of these requires training.

"The earlier generation's recipe for success hinged on hard work, smart moves, the right business and political connections, monopolies, protectionist barriers, subsidies, access to cheap funds and, in many cases, autocratic leadership and a docile labour force. The 'global village' is this system's nemesis..... the new 'Global-Asian' manager has to exercise greater levels of leadership than before, and balance this with being an entrepreneur, modern manager and deal-maker skilled at public relations. To this has to be

added coaching, team-building and motivating the company, the ability to visualize, plan strategically, market and re-engineer products and services, and the belief in a customer driven culture.” None of these shifts is feasible without a substantial change in traditional modes of dealing with people in an enterprise.

The labour market was dominated by the classical economics view, which espoused free and unregulated labour markets. This laissez-faire capitalism led to social injustices and inequities since labour did not have the power to bargain with employers on terms, which even approached a degree of equality in bargaining strength. Industrial relations, therefore, initially came to espouse a degree of labour market regulation to correct this unequal bargaining power. Consequently, industrial relations developed in the context of the theory that problems in labour relations emanate largely from market imperfections, which operate against the interests of labour and cause imbalances in the power relationships of employers and employees. These imperfections were external to the enterprise.

Additionally, the dominant position of the employer in what was formerly called the “master and servant” relationship prevented labour from enjoying rights. These causes for labour problems - external and internal to the enterprise - needed to be addressed through a range of initiatives, both by the State through protective labour laws, conciliation and dispute settlement machinery, by voluntary action on the part of employees to protect themselves and further their interests through trade unionism (but backed by State interventions to guarantee this right in the form of freedom of association), and by redressing the balance of power (through collective bargaining). The focus on relations external to the enterprise - especially through national and industry level collective bargaining - was initially welcomed even by employers in several industrialized countries because it reduced competitive advantage based on labour costs. Besides, collective bargaining in particular transferred one of the most conflictual aspects of the employment relationship - wages - out of the workplace, and made it the responsibility of the respective representatives of employers and employees. Unions naturally welcomed it as it gave them an influential base outside the workplace. When ‘transferred’ to

developing countries, this concept sometimes had disastrous consequences because it facilitated the politicization of unions.

Moreover, the workability of a system of industrial relations in which the emphasis was on decisions outside the enterprise presupposes a high degree of literacy, education and awareness among employees able to monitor the actions of their representatives operating at a level removed from the workplace. However, regulation of the external labour market did not necessarily address all the causes of labour problems. A more pluralistic view recognized that labour problems or issues do not relate only to conflict between employers and employees. They include many other forms of problems such as low productivity, absenteeism, high labour turnover, lack of job security, unsatisfactory or unsafe working conditions, non-recognition of performance in standardized wage systems, and lack of motivation. Many of these problems cannot be addressed through measures directed purely at the external labour market, and require measures to be taken within the enterprise.

Therefore, another view, emanating from human resource management and increasingly important since the 1980s, is that labour problems arise not so much from factors external to the enterprise, as from unsatisfactory management of human resources within the enterprise. Corrective action should include the installation of human resource management policies and practices embodied in concepts such as recruitment and selection, leadership and motivation, employee development and retention, etc. The objective is to ensure a convergence of organizational and individual goals, and to balance individual and organizational needs. With the pressures on enterprises to adapt and change, it is not surprising that employers are pushing for greater concentration on issues at the enterprise level. In the final analysis, the quality of an industrial relations system has to be judged by how it works in practice - and that means at the workplace level. This relative neglect provided the 'space' for the rise of human resource management. Neither view is entirely correct or entirely incorrect, because industrial relations problems do flow from circumstances both external and internal to the enterprise. The problem is that there has been over-emphasis on the environment external to the enterprise,

so that inadequate attention has been paid to the policies and practices needed within the enterprise. As a result, we may have lost sight of the fact that in the final analysis sound labour relations have to be built up from within an organization.

The environment external to the enterprise should be facilitative, and at times “protective” in the sense that it needs to prescribe certain basic standards relating to such areas as social security, safety and health, freedom of association, weekly and other holidays and rest periods, etc.

In more recent times industrial relations has been influenced by other social sciences such as organizational psychology and behaviour. Traditionally economics and law were two main influences on industrial relations, which led to a concentration on macro level industrial relations, and therefore on unions, government and collective bargaining. Organizational behaviour has been influenced by psychology, which centres on the individual, and by social psychology, which focuses on relationships between people and on group behaviour. It is easy to see, therefore, why human resource management has been influenced by organizational behaviour. Paradoxically industrial relations, though dealing with ‘relation’, has until recently largely ignored the social sciences relevant to behaviour and human relations. While labour problems are the result of imperfections in the employment relationship, industrial relations should be seen as the theories and methods, which have been developed over time to address and correct these problems, in both the external and internal labour markets.

During the past decades, governments viewed labour relations as a means of preventing or minimizing conflict. In South and South East Asia this objective was achieved through dispute prevention and settlement mechanisms external to the enterprise (e.g. conciliation, arbitration and labour courts). In South Asia, the objective was also achieved through restrictions or prohibitions on the freedom of action of employers in matters, such as termination of employment, closures and even transfers of employees. On the other hand, several South East Asian countries resorted to measures to restrict trade union action and to control unions, as well as to avoid union

multiplicity. While in South Asia, the focus of industrial relations was on equity from the point of view of workers and unions, in South East Asia the emphasis was on economic efficiency and less on worker protection laws. Low unionization in many Asian countries, strong governments in South East Asian countries and South Korea, and perceptions that unions could be potential obstacles to the direction of economic development led to a relative neglect of industrial relations.

Moreover, hierarchical management systems and respect for authority, which have mirrored the external social system, have been inconsistent with consultation, two-way communication, and even with the concept of negotiating the employment relationship. Japan, however, was an exception, where, since the 1960s, workplace relations and flexibility facilitated by enterprise unionism dominated industrial relations in the larger enterprises. Australia and New Zealand continued to focus on centralized industrial relations, though the emphasis has radically changed in New Zealand during this decade, and is changing in Australia. But major changes are taking place in Asia. Employers, as well as some governments, are viewing labour relations from a more strategic perspective i.e. how labour relations can contribute to and promote workplace cooperation, flexibility, productivity and competitiveness. It is increasingly appreciated that how people are managed impact on an enterprise's productivity and quality of goods and services, labour costs, quality of the workforce and its motivation, and on the prevention of disputes as well as on aligning employee aspirations with enterprise objectives International Factors. The establishment of a sound or harmonious industrial relations system is a central theme for governments, employers, workers and their representatives, in their endeavours to achieve economic and social development. Several changes on the international scene presently exert a major influence on how industrial relations need to be viewed.

The internationalization of business, intense competition and rapid changes in technology, products and markets has increased the need for economies and enterprises to remain or become competitive. These trends have, in turn, necessitated a greater reliance than before on workers' skills, productivity and cooperation in achieving competitiveness. The new

information technology, the limits of which are not known in terms of its potential to effect change, is exerting a tremendous impact on the structure of organizations, the nature of work and the way it is organized, and even on the location where work is performed. In societies of the future information and knowledge will be – as, in fact, they already are – crucial to competitiveness. Technology is already facilitating changes in organizational structures so as to create flatter organizations. This has resulted in less management by command and supervision, in more emphasis on cooperation, information sharing and communication, and in a more participative approach to managing people.

Modern technology now makes it possible for aspects of work to be performed outside the enterprise, for example from home, and even outside national borders, and this trend is being given a further push by the influx of more females into employment and their preference in some cases, for part-time work. Developing countries are also feeling the impact of these changes. Many countries are undergoing a process of industrial restructuring which, in some cases, include privatization of public sector undertakings and technology upgrading. This process has resulted in several social consequences, such as redundancy, all of which have sometimes strained the relationships between employers and workers (and unions) and between the latter and the government. Another feature is the changes occurring in the workforces, to varying degrees, in both industrialized market economies and developing economies. Many countries have witnessed the emergence of workforces with higher levels of education and skills which need to be managed in a manner different from the way in which employees, especially blue collar employees, have, hitherto, been managed. This factor will assume more critical proportions in the future as a result of the increasing importance of the service sector and the growth of knowledge-intensive industries.

The skills of an employee are, therefore, an issue on which the interests of employers and employees converge, and the “development” of the employee is now of mutual advantage to both employers and employees. Consequently, there is a greater need than before for a cooperative and participative system of industrial relations. Further, the many emerging work



arrangements do not fit into the traditional employment relationships. Increasing numbers of enterprises are differentiating between the core and peripheral workforce, which consists of those whose work can be performed by persons outside the enterprise who specialize in it. The tendency is to contract with outsiders to perform this work. Even manufacturing companies are becoming essentially assembly firms, and many service organizations now act as brokers, “connecting the customer with a supplier with some intervening advice”. Another category of employees consists of the increasing number of temporary and part-time employees in the rapidly expanding service industries, some of which experience peak periods (hotels, airlines, shops) requiring a flexible labour force. Thus, instead of one workforce, we are moving towards these various groups, each with different contractual arrangements and requiring to be managed differently. The indications are that at the beginning of the next century, less than half the workforce in industrialized countries will be in full-time employment, as we know it. These trends will not be confined to the highly industrialized countries, but will appear in the fast growing economies of Asia as costs rise, competitiveness increases, and more women participate in economic activity. The role of unions is changing. During the cold war, political considerations sometimes dominated or influenced union activities, attitudes and their role, especially in some of the developing countries.

Unions are now gradually concentrating more on their traditional role in industrial relations, which is to improve the working conditions of their members and to protect their interests through negotiation. As a result of intense competition for goods and services and the recognition of the enterprise as an important engine of growth to an extent unknown in the past, the centre of gravity of industrial relations is now more than ever before the workplace, and managing human resources is now receiving the attention it should have been given much earlier.

#### **9.2.4 The Importance and Objectives of Sound Industrial Relations**

A sound industrial relations system is not capable of precise definition. Every industrial relations system has to take into account, and reflect cultural factors. Systems cannot change culture, but only behaviour within a cultural

environment. As such, one can only describe some of the elements, which have generally come to be recognized as contributing to a sound industrial relations system. These elements would constitute a sort of 'check-list'. A relatively sound industrial relations system will exhibit some of these elements. A sound industrial relations system is one in which relationships between management and employees (and their representatives) on the one hand, and between them and the State on the other, are more harmonious and cooperative than conflictual and creates an environment conducive to economic efficiency and the motivation, productivity and development of the employee and generates employees' loyalty and mutual trust. Industrial relations itself may again be described as being concerned with the rules, processes and mechanisms (and the results emanating there from) through which the relationship between employers and employees and their respective representatives, as well as between them on the one hand and the State and its agencies on the other, is regulated. Industrial relations seek to balance the economic efficiency of organizations with equity, justice and the development of the individual, to find ways of avoiding, minimizing and resolving disputes and conflict and to promote harmonious relations between and among the actors directly involved, and society as a whole.

The rules, processes and mechanisms of an industrial relations system are found in sources such as laws (legislative, judicial, quasi-judicial), practices, customs, agreements and arrangements arrived at through a bipartite or tripartite process or through prescription by the State. Industrial relations operate at different levels - at the national level, at the level of the industry and at the enterprise level. The elements, which reflect a sound industrial relations system at all these levels, are not necessarily the same. At the national level industrial relations operates so as to formulate labour relations policy. In market economies, this is usually done through a tripartite process involving government, employers and workers and their representative organizations. At the industry level, industrial relations often take the form of collective bargaining between employers' organizations and unions. This, process may result in determining wages and other terms and conditions of employment for an industry or sector. It may also result in arrangements on

issues, which are of mutual concern such as training, ways of avoiding or settling disputes, etc.

At the enterprise level the relationship between employers and workers is more direct, but unions may represent the interests of workers. Employers' organizations, however, are not usually involved (though sometimes they are when negotiations take place between them and unions in respect of enterprise issues) at the enterprise level in representing the employers' interests with workers or their union, but this does not mean that they do not have an important promotional role at this level. Sound industrial relations at the national level build trust and confidence between representatives of workers and employers. Sound relations at the enterprise level build trust and confidence between workers and management, which is the point at which the system must ultimately be effective. Effectiveness at one level would naturally have some impact on the other. A sound industrial relations system requires a labour management relation's policy (LMRP). There are many specific objectives of such a policy, all of which go to make up the policy at the national level. The following are some of the objectives, the emphasis varying from country to country depending on the priorities and stage of development of each of them at any given point of time:

- Employment and job security and increased employment opportunities.
- Raising living standards through improved terms and conditions of employment.
- Productivity improvement, which enables employers to be more competitive and to increase their financial capacity to raise the living standards of the employees.
- Minimizing conflict, achieving harmonious relations, resolving conflicts through peaceful means and establishing stable social relationships.

In Western industrialized societies "harmony" and "harmonious relations" are not explicitly referred to either as an objective or as a means, though basically it represents an important objective in such societies. However, this concept is explicitly referred to in many Asian societies.

Development has an economic and social dimension on the one hand and a cultural dimension on the other. The economic and social aspects involve guiding or influencing economic and social change in a desirable direction. This means, not only economic development measured in terms of growth rates and per capita incomes, but also equity in terms of income distribution and employment opportunities, life expectancy, and population growth rates, literacy, poverty alleviation, etc. As aptly stated by John Kenneth Galbraith, "It is one of the least advertised, and for the very affluent the least attractive, of economic truths that a reasonably equitable distribution of income throughout the society is highly functional."

The experience of countries and regions, which have good productivity records, underlines the link between labour management relations and productivity. For example, the Japanese productivity movement, which began in the 1950s, emphasized employment security, and this fact did much to secure acceptance by unions of the productivity movement at that time. The Japan Productivity Centre, which was supported by the government, reached an agreement with the national labour organization and employers on the following matters:

In the long-term, productivity increases employment security. Therefore, the employer should relocate redundant workers. Concrete measures to enhance productivity should be decided through labour management consultation, which will be promoted. Productivity gains should be distributed fairly among management, employees and customers. The productivity movement in Europe recognized similar principles. The underlying theme, here relevant to the present discussion, is that all three principles mentioned above form a part of labour management relations and cooperation. Another important link between labour management relations and productivity has arisen in the context of recent events in many societies and major changes in industrial relations such as the move towards labour market flexibility. The latter involves the need for employers to adopt, in the interests of competitiveness, new working time and work arrangements, atypical contracts of employment, new methods of pay and remuneration, and control over the size of the labour force.

These developments have partly resulted from intense competition, new technologies, and shorter product life and so on, all of which require flexibility in the use of resources if an enterprise is to remain productive and competitive. These changes are more likely to achieve the objectives of increased productivity, if they are introduced through cooperation and consensus at the enterprise level. Therefore labour management relations and cooperation have a vital role to play in achieving with the least possible conflict, the changes of the type referred to above that are critical to productivity and competitiveness in the modern enterprise. A sound labour management relations system is important to the removal of one of the main objections of workers and unions to productivity drives by employers. Workers and unions have, sometimes, opposed productivity increases on the grounds that they do not result in equitable sharing of benefits to workers and that increased productivity may lead to redundancy.

Developing understanding of basic productivity concepts and of the methods of increasing productivity, as well as of the formulation of equitable productivity gain-sharing schemes help to dispel such suspicions. This task is easier where there are mechanisms, which provide for dialogue and two-way communication between management and workers. Labour management relations, therefore, play a crucial role in securing acceptance by workers and unions of the need for productivity improvement, and also in obtaining their commitment to achieve it. Cooperation between management and workers or unions facilitates not only a settlement of disputes or disagreements but also the avoidance of disputes, which may otherwise arise. At the industry level, the relationship between employers' organizations and representatives of workers is a precondition to collective bargaining. Where collective bargaining takes place at the enterprise level, management workers/union relations determine the success to a great extent or otherwise of collective bargaining.

At the national level, a good relationship between representatives of employers and workers enables them to effectively participate in labour-management relations policy formulation and to arrive at a consensus. The importance of cooperation in industrial relations and the stability achieved through it to gain economic competitiveness are well illustrated by Germany

and Japan. Writing at the end of the 1980's, Wolfgang Streek stated: "Despite its relatively small population, West Germany is still the world's largest exporter of manufactured goods, ahead of both Japan and the United States. Among the larger economies, the West German is, more than any other, exposed to world market pressures. It is only against this background that the high degree of stability and mutual cooperation in West German industrial relations can be understood, and it is this stability and cooperation that has in the past accounted for part of the country's competitive success in world markets."

This cooperation is reflected in Germany's system of collective bargaining (which has often shown wage restraint), in the system of co-determination, and in the vocational training system to which employers and unions have made a substantial contribution, thus, ensuring a highly skilled workforce producing goods of the highest quality attractive to the global marketplace. Though this cooperation does not imply an absence of conflict, yet when conflict occurs it has usually been resolved through compromise solutions. The participative management system also explains the relatively easy acceptance by German workers of technological change.

In a broad sense, therefore, labour management relations policy formulation (LMRP) should aim at achieving social justice through a process of consensus by negotiation so as to avert adverse political, social and economic consequences. Labour relations reflect the power structure in society, and it emphasizes negotiation and reconciliation by peaceful means of the interests of government, workers and employers who are the main participants in the system. Consensus enables the policy formulation to be implemented with the minimum of conflict as it has the support of all three parties. This is, in fact, reflected in the ILO's principle of tripartism. In the final analysis, labour management relations policy seeks to achieve development through establishing conditions, which are fairer, more stable and more peaceful than they are at any given moment of time. Labour management relations policy also seeks to achieve an acceptable balance between labour and management, necessary for a negotiated development strategy and the establishment or preservation of a society which is essentially pluralist.

### **9.2.5 A Sound Industrial Relations System at the National and Industry Level**

Labour-management relations' policy formulation is one of the significant tasks at the national level, and its successful formulation and implementation can influence the labour relations climate at the industry and enterprise levels. Such policy formulation, however, can be formulated not only at the national level through a tripartite process, but also at the industry level on a bipartite basis as between employers' and workers' organizations. Whether bipartite policy formulation becomes a part of national policy depends largely on the respective strengths of employers' and workers' organizations. In some of the industrialized market economies, there is a greater likelihood than in developing countries of bipartite policy formulations are being reflected in national policies due to the strength of the employers' and workers' organizations.

In Sweden, for instance, in the past, the agreements between the union and the employers' organization tended to be translated into national policy instruments. The policies and methods of training of workers, for example, reflected what the two social partners had identified as appropriate for the industry. Or again, in Belgium, the State recognizes the two social partners as the main formulators of social policy through collective bargaining; the two social partners manage even the social security system. The pervasive influence of bipartite arrangements is felt only where there is a 'balance of power' among the social partners. There is less likelihood of bipartism impacting on national policy formulation in developing countries due to strong central governments in many cases, and their assumption of the role of identifying the direction of economic and social policies. The relative weakness of employers and workers organizations or of one of them, or the inability of such organizations to agree on the fundamentals of what the labour relations policy should be, often prevents bipartism from influencing national policy formulation.

The fundamental premise of a sound industrial relations system is the recognition and existence of the freedom of association accorded to both

employers and workers. This freedom should include recognition of organizations of workers and employers as autonomous, independent bodies, subject to their domination neither by each other nor by the government. Observance by states of the basic principles of the ILO Convention relating to Freedom of Association and Protection of the Right to Organize No. 87 (1948) is often regarded as the yardstick by which a country's recognition of this freedom is measured. In essence, the Convention postulates that workers and employers, without distinction whatsoever, have the right to establish and to join organizations of their own choosing with a view to defending their respective interests, subject to national legislation, which determines the extent to which the guarantees in the Convention will apply to the armed forces and the police.

Such organizations have the right to draw up their own constitutions and rules; elect their representatives in full freedom; organize their administration and activities and formulate their programmes. Public authorities are required to refrain from any interference, which would restrict this right or impede the lawful exercise of this right. The organizations are not liable to be dissolved or suspended by administrative authority. Organizations have the right to establish and to join federations and confederations, which are entitled to the same rights and guarantees, and to affiliate with international organizations. The acquisition of legal personality by these organizations shall not be subject to restrictive conditions. In exercising the rights provided for in the Convention, employers and workers and their respective organizations are required to respect the law of the land, which should not impair the guarantees in the Convention both in respect of its content and its application.

### **9.3 SUMMARY**

A sound industrial relations climate in an enterprise is essential to a number of issues, which are critical to employers, employees and the community. The efficient production of goods and services depend, to an extent, on the existence of a harmonious industrial relations climate. Efficiency and quality depend on a motivated workforce, for which a sound industrial relations climate is necessary. Productivity - a key consideration of profitability,



the ability of enterprises to grant better terms and conditions of employment and for economic and social development - needs a sound labour relations base. Productivity does not depend on individual effort alone. Many mechanisms, which contribute towards productivity gains, are workable only where there is teamwork and cooperation e.g. small group activities, joint consultation mechanisms. Therefore, labour management relations should be geared to create the climate appropriate to securing the cooperation necessary for productivity growth. Labour Management Relations (LMR) and Labour Management Cooperation (LMC) are also important to the creation of a culture which is oriented towards innovation, adaptable to and encourages change, where authority is decentralized and two-way communication, risk-taking and maximizing opportunities are encouraged, and where the output rather than the process is what matters. Changing attitudes, awareness and behaviour to move from counter-productivity to a productivity culture requires the appropriate labour management relations climate based on labour management cooperation.

#### **9.4 KEYWORDS**

Labour Management Cooperation - creation of a culture which is oriented towards innovation, adaptable to and encourages change

#### **9.5 SELF -ASSESSMENT EXERCISE**

1. What do you mean by Industrial Relations and Technological Change?
2. Elaborate the perspective scenario of technology with reference to Industrial Relations.
3. "Technology is the backbone of organisational relations". Comment.
4. Explain the features of a sound Industrial Relations system.
5. How can you maintain the Industrial Relations at national level with the help of technology?

6. How to promote new Industrial Relations in a post-industrial society, avoiding the risk in a new economic context?

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