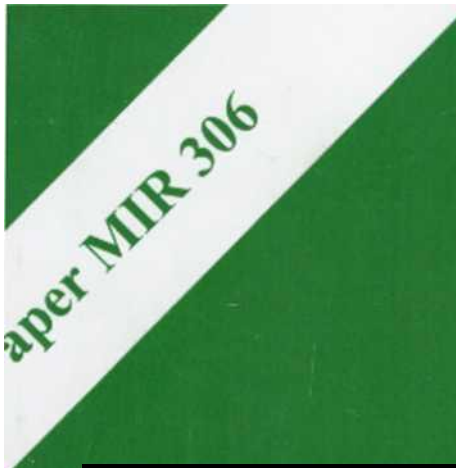


**MBA-DE(SECOND YEAR)
Semester-III**



SCHOOL OF MANAGEMENT STUDIES
PUNJABI UNIVERSITY
PATIALA



Management of Industrial Relations

All Copyright Privileges Reserved by
School of Management Studies
Punjabi University, Patiala

INDUSTRIAL RELATIONS : CONCEPTS AND MODELS

STRUCTURE

- 1.1 Chapter Objectives
- 1.2 Economy and Labour Force in India
- 1.3 Background of Industrial Relations
- 1.4 Introduction to Industrial Relations
- 1.5 Related Terms for Industrial Relations
- 1.6 Concept of Industrial Relations
- 1.7 Meaning of Industrial Relations
- 1.8 Perspective of Industrial Relations
- 1.9 Objectives of Industrial Relations
- 1.10 Reasons for Good Industrial Relations
- 1.11 Importance of Industrial Relations
- 1.12 Model to Industrial Relations
- 1.13 Industrial Relation Policy
- 1.14 Industrial Relations System
- 1.15 Industrial Relations System Model
- 1.16 Recent Trends and Future Prospects
- 1.17 Practice Questions
- 1.18 Answer to self-help exercises
- 1.19 Suggested Readings

1.1 OBJECTIVES

- To understand the concept of industrial relations
- To study the perspectives and importance of industrial relations
- To find out reasons for good industrial relations
- Outline the model of industrial relations
- To know about industrial relation policy and system

1.2 ECONOMY AND LABOUR FORCE IN INDIA Labour In India

India's labour force exhibits extremes ranging from large numbers of illiterate workers unaccustomed to machinery or routine, to a sizable pool of highly educated scientists, technicians, and engineers, capable of working anywhere in the world. A substantial number of skilled people have left India to work abroad; the country has suffered a brain drain since independence. Nonetheless, many remain in India working alongside a trained industrial and commercial work force. Administrative skills, particularly necessary in large projects or programs, are in short supply, however. In the mid-1990s, salaries for top administrators and technical staff rose sharply, partly in response to the arrival of foreign companies in India.

Labour Relations

The Trade Unions Act of 1926 provided recognition and protection for a nascent

Indian labour union movement. The number of unions grew considerably after independence, but most unions are small and usually active in only one firm. Union membership is concentrated in the organized sectors, and in the early 1990s total membership was about 9 million. Many unions are affiliated with regional or national federations, the most important of which are the Indian National Trade Union Congress, the All India Trade Union Congress, the Centre of Indian Trade Unions, the Hind Mazdoor Sabha, and the Bhartiya Mazdoor Sangh. Politicians have often been union leaders, and some analysts believe that strikes and other labour protests are called primarily to further the interests of political parties rather than to promote the interests of the work force.

The government recorded 1,825 strikes and lockouts in 1990. As a result, 24.1 million workdays were lost, 10.6 million to strikes and 13.5 million to lockouts. More than 1.3 million workers were involved in these labour disputes. The number and seriousness of strikes and lockouts have varied from year to year. However, the figures for 1990 and preliminary data from 1991 indicate declines from levels reached in the 1980s, when in some years as many as 35 million workdays were lost because of labour disputes.

The isolated, insecure, and exploited laborer's in rural areas and in the urban unorganized sectors present a stark contrast to the position of unionized workers in many modern enterprises. In the early 1990s, there were estimates that between 10 percent and 20 percent of agricultural workers were bonded laborers. The International Commission of Jurists, studying India's bonded labour, defines such a person as one who works for a creditor or someone in the creditor's family against nominal wages in cash or kind until the creditor, who keeps the books and sets the prices, declares the loan repaid, often with usurious rates of interest. The system sometimes extends to a debtor's wife and children, who are employed in appalling working conditions and exposed to sexual abuse. The constitution, as interpreted by India's Supreme Court, and a 1976 law prohibit bonded labour. Implementation of the prohibition, however, has been inconsistent in many rural areas.

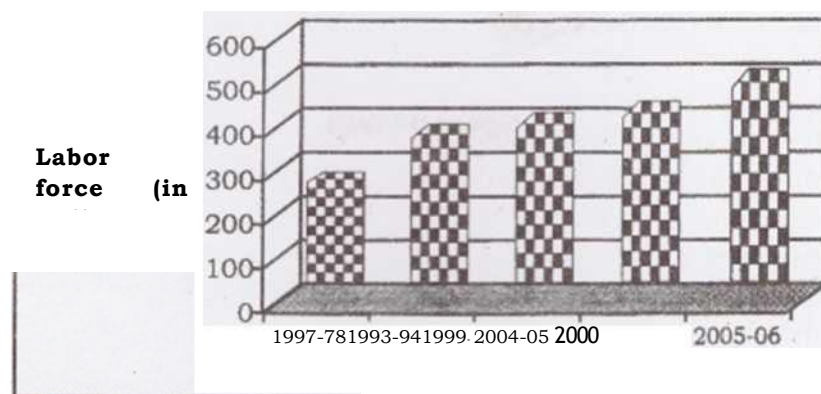
Many in the urban unorganized sector are self-employed laborer's, street vendors, petty traders, and other services providers who receive little income. Along with the unemployed, they have no unemployment insurance or other benefits.

Labour market in India

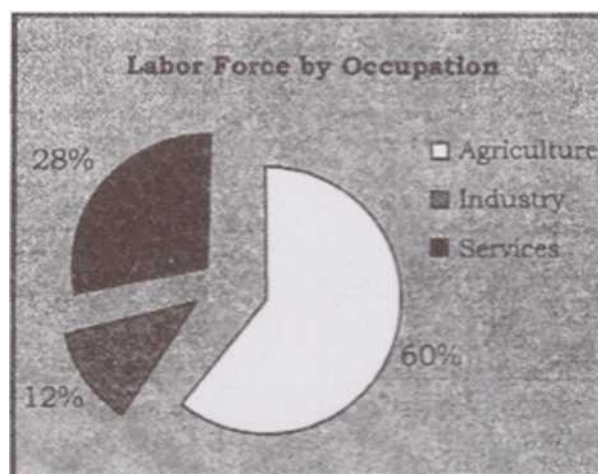
The Indian labor market can be categorized into three sectors:

- Rural workers, who constitute about 60% of the workforce
- Organized of the formal sector, that constitutes about 8% of the workforce; and
- Urban unorganized or informal structure which represents the 32% of the workforce.

The chart below describes the estimated increase in the number of labors from 1977- 78 to 2004-05. The labor force has grown from 276.3 million to 385.5 million between 1977-78 and 1993*94 showing an annual growth rate of 2.1%. During the year 1999-2000, the workforce was estimated to be 407 million. In 2004-05 the labor market consisted of 430 million workers and has grown up to 500 million in 2006.

Estimated increase in labor force

Two-third of India's workforce is employed in agriculture and rural industries. One-third of rural households are agricultural labor households, subsisting on wage employment. Only about 9 percent of the total workforce is in the organized sector; the remaining 91 percent are in the unorganized sector, self-employed, or employed as casual wage laborers. The labor force in year 2006 has grown up to 509.3 million out of which 60% are in agriculture, 12% are employed in industries and the residual 28% are in services.



Labor force can be divided into four categories :self employed workers, wage and salary earners, casual workers and unemployed. Of these, self-employed are most loosely connected to labor market because of the possibilities of work-sharing and work spreading in a self-employed enterprise. Non-contractual casual laborers have the closest connection to labor market on almost day-to day basis. Same is the case with those unemployed who are actively seeking work. Contractual and hence stable hired employment (with the same employer and/or in the same job) on a regular basis is covered in the description wage and salary workers. Persons who are engaged in their own farm or non- farm enterprises are defined as self-employed. The employees in an enterprise can be either regular salaried/ wage employees or casual wage employees who are normally engaged on a day today basis. The casual wage workers both in public work and other types of work don't have any job security or social security. These workers, either in formal or informal sector or in private households, are informal workers. The regular salaried/wage employees are those working in others farm

or non- farm enterprises and getting in return salary or wages on a regular basis and not on the basis of daily or periodic renewal of work contract. This category includes: those getting time wage as well as those receiving piece wage or salary and paid apprentices, both full time and part time. This category of persons may, therefore, include persons engaged regularly on an hourly basis, temporary workers, out- workers, etc. The table given below classifies labor force across male-female and rural-urban dimensions. It is clear that

- Self-employment and casual labor statuses are more prevalent among rural than urban labor force and among female than male workers.
- The Incidence of unemployment is higher in the urban than in the rural labor force with nearly 48 per cent of the total unemployed persons coming from aggregate urban labor force whose share in total (rural plus urban) work force is 22 per cent.

Those reporting wage and salary earning dominate in the urban labor force, their share being around 62 per cent (lines 10 to 12 of Table).

| Sr. No. | Category of labor force | Self employed Earners | Wage & Salary | Casual Workers | Unem ployed | Total (In per cent) |
|---------|-------------------------|-----------------------|---------------|----------------|-------------|---------------------|
| 1. | Rural Males | 53.96 | 8.7 | 35.63 | 1.71 | 100 |
| 2. | Rural Females | 57.75 | 3.05 | 39.5 | 1.05 | 100 |
| 3. | Urban Males | 39.59 | 39.81 | 16.09 | 4.51 | 100 |
| 4. | Urban Females | 42.78 | 31.37 | 20.14 | 5.71 | 100 |
| 5. | Rural Persons | 54.94 | 6.73 | 36.86 | 1.47 | 100 |
| 6. | Urban Persons | 40.22 | 36.13 | 16.9 | 4.75 | 100 |
| 7. | Total Persons | 51.68 | 13.68 | 32.44 | 2.2 | 100 |
| 8. | Total Males | 50.23 | 16.77 | 30.56 | 2.44 | 100 |
| 9. | Total Females | 54.81 | 7.01 | 36.49 | 1.69 | 100 |
| 10. | Urban Share : Males | 20.43 | 61.56 | 3.65 | 47.91 | 25.93 |
| 11. | Urban Share : Females | 10.91 | 62.59 | 7.71 | 47.2 | 13.98 |
| 12. | Urban Share : Persons | 17.24 | 61.73 | 11.54 | 47.74 | 22.15 |

Organized and unorganized labour

In India, a major chunk of labor force is employed in the unorganized sector. The unorganized / informal employment consists of casual and contributing family workers; self employed persons in un-organized sector and private households; and other employed in organized and unorganized enterprises that are not eligible either for paid, sick or annual leave or for any social security benefits given by the employer.

According to the results of the National Sample Survey conducted in 1999-2000, total work force as on 1.1.2000 was of the order of 406 million. About 7 % of the total work force is employed in the formal or organized sector (all public sector establishments and all non- agricultural establishments in private sector with 10 or more workers) while remaining 93% work in the informal or unorganized sector. The NSS 55th round, 1999-2000 also covered non-agricultural enterprises in the informal sector in India. As per that survey, there were

44.35 million enterprises and 79.71 million workers employed thereof in the non- agricultural informal sector of the economy. Among these 25.01 million enterprises employing 39.74 million workers were in rural areas whereas 19.34 million enterprises with 39.97 million workers in the urban area. Among the workers engaged in the informal sector, 70.21 million are full time and 9.5 million part times. Percentage of female workers to the total workers is 20.2 percent.

The table below describes major employment trends for the organized and unorganized sector for the years 1983, 1987-88, 1993-94 and 1999-2000. It is evident that throughout this period a large portion of the workforce in India is found to be employed in the unorganized sector. Out of 397million workers in 1999-2000, it is estimated that 369 million workers (nearly 93 per cent) are employed in the unorganized segment of the economy whereas only 28 million workers (7 per cent) are engaged in the organized sector. The share of unorganized employment in the economy has displayed remarkable steadiness over the years. The share of informal employment has risen from 92 per cent (nearly 276 million out of 300 million) in 1983 to 93 per cent in the 1999-2000. It is clear that employment opportunity in the organized sector has remained more or less stagnant, showing only a marginal increase from 24 million in 1983 to 28 million in 1999-2000.

The largest numbers of informal workers are in agriculture. In fact, 98.84 percent of the employment in agriculture is informal. In the non-agricultural sector, the highest numbers of informal employees are in retail trade, construction, land transport, textiles etc.

Estimate of population, labor force, employment and unemployment (in million)

| | 1983 | 1988 | 1994 | 1999 2000 |
|---|-------------|-------------|-------------|------------------|
| Estimated Population | 718.21 | 790 . | 895.05 | 1004.1 |
| Labor Force | 308.84 | 333.49 | 391.94 | 406.05 |
| Employed | 302.75 | 324.29 | 374.45 | 397 |
| Unemployed | 5.89 | 9.2 | 7.49 | 9.05 |
| Unemployment Rate (as % of labor force) | 1.91 | 2.76 | 1.96 | 2.23 |
| Employment in Organized Sector | 24.01 | 25.71 | 27.37 | 28.11 |
| Employment in Unorganized Sector | 278.74 | 298.58 | 347.08 | 368.89 |

Thus, the unorganized sector plays a vital role in terms of providing employment opportunity to a large segment of the working force in the country and contributes to the national product significantly. The contribution of the unorganized sector to the net domestic product and its share in the total NDP at current prices has been over 60%. In the matter of savings the share of household sector in the total gross domestic saving mainly unorganized sector is about three fourth. Thus unorganized sector has a crucial role in our economy in terms of employment and its contribution to the National Domestic Product, savings and capital formation.

Employment and Unemployment Scenario in India

In India, due to the agrarian sector with seasonal operations time disposition and availability for work have been the criteria for measuring employment. The accepted method

of measuring employment is the usual status. Reliable estimates of employment/ unemployment are generated through National Sample Surveys conducted once in five years by National Sample Survey Organization (NSSO). The concept recognizes time utilization only. Quality of work or income does not get reflected in the approach.

As per the results of the National Sample Survey conducted in 1999-2000, total work force as on 1.1.2000, as per Usual Status approach (considering both principal and subsidiary activities) was of the order of 406 million. About 7 % of the total work force is employed in the formal or organized sector (all public sector establishments and all non- agricultural establishments in private sector with 10 or more workers) while remaining 93% work in the informal or unorganised sector. The size of the Organized Sector employment is estimated through the Employment Market Information Programme of DGE&T, Ministry of Labour. The capacity of the organised sector to absorb additional accretion to the labour force, taking into account the current accent on modernization and automation, is limited. In other words, an overwhelming proportion of the increase in the labour force will have to be adjusted in the unorganized sector. About 369 million workers are placed today in unorganized/informal sector in India; agriculture workers account for the majority of this work force.

The employment and unemployment scenario as per this approach depict the following picture.

Table-1 : Estimates of population, labour force, employment and unemployment (in million)

| | 1983 | 1988 | 1994 | 1999-2000 |
|--|--------|--------|--------|-----------|
| Estimated population | 718.21 | 790.00 | 895.05 | 1004.10 |
| Labour Force | 308.64 | 333.49 | 391.94 | 406.05 |
| Employed | 302.75 | 324.29 | 374.45 | 397.00 |
| Unemployed | 5.89 | 9.2 | 7.49 | 9.05 |
| Unemployment rate (as percentage of labour force) | 1.91 | 2.76 | 1.96 | 2.23 |
| Employment in organized sector | 24.01 | 25.71 | 27.37 | 28.11 |
| Employment in unorganized sector | 278.74 | 298.58 | 347.08 | 368.89 |
| GDP growth | 7.7 | 3.8 | 5.9 | 6.4 |

Note :

1. Employment, Unemployment, Unemployment rate and Labour force are on Usual Status basis and are based on estimates given in various rounds of NSSO
2. Population estimates are as per projection made by Expert Committee on Population projection.
3. Organized sector employment are on the basis of data collected by DGE&T.
4. GDP growth rates are from Central Statistical Organization.
Growth of labour force, employment and unemployment during 1983-2000 observed were as under ;

Table-2 : Growth of population, labour force, employment and unemployment

| | | Growth Rate (%) | |
|-------|-----------------------------|-----------------|-----------|
| | | 1983-94 | 1994-2000 |
| (i) | Population | 2.12 | 1.93 |
| (ii) | Labour Force | 2.05 | 1.03 |
| (iii) | Employment | 2.04 | 0.98 |
| (iv) | Organized sector employment | 1.20 | 0.53 |
| | Public | 1.52 | 0.45 |
| | Private | -0.03 | 1.87 |

Note :

- Employment, Unemployment, Unemployment rate and Labour Force are on usual Status basis and are based on estimates given in various rounds of NSSO.
- Population estimates are as per projection made by Expert Committee on Population Projection.
- Organized sector employment is on the basis of data collected by DGE&T.
- GDP growth rates are from Central Statistical Organization.
- The rates of growth of labour force, employment, population and organized sector employment are compound rates of growth.

Special Group headed by Dr. S.P. Gupta has adopted Current Daily Status Approach and projected employment, unemployment and labour force. According to this approach the unemployment during 1999-2000 was of the order of 27 million. The number of persons who could have got full employment with the work available in the economy is estimated as employment as per this approach. The difference between labour force and employed gives estimates of unemployment.

Salient points on employment and unemployment scenario are :

1. The rate of growth of employment declined sharply from 2.04% per year in the period 1983-94 to only 0.98% per year in the period 1994 to 2000.
2. There was sharp deceleration in the growth of labour force from 2.05% in the period 1983-94 to only 1.03% in the period 1994-2000.
3. Growth rate of employment is less than the growth rate of the labour force indicating an increase in the unemployment rate.
4. The open unemployment which is of the order of 9 million is not significant compared to the size of the population in the country.
5. Though, open unemployment is only 2.23% (9 million), the percentage of the population below the poverty line is as high as 26.1%. The fact of being employed is obviously no guarantee of escaping from poverty, which in our situation refers to a very basic level of subsistence.
6. Percentage of population below the poverty line which was of the order of 36% in 1993-94, has come down to 26.1% indicating that during the period 1994-2000 improvement in the income level of the employed had taken place.
7. Organized sector employment is not growing and its share is only 7% of the total employment.

8. There was decline in self-employment whereas regular salaried and casual employment showed an increasing trend during 1993-94 to 1999-2000.
9. There was substantial increase in the average daily wage earnings in the rural areas.

1.3 BACKGROUND OF INDUSTRIAL RELATIONS

In The Origins and Evolution of the Field of Industrial Relations in the United States, Bruce E. Kaufman attributed the popularization of the term "industrial relations" to a Commission on Industrial Relations created by the federal government in 1912. That commission was created to investigate and report on conditions in "industry" that gave rise to labor problems, including conflict between employers and employees (and their organizations) that often erupted in violence and strikes. Thus the term "industrial relations" referred to "relations" between employers and employees in "industry." Better industrial relations were seen as the solution to labor problems.

Although the term "industry" or "industrial" (as in "industrial relations") connotes for many "heavy" industry (e.g., steel mills, auto assembly plants), this connotation is much narrower than the field's conception of industrial relations. At least to most industrial relations scholars, the term "industrial" is used broadly, as in distinguishing industrialized societies from agrarian societies. As noted by Dunlop (in Industrial Relations Systems) and his colleagues, industrialization gives rise to employment relationships as we know them today, in which large numbers of people work for and in large part follow the direction of others in exchange for wages or salaries and other compensation. This is in contrast to agrarian societies where the farmer is typically self-employed, directing his or her own labor and obtaining his or her livelihood as the difference between revenues and expenses. Thus industrial relations refers to relations between employers and employees not only in heavy industry but also in retailing, government, financial services, education, and recreational services, for example. In fact, even agricultural production, when organized in a form where an employer relies extensively on the services of hired workers, as is increasingly the case, can be said to fall within the purview of industrial relations.

Similarly, industrial relations is not limited to formal employment relationships, but rather to what one might call "functional employment relationships." There are many instances where workers are technically classified as self-employed independent contractors, and yet for practical purposes these workers are essentially employees. The construction industry provides many examples of this. Many laws governing employment are limited to formal employment relationships, and independent contractor status is often used by firms as a means of cutting labor costs, possibly by avoiding or evading legal obligations to employees. Related to this, temporary employment services whereby firms contract for workers with another firm (which technically employs the workers, paying their wages and possibly benefits such as health insurance), have grown dramatically in recent years. Many firms have found this a cost-effective alternative to traditional employment arrangements. These two types of arrangements are part of a larger and growing work phenomenon that many refer to in terms of the "contingent workforce." This phenomenon contrasts with traditional employment relationships in which one is employed by the firm that controls the work site as a matter of law as well as in a practical sense, and in which the work relationship is generally assumed to be relatively permanent. Some would include

many part-time workers as well as many independent contractors and temporary employees in a definition of the contingent workforce. In any case, conceptions of industrial relations as the study of "all aspects of people at work" clearly do not limit the field to formal or legal definitions of employment.

As noted earlier, in the United States especially, the term industrial relations is sometimes viewed more narrowly as referring solely to relations between employers and employee representation organizations, i.e., labor unions, and related phenomena such as union organizing, collective bargaining (negotiations between employers and unions over work matters), and the effects of unions on employment terms and society. In this view, the importance of industrial relations in the United States has fallen apace with the decline of unions over the past four decades. Since the mid-1950s, when unions represented roughly one-third of employees, U.S. union representation has declined so that today unions represent about one-seventh of employees (13.9 percent in 1998). (This overall unionization rate conceals considerable variation across industries. To illustrate, the unionization rate, according to the U.S. Department of Labor's Bureau of Labor Statistics, is about 10 percent in private sector employment, but close to 38 percent in public sector employment.)

The terms "human resources" and "human resources management" have emerged as preferred labels referring to employment issues in the absence of unions, although these terms are not always sharply distinguished from industrial relations. For some, industrial relations is a field within human resources while for others human resources is a field within industrial relations. Clearly, however, the human resources terms have become more popular and the industrial relations term has become less popular as unions have declined. It would be a mistake to regard these changes as merely semantic. Perhaps at the heart of the substantive matter, in simplified form, is the question of whether employment matters will be determined unilaterally by management (the human resources view) or jointly by employers and employees through negotiations with employee representation organizations. Unilateral management determinations tend to be viewed as the norm in setting employment terms or at least specifying the conditions and limitations of employee influence under the human resources view, and collective bargaining tends to be seen as exceptional and often stemming from management's failure to manage properly its human resources (i.e., unions are seen as a result of management's mistakes). In contrast, industrial relations specialists tend to view collective bargaining (and other forms of joint determination) as a normal and legitimate process, or even a preferable process, for determining the bulk of employment matters. Legislation, such as minimum wage laws or bans on child labor, is also seen as a means to remedy labor problems. (It is noteworthy that federal laws declare collective bargaining to be a favored national labor policy although many question the effectiveness of laws promoting this policy) Of course, markets, laws, technology, worker attitudes, and social norms present constraints on determining employment matters in any case.

1.4 INTRODUCTION TO INDUSTRIAL RELATIONS

Industrial relations refer to processes and outcomes involving employment relationships. Frequently the term is used in a narrower sense, for employment relationships involving collective representation of employees in the form of a labor union

or employee association, especially in the United States. At the other extreme, industrial relations has been defined by Thomas A. Kochan, in his book *Collective Bargaining and Industrial Relations*, as "all aspects of people at work," but there are clearly some aspects of people at work that entail highly technical subjects (e.g., industrial hygiene, ergonomics) which are not normally regarded as falling within the mainstream of industrial relations study.

As an academic subject area, industrial relations is often defined as an interdisciplinary field of applied study. This conception recognizes that employment relationships entail practical problems and other phenomena that transcend any one traditional discipline (e.g., economics). To fully appreciate the multifaceted nature of many industrial relations issues, one must draw from a variety of perspectives, including economics, psychology, sociology, political science, and law, among others. For example, employee compensation issues may be usefully addressed in terms of economic theory, but psychological theories offer useful insights on employee attitudes toward and reactions to compensation matters. Whether the nature of industrial relations issues is sufficiently unique to justify considering industrial relations a "true discipline" has been controversial, but most scholars appear to favor the interdisciplinary subject view. Nevertheless, John Dunlop, a key figure in industrial relations theory, continues to argue (in a 1998 article in *Advances in Industrial and Labor Relations*) for the advantages of "industrial relations systems theory" over other theoretical disciplines (e.g., economics), and contends that industrial relations is a genuine discipline.

Industrial relations has become one of the most delicate and complex problems of modern industrial society. Industrial progress is impossible without cooperation of labors and harmonious relationships. Therefore, it is in the interest of all to create and maintain good relations between employees (labor) and employers (management).

1.5 RELATED TERMS FOR INDUSTRIAL RELATIONS

For better understanding of industrial relations, various terms need to be defined here :

Industry

Industrial Disputes Act 1947 defines an industry as any systematic activity carried on by co-operation between an employer and his workmen for the production, supply or distribution of goods or services with a view to satisfy human wants or wishes whether or not any capital has been invested for the purpose of carrying on such activity; or such activity is carried on with a motive to make any gain or profit. Thus, an industry is a whole gamut of activities that are carried on by an employer with the help of his employees and labors for production and distribution of goods to earn profits.

Employer

An employer can be defined from different perspectives as

- a person or business that pays a wage or fixed payment to other person(s) in exchange for the services of such persons.
- a person who directly engages a worker/employee in employment.
- any person who employs, whether directly or through another person or agency, one or more employees in any scheduled employment in respect of which

minimum rates of wages have been fixed.

As per Industrial Disputes Act 1947 an employer means

- in relation to an industry carried on by or under the authority of any department of [the Central Government or a State Government), the authority prescribed in this behalf, or where no authority is prescribed, the head of the department;
- in relation to an industry carried on by or on behalf of a local authority, the chief executive officer of that authority;

Employee

- Employee is a person who is hired by another person or business for a wage or fixed payment in exchange for personal services and who does not provide the services as part of an independent business.
- An employee is any individual employed by an employer.
- A person who works for a public or private employer and receives remuneration in wages or salary by his employer while working on a commission basis, piece- rates or time rate.
- Employee, as per Employee State Insurance Act 1948, is any person employed for wages in or in connection with work of a factory or establishment to which the act applies.

In order to qualify to be an employee, under ESI Act, a person should belong to any of the categories :

- those who are directly employed for wages by the principal employer within the premises or outside in connection with work of the factory or establishment.
- those employed for wages by or through an immediate employer in the premises of the factory or establishment in connection with the work thereof
- those employed for wages by or through an immediate employer in connection with the factory or establishment outside the premises of such factory or establishment under the supervision and control of the principal employer or his agent.
- employees whose services are temporarily lent or let on hire to the principal employer by an immediate employer under a contract of service (employees of security contractors, labor contractors, house keeping contractors etc. come under this category).

Employment : The state of being employed or having a job.

- **Labor Market** : A labor market is defined as a pool of all potential workers who compete for jobs. It also includes the employers who compete for workers. Labor markets are based on the supply and demand of labor in a country or a specific location that are able and willing to work.
- **Labor Force** : Labor force includes all persons classified either as employed or unemployed during a specified period of time, usually a day or a week. Labor force can be categorized as self-employed, wage and salary earners, casual workers and unemployed.
- **Casual Workers** : Casual workers are those workers who are generally employed by small entrepreneurs on daily or weekly basis on a low wage rate. They are not entitled to any paid holiday leave or paid sick leaves.

- **Unemployed persons** : The persons in the labor market who are without work, that is, without paid employment or self-employment and are currently either available for work or are seeking any work are considered to be unemployed.
- **Labor force participation rate** : It is the number of persons in the labor force as a percentage of the working-age population. The working-age population is the population above a certain reference age like 15 years old and over or 15-64, etc.
- **Employment rate** : It is ratio of employed persons to the total labor force. It is the percentage of working age people who have jobs or are employed.
- **Unemployment rate** : It is the ratio of unemployed people to the total labor force.
- **Underemployed persons** : Workers who are employed, but not in the desired capacity, whether in terms of compensation, hours, or level of skill and experience. The skills of such persons are underutilized, for example paying low wages to a highly skilled employee. Underemployment also refers to a situation where a major portion of labor force is unemployed.
- **Underemployment rate** : It is the ratio of underemployed to either total labor force or total employment.

1.6 CONCEPT OF INDUSTRIAL RELATIONS

The term 'Industrial Relations' comprises of two terms: 'Industry' and 'Relations'. "Industry" refers to "any productive activity in which an individual (or a group of individuals) is (are) engaged". By 'relations' we mean "the relationships that exist within the industry between the employer and his workmen."

The term industrial relations explains the relationship between employees and management which stem directly or indirectly from union-employer relationship.

Industrial relations are the relationships between employees and employers within the organizational settings. The field of industrial relations looks at the relationship between management and workers, particularly groups of workers represented by a union. Industrial relations are basically the interactions between employers, employees and the government, and the institutions and associations through which such interactions are mediated.

The term industrial relations has a broad as well as a narrow outlook. Originally, industrial relations was broadly defined to include the relationships and interactions between employers and employees. From this perspective, industrial relations covers all aspects of the employment relationship, including human resource management, employee relations, and union-management (or labor) relations. Now its meaning has become more specific and restricted. Accordingly, industrial relations pertains to the study and practice of collective bargaining, trade unionism, and labor-management relations, while human resource management is a separate, largely distinct field that deals with nonunion employment relationships and the personnel practices and policies of employers.

The relationships which arise at and out of the workplace generally include the relationships between individual workers, the relationships between workers and their employer, the relationships between employers, the relationships employers and workers have with the organizations formed to promote their respective interests, and the relations between those organizations, at all levels, industrial relations also includes the processes through which these relationships are expressed (such as, collective bargaining, workers'

participation in decision-making, and grievance and dispute settlement), and the management of conflict between employers, workers and trade unions, when it arises.

1.6.1 SELF-HELP EXERCISE

1. Discuss the concept of Industrial relations.

1.7 MEANING OF INDUSTRIAL RELATIONS

The field of industrial relations (also called labour relations) looks at the relationship between management and workers, particularly groups of workers represented by a union.

Labour relations is an important factor in analyzing "varieties of capitalism", such as neo-corporatism (or corporatism), social democracy, and neoliberalism (or liberalism).

Labour relations can take place on many levels, such as the "shop-floor", the regional level, and the national level. The distribution of power amongst these levels can greatly shape the way an economy functions.

Another key question when considering systems of labour relations is their ability to adapt to change. This change can be technological (e.g., "What do we do when an industry employing half the population becomes obsolete?"), economic (e.g., "How do we respond to globalization?"), or political (e.g., "How dependent is the system on a certain party or coalition holding power?").

Governments set the framework for labor relations through legislation and regulation.

In Australia industrial relations is the commonly used term, though in recent years the term workplace relation has also become common. This was a prominent issue in the defeat of the Centre-right Howard Liberal government at the 2007 federal election, who with a Senate majority had introduced the Work Choices policy.

The academic discipline of labor studies is closely related to and often studied and taught in conjunction with the study industrial and labor relations in English language universities.

1.8 PERSPECTIVE OF INDUSTRIAL RELATIONS

When studying the theories of industrial relations, there are three major perspectives that contrast in their approach to the nature of workplace relations. The three views are generally described as the unitary, pluralist and Marxist perspectives. The Marxist perspective is sometimes referred to as the Conflict Model. Each offers a particular perception of workplace relations and will therefore interpret such events as workplace conflict, the role of trade unions and job regulation very differently.

Unitary Perspective

In Unitarianism, the organization is perceived as an integrated and harmonious whole with the ideal of "one happy family", where management and other members of the staff all share a common purpose, emphasizing mutual cooperation. Furthermore, unitarist has a paternalistic approach where it demands loyalty of all employees, being predominantly managerial in its emphasis and application.

Consequently, trade unions are deemed as unnecessary since the loyalty between employees and organizations are considered mutually exclusive, where there can't be two sides of industry. Conflict is perceived as disruptive and the pathological result of agitators, interpersonal friction and communication breakdown.

Pluralistic Perspective

In pluralism the organization is perceived as being made up of powerful and divergent sub-groups, each with its own legitimate loyalties and with their own set of objectives and

leaders. In particular, the two predominant sub-groups in the pluralistic perspective are the management and trade unions.

Consequently, the role of management would lean less towards enforcing and controlling and more toward persuasion and co-ordination. Trade unions are deemed as legitimate representatives of employees, conflict is dealt by collective bargaining and is viewed not necessarily as a bad thing and, if managed, could in fact be channeled towards evolution and positive change.

Marxist/Radical Perspective

This view of industrial relations looks at the nature of the capitalist society, where there is a fundamental division of interest between capital and labour, and sees workplace relations against this history. This perspective sees inequalities of power and economic wealth as having their roots in the nature of the capitalist economic system. Conflict is therefore seen as inevitable and trade unions are a natural response of workers to their exploitation by capital. Whilst there may be periods of acquiescence, the Marxist view would be that institutions of joint regulation would enhance rather than limit management's position as they presume the continuation of capitalism rather than challenge it.

1.8.1 SELF-HELP EXERCISE

2. Elaborate the different perspective of Industrial relations.

1.9 OBJECTIVES OF INDUSTRIAL RELATIONS

The main objectives of industrial relations system are

1. To safeguard the interest of labor and management by securing the highest level of mutual understanding and good-will among all those sections in the industry which participate in the process of production.
2. To avoid industrial conflict or strife and develop harmonious relations, which are an essential factor in the productivity of workers and the industrial progress of a country.
3. To raise productivity to a higher level in an era of full employment by lessening the tendency to high turnover and frequency absenteeism.
4. To establish and promote the growth of an industrial democracy based on labor partnership in the sharing of profits and of managerial decisions, so that ban individuals personality may grow its full stature for the benefit of the industry and of the country as well.
5. To eliminate or minimize the number of strikes, lockouts and gheraos by providing reasonable wages, improved living and working conditions, said fringe benefits.
6. To improve the economic conditions of workers in the existing state of industrial managements and political government.
7. Socialization of industries by making the state itself a major employer
8. Vesting of a proprietary interest of the workers in the industries in which they are employed.

1.10 REASONS FOR GOOD INDUSTRIAL RELATIONS

The significance of good industrial relation in any country cannot be ones emphasized. Good industrial relations are necessary for the following reasons.

1. To help in economic progress of a country. The problem of an increase in productivity is essentially the problem of maintaining good industrial relations.

That is why they form an important part of the economic development plan of every civilized nation.

2. To help establishing and maintaining true industrial democracy this is prerequisite for the establishment of a socialist society.
3. To help the management both in the formulations of informed labour relations policies and in their translation into action.
4. To encourage Collective bargaining as a means of self-regulation. They consider the negotiation process as an educational opportunity a chance both to learn and to reach.
5. To help government a making laws forbidding unfair practices of unions and employers. In climate good industrial relations every party works for the solidarity of workers movement. Unions gain more strength and vitality. There is no interunion rivalry.
6. Employees give unions their rightful recognition and encourage them to participate in all decisions. Unions divert their activities from fighting and belligerence to increase the size of the distribution and to make their members more informed (workers education) on vital issues concerning them.
7. To boost the discipline and morale of workers. Maintenance of discipline ensures orderliness. Effectiveness and economy in the use of resources. On the other hand, lack of discipline means waste, loss and confusion. It also means in subordination and non-co-operation.
8. Industrial relations are eventually human relations therefore, the same basis of human psychology prevails in the field of industrial relations therefore, and the efficiency of an industry is directly related with the quality of relationship, which is being built up amongst the individuals who work together.

1.11 IMPORTANCE OF INDUSTRIAL RELATIONS

The healthy industrial relations are key to the progress and success. Their significance may be discussed as under -

- **Uninterrupted production** - The most important benefit of industrial relations is that this ensures continuity of production. This means, continuous employment for all from manager to workers. The resources are fully utilized, resulting in the maximum possible production. There is uninterrupted flow of income for all. Smooth running of an industry is of vital importance for several other industries; to other industries if the products are intermediaries or inputs; to exporters if these are export goods; to consumers and workers, if these are goods of mass consumption.
- **Reduction in Industrial Disputes** - Good industrial relations reduce the industrial disputes. Disputes are reflections of the failure of basic human urges or motivations to secure adequate satisfaction or expression which are fully cured by good industrial relations. Strikes, lockouts, go-slow tactics, gherao and grievances are some of the reflections of industrial unrest which do not spring up in an atmosphere of industrial peace. It helps promoting co-operation and increasing production.
- **High morale** - Good industrial relations improve the morale of the employees.

Employees work with great zeal with the feeling in mind that the interest of employer and employees is one and the same, i.e. to increase production. Every worker feels that he is a co-owner of the gains of industry. The employer in his turn must realize that the gains of industry are not for him alone but they should be shared equally and generously with his workers. In other words, complete unity of thought and action is the main achievement of industrial peace. It increases the place of workers in the society and their ego is satisfied. It naturally affects production because mighty co-operative efforts alone can produce great results.

- **Mental Revolution** - The main object of industrial relation is a complete mental revolution of workers and employees. The industrial peace lies ultimately in a transformed outlook on the part of both. It is the business of leadership in the ranks of workers, employees and Government to work out a new relationship in consonance with a spirit of true democracy. Both should think themselves as partners of the industry and the role of workers in such a partnership should be recognized. On the other hand, workers must recognize employer's authority. It will naturally have impact on production because they recognize the interest of each other.
- **Reduced Wastage** - Good industrial relations are maintained on the basis of cooperation and recognition of each other. It will help increase production. Wastages of man, material and machines are reduced to the minimum and thus national interest is protected.

Thus, it is evident that good industrial relations is the basis of higher production with minimum cost and higher profits. It also results in increased efficiency of workers. New and new projects may be introduced for the welfare of the workers and to promote the morale of the people at work. An economy organized for planned production and distribution, aiming at the realization of social justice and welfare of the masses can function effectively only in an atmosphere of industrial peace. If the twin objectives of rapid national development and increased social justice are to be achieved, there must be harmonious relationship between management and labor.

1.11.1 SELF-HELP EXERCISE

3. why industrial relations is important for the organization?

1.12 MODEL TO INDUSTRIAL RELATIONS

One of the significant theories of industrial labor relations was put forth by John Dunlop in the 1950s. According to Dunlop industrial relations system consists of three agents - management organizations, workers and formal/informal ways they are organized and government agencies. These actors and their organizations are located within an environment - defined in terms of technology, labor and product markets, and the distribution of power in wider society as it impacts upon individuals and workplace. Within this environment, actors interact with each other, negotiate and use economic/political power in process of determining rules that constitute the output of the industrial relations system. He proposed that three parties-employers, labor unions, and government-- are the key actors in a modern industrial relations system. He also argued that none of these institutions could act in an autonomous or independent fashion. Instead they were shaped, at least to some extent, by their market, technological and political contexts.

Thus, it can be said that industrial relations are a social sub system subject to three

environmental constraints- the markets, distribution of power in society and technology.

Dunlop's model identifies three key factors to be considered in conducting an analysis of the management-labor relationship :

1. Environmental or external economic, technological, political, legal and social forces that impact employment relationships.
2. Characteristics and interaction of the key actors in the employment relationship: labor, management, and government.
3. Rules that are derived from these interactions that govern the employment relationship.

Dunlop emphasizes the core idea of systems by saying that the arrangements in the field of industrial relations may be regarded as a system in the sense that each of them more or less intimately affects each of the others so that they constitute a group of arrangements for dealing with certain matters and are collectively responsible for certain results".

In effect - Industrial relations is the system which produces the rules of the workplace. Such rules are the product of interaction between three key "actors" - workers/ unions, employers and associated organizations and government

The Dunlop's model gives great significance to external or environmental forces. In other words, management, labor, and the government possess a shared ideology that defines their roles within the relationship and provides stability to the system.

1.13 INDUSTRIAL RELATION POLICY

Prior to 1991, the industrial relations system in India sought to control conflicts and disputes through excessive labor legislations. These labor laws were protective in nature and covered a wide range of aspects of workplace industrial relations like laws on health and safety of labors, layoffs and retrenchment policies, industrial disputes and the like. The basic purpose of these laws was to protect labors. However, these protectionist policies created an atmosphere that led to increased inefficiency in firms, over employment and inability to introduce efficacy. With the coming of globalization, the 40 year old policy of protectionism proved inadequate for Indian industry to remain competitive as the lack of flexibility posed a serious threat to manufacturers because they had to compete in the international market.

With the advent of liberalization in 1992, the industrial relations policy began to change. Now, the policy was tilted towards employers. Employers opted for workforce reduction, introduced policies of voluntary retirement schemes and flexibility in workplace also increased. Thus, globalization brought major changes in industrial relations policy in India. The changes can be summarized as follows :

- Collective bargaining in India has mostly been decentralized, but now in sectors where it was not so, are also facing pressures to follow decentralization.
- Some industries are cutting employment to a significant extent to cope with the domestic and foreign competition e.g. pharmaceuticals. On the other hand, in other industries where the demand for employment is increasing are experiencing employment growths.
- In the expansionary economy there is a clear shortage of managers and skilled labor.

The number of local and enterprise level unions has increased and there is a

significant reduction in the influence of the unions.

- Under pressure some unions and federations are putting up a united front e.g. banking.
- Another trend is that the employers have started to push for internal unions i.e. no outside affiliation.
- HR policies and forms of work are emerging that include, especially in multinational companies, multi-skills, variable compensation, job rotation etc. These new policies are difficult to implement in place of old practices as the institutional set up still needs to be changed.
- HRM is seen as a key component of business strategy.

Training and skill development is also receiving attention in a number of industries, especially banking and information technology.

1.14 INDUSTRIAL RELATIONS SYSTEM

An industrial relations system consists of the whole gamut of relationships between employees and employees and employers which are managed by the means of conflict and cooperation.

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 employee loyalty and mutual trust.

1.15 INDUSTRIAL RELATIONS SYSTEM MODEL

The dominant paradigm or conceptual framework for the study of industrial relations is the "Industrial Relations Systems" model advanced by Dunlop in his book of the same name. The concept of a system is applied in the sense that industrial relations, according to Daniel Quinn Mills, author of Labor-Management Relations, consists of the "processes by which human beings and organizations interact at the workplace and, more broadly, in society as a whole to establish the terms and conditions of employment." In other words, certain inputs (e.g., human labor, capital, managerial skill) from the environment are combined via alternative processes (e.g., collective bargaining, unilateral management decisions, legislation) to produce certain outcomes (e.g., production, job satisfaction, wage rates). Consistent with the definitions of industrial relations noted above, the study of industrial relations and the systems model focus on outcomes most closely related to the interaction of employees and employers and the "web of rules" concerning employment that they and their organizations, along with government, establish to govern employer-employee relations. Thus production per se is a system outcome, but not a principal focus of industrial relations. It has been noted that the industrial relations system concept may fall short of the definition of a system in the physical or biological sciences, but nonetheless the concept has proved useful and endured. Dunlop, in Industrial Relations Systems, noted that industrial relations systems can be thought of as being embedded in broader social systems. In Collective Bargaining and Industrial Relations, Kochan observed that like any complex social system, industrial relations systems are best understood by identifying and analyzing their various components and how they interact with one another to produce

certain outcomes.

The major components of the industrial relations system are :

1. The actors (workers and their organizations, management, and government).
2. Contextual or environmental factors (labor and product markets, technology, and community or "the locus and distribution of power in the larger society" (from Dunlop's Industrial Relations Systems)).
3. Processes for determining the terms and conditions of employment (collective bargaining, legislation, judicial processes, and unilateral management decisions, among others).
4. Ideology, or a minimal set of shared beliefs, such as the actors' mutual acceptance of the legitimacy of other actors and their roles, which enhance system stability.
5. Outcomes, including wages and benefits, rules about work relations (e.g., standards for disciplinary action against workers), job satisfaction, employment security, productive efficiency, industrial peace and conflict, and industrial democracy.

The basic purposes of the industrial relations systems concept are to provide a conceptual framework for organizing knowledge about industrial relations and for understanding how various components of an industrial relations system combine to produce particular outcomes (and hence why outcomes vary from one setting to another or over time). Thus for example, wage rates for a particular group of workers might be understood as reflecting the interactions of their unions with management via collective bargaining within the constraints of a particular market, technological, and community environment.

The precise specification of system components may vary with the level of analysis and from one system to another. For example, when applied to a particular work site, legislation may be best understood as an environmental constraint upon the immediate parties to the employment relationship (workers, management, and possibly unions). But when speaking of a nation's industrial relations system or systems, legislation can be viewed as a process by which the parties (via government) establish terms and conditions of employment or the rules workers and management must follow in establishing those terms and conditions. As another example, when comparing industrial relations systems at a given level of analysis, the roles of the various actors may differ. Unions may play a critical role in one system, and virtually no role in another. In some national systems (e.g., within certain Latin American countries), other actors such as the military or organized religious institutions may play influential roles. The nature of actor roles may also vary across industries within a nation, perhaps as best illustrated by public sector employment, where government is also the employer.

1.15.1 SELF-HELP EXERCISE

4. Briefly discuss the industrial relations model.

1.16 RECENT TRENDS AND FUTURE PROSPECTS

Whether attributable to employer strategic choices or more fundamental environmental changes that govern those choices, U.S. industrial relations have clearly undergone significant change in recent years and are likely to experience further dramatic change in the years ahead. As already noted, unionization has declined dramatically. With that decline, collective bargaining has diminished in importance as a mechanism for setting employment terms of U.S. workers; rates of increases in wages and benefits for unionized

workers frequently lag behind those of their nonunion counterparts (although the union- nonunion wage differential is still estimated to be fairly sizable, in the range of 10 to 20 percent with a higher differential for benefits); strike activity has set new record lows; and union political "clout" is seriously questioned. Many U.S. unions have undergone unprecedented soul-searching in their efforts to develop strategies to respond to these changes. Mergers between unions, new forms of membership and new membership benefits, and new organizing, bargaining, and political strategies and tactics have been proposed and implemented as part of union efforts to reverse their decline. In the 1994 report *The New American Workplace : A Labor Perspective*-compiled by the Committee on the Evolution of Work of the American Federation of Labor-Congress of Industrial Organizations (AFL CIO)- unions expressed a much more positive stance toward union-management cooperation than is usually attributed to them. But in 1995, John Sweeney, then-president of the Service Employees International Union, launched an almost unprecedented and successful challenge to the incumbent leadership of the AFL-CIO, stressing a renewed commitment to organizing as a central theme. Since Sweeney's election as AFL-CIO president, the federation has made substantial changes in staff, strategies, and tactics. The AFL-CIO and some of its affiliates seem to have taken more aggressive approaches to organizing, bargaining, and politics under Sweeney's leadership. As yet there has not been a dramatic turnaround in union organizing success. In fairness to Sweeney, the contemporary decline of unionization has been in the making for roughly 50 years, and expectations for a quick turnaround might be unrealistic. In bargaining, a large-scale strike in 1997 by the Teamsters against the United Parcel Service was hailed by some as indicating that labor still had clout, as the Teamsters were able to achieve some important gains. But attempts to play a larger role in the 1996 national elections achieved only limited success, and appear to have spurred efforts by union opponents to limit union political activity.

Public policy makers have also considered other significant changes. Early in his first term, President Bill Clinton appointed a Commission on the Future of Worker-Management Relations (headed by Dunlop and including many academics as well as union and management representatives) to offer recommendations for public policy changes. Some scholars argue that the present legal framework governing union formation and union-management relations in most of the private sector (e.g., the National Labor Relations Act of 1935 or Wagner Act, as amended by the Labor Management Relations Act or Taft-Hartley Act of 1947, and other legislation) may have been reasonably well-suited to the United States of the 1930s and 1940s, but that subsequent economic and social changes necessitate significant amendments or even a major overhaul. Among the issues the commission considered were whether current legal bans on company-dominated unions unduly intrude on legitimate employee participation programs in nonunion firms; whether statutory protections of employee rights to join and form unions are adequate, and how to effectuate those rights in the face of intense employer opposition; and whether public policy can promote a more cooperative and less adversarial relationship between employers and employee organizations.

Some scholars (such as Bruce E. Kaufman and Morris M. Kleiner, editors of *Employee Representation* : Alternatives and Future Directions) assert that employee representation is a more fundamental issue than representation of employees by unions, noting that many nonunion firms willingly establish some form of representation system,

and that the public is more supportive of this principle than of union representation. Coupling these observations with the current low level of union representation (and perhaps with the conclusion that the decline of unions is irreversible), some have proposed that the United States should seriously consider establishing works councils similar to those in many European nations. Works councils are legally mandated employee representation mechanisms independent of unions which require that all employees (usually in establishments with a minimum number of employees, perhaps ten) elect representatives to the works council to confer with management on issues that are observer*, although they generally do not bargain over wages and benefits, works councils address many of the issues that U.S. unions have traditionally addressed, including layoffs, discipline systems, and workplace safety.

Even in a Democrat-controlled Congress, any major changes to labor relations law could face stiff opposition. After more business-friendly Republicans gained a slight majority in Congress in the 1994 elections, prospects for any significant changes in legislation appeared to evaporate. Relatively strong performance for the economy during most of the 1990s probably contributed to Congressional inaction as well.

1.17 PRACTICE QUESTIONS

1. What is the concept of industrial relations and its importance?
2. Write down the reasons of good industrial relations in an organization?
3. What are the perspectives and explain the model of IR?
4. What do you mean by industrial relation system and policy?

1.18 ANSWER TO SELF-HELP EXERCISE

1. Discuss the concept of Industrial relations.

Answer: The term industrial relations explains the relationship between employees and management which stem directly or indirectly from union-employer relationship

2. Elaborate the different perspective of Industrial relations.

Answer :Unitary Perspective
Pluralistic Perspective
Marxist/Radical Perspective

3. why industrial relations is important for the organization?

Answer :Uninterrupted production
Reduction in Industrial Disputes
High morale
Mental Revolution

1.19 Suggested Readings

- Memoria, C.B., "Personnel Management ", 24th edition, 2004.
- Rao, V.S.P., Human Resource Management (text and cases), 2nd edition, 2007
- Gupta, C. B., Human Resource Management', 7th edition, 2006.
- Singh, B.D.(2007). Industrial Relations: Emerging Paradigms, Excel Books, New Delhi.

ROLE OF GOVERNMENT IN INDUSTRIAL RELATIONS & MANAGEMENT OF REDUNDANCIES

STRUCTURE

- 2.0 Introduction
- 2.1 Industrial Relations - Definitions
- 2.2 Objectives of Industrial Relations
- 2.3 Evolution of Industrial Relation in India
- 2.4 Role of Government in Industrial Relations
- 2.5 Employment Security
- 2.6 Redundancy
- 2.7 Practice Questions
- 2.8 Answer to self – help exercise
- 2.9 Suggested readings

2.0 INTRODUCTION

The term industrial relations refer to relationships between management and labour or among employees and their organizations that characterize or grow out of employment. Theoretically speaking, there are two parties in the employment' relationship- labour and management. Both parties need to work in a spirit of cooperation, adjustment and accommodation. In their own mutual interest certain rules for co- existence are formed and adhered to. Over the years, the state has also come to play a major role in industrial relations- one, as an initiator of policies and the other, as an employer by setting up an extremely large public sector. Labour and management must appreciate the importance of openness, trust and collaboration in their day-to-day dealings.

The term 'industrial relations' has been defined by different authors in different ways

2.1 DEFINITIONS

Various authors have given their views regarding industrial relations. Let's have a look at each one of them.

Let us understand the concept of Industrial Relations.

Industrial Relations is used to denote the collective relationships between management and the workers. Try and understand that the two terms, management- labour relations and employer-employee relations are synonymously used.

In the words of Lester, *"Industrial relations involve attempts at arriving at solutions between the conflicting objectives and values; between the profit motive and social gain; between discipline and freedom, between authority and industrial democracy; between bargaining and cooperation; and between conflicting interests of the individual, the group and the community"*

Let us examine the concept of industrial relations with the help of some definitions so as to understand its various dimensions.

One of the most comprehensive definitions which views industrial relations from the perspective of human relationships is by J. Henry Richardson:

"Industrial relations is an art, the art of living together for purposes of production. The parties while working together learn this art by acquiring the skills of adjustment"

Let us also look at another definition by H.A. Clegg:

"The field of industrial relations includes the study of workers and their trade unions,

management, employers' associations, and the State institutions concerned with the regulation of employment

While Richardson called for regulation of relationships in industry from within the organization as the parties have to live together by a process of accommodation and adjustment, Clegg assigned great importance to the role of institutions and to the regulatory role played by the government.

The National Commission on Labour (NCL) also emphasized on the same concept when it observed:

"Industrial relations affect not merely the interests of the two participants- labour and management, but also the economic and social goals to which the State addresses itself. To regulate these relations in socially desirable channels is a function, which the State is in the best position to perform."

2.1.1 Self – help exercise

1. Define the management of industrial relations.

2.2 OBJECTIVES

The objectives of Industrial Relations are as follows

- To safeguard the interest of labour as well as of management by securing the highest level, of mutual understanding and goodwill between all sections in industry which take part in the process of production.
- To avoid industrial conflicts and develop harmonious relation are essential for type productive efficiency of workers and the industrial progress of the country.
- To raise productivity to higher level in an era of full employment by reducing the tendency to higher and frequent absenteeism.
- To establish and maintain industrial democracy based on labour employer partnership, not only for the purpose of sharing the gains of organization but also participating in managerial decision so that the individual's personality may be developed and he may grow into a civilized citizen of the country.
- To bring down number of strikes lockouts, and gheraos by providing better and reasonable wages and fringes benefits to the workers, and improved living conditions;
- To bring about government control over such units and plans as are running at losses or where productions has regulated in the public interest; and
- To ensure that the state endeavors to bridge the gap between the unbalanced, disordered a maladjusted social order (which the result in industrial development) and the need for controlling and disciplining members and adjusting their conflicting interests- protecting some and restraining others and evolving a healthy social order.

2.3 EVOLUTION OF INDUSTRIAL RELATION IN INDIA

In India the evolution of IR has been seen in the following manner, the stages of which are listed below

- 1) Occupation in ancient India
Labour in Medieval India
Guilds and Union
- 2) Industrial Relation in India Early British Rule
First world war to pre-independence period

- Post Independence Period

1. Occupation in Ancient India

In ancient time the "Prime" occupation was agriculture. Trading was next in importance. Manual services formed the third area of occupation. The concept of the caste was originally based on the transfer of skills and community which ultimately led to the standardization of professions. The Atharva Veda divides the community into four classes they are Kshatriya, Vaishya, Shudra and Arya. The following professions became hereditary: those of goldsmiths, weaver, potter, blacksmith, carpenter, hunter charioteers, architects, sculptors, armories, person engaged in these occupations became separate communities.

- **Labour in Medieval India** Indian works of arts and crafts were badly ruined with the foreign invasion, which lasted for about 700 years. These artisans gradually lost their traditional skills. A large number of occupations were also carried on by small manufacturers and traders in their cottages mostly on a hereditary basis. A majority of artisans lived in the fringes of starvation.
- **Guilds and Union** These Unions gradually gained strength and were helpful not only in the evolution of arts but were powerful centers of arts in themselves. The union followed democratic principles. Kautilya has given a good description of the unions of employees, craftsmen or artisans. During the Epic period, laborers working in the same industry had their own unions. Almost every craft, profession and occupation had its own unions which were called 'Shreni'. The 'Shreni' elected its chief who was called Pramukh¹ or 'Jyestha¹. These guilds and corporations wielded considerable political power and influence.

2. Industrial Relations in India

There were no organizations of workers during Mughal rule which could deal with the difficulties and problems of the members. The wages, if at all paid, were very meager and insufficient even for one meal a day. When the emperor and his officials dealt harshly with the workers cordial relations between labour and capital could not be expected to exist. The growth of industries in different parts of the country were based on the poor industrial relations.

- **Early British Rule** There was not much scope for industrial development in India during the early British period. India was expected to be a colonial market for British goods till the second half of the 19th century. The worker was to work in deplorable conditions, while they were exploited by their contractors. The modern industry in India owes its existence to a great deal to the initiative of Europeans. However, the workers were not satisfied with the conditions in which they worked and the worker management relations were not cordial. Workers were actually in a very deplorable condition. Hence, the Factories Act of 1881 were passed which gave an impetus to workers' approach for redressal.
- **World War-I (1914-18)** was a period of boom for employers. Their economic distress brought workers together and an organized working-class movement began in the country. During the second war, employers made enormous profits. Bonus and dearness allowances were granted to them but wages did not increase in proportion to the rise in prices, the government tried to check dissatisfaction of workers and consequential strike activity by prohibiting strikes under the

emergency rule.

- **Post Independence Era** Immediately after independence, in the interest of the national economy, it was considered necessary to put a stop to strike/lockout that interrupted production. The minimum wages Act, the factories Act and the employees state insurance Act were all enacted in 1948.

Post independence industrial relations have been very much influenced by the pre independence industrial environment and labour management relations. Government has emerged as an arbitrator between management and workers. It is in the context that the industrial Disputes Act of 1947 deserves importance.

2.4 ROLE OF GOVERNMENT IN INDUSTRIAL RELATIONS

The government influences and shapes industrial relations with the help of laws, rules, agreement, awards of courts and emphasis on usage, customs, traditions, as well as the implementation of its policies and interference through executive and judicial machinery.

In simple words, industrial relations are the outcome of the 'employment relationships' in industry, i.e. between employers and labour. The government of a nation or state influences these relations to a great extent.

Thus, there are three main parties in industrial relations:

- (i) **Workers and their Organizations:** The personal characteristics of workers, their culture, educational attainments, qualifications, skills, attitude towards work, etc. play an important role in industrial relations.

There is a specific term used for the Workers' organization.

It is known as a Trade Union

Trade unions are formed for safeguarding the economic and social interests of the workers. They put pressure on the management for the achievement of these objectives.

Now coming to the second main player.

- (ii) **Employers and their Organization:** The employers are a very important variable in industrial relations. They provide employment to workers and try to regulate their behavior for getting high productivity from them. In order to increase their bargaining power, employers in several industries have organized employers' associations. These associations put pressure on the trade unions and the Government.

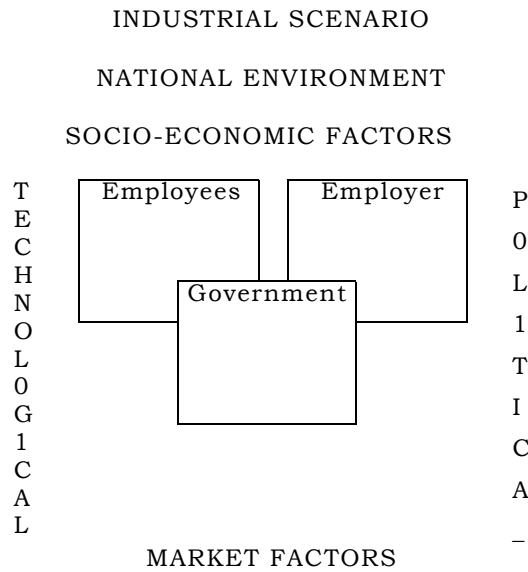
And now let's have a look at the third player.

It is the State or what we better know as the Government.

- (iii) **Government:** The Government or State exerts an important influence on industrial relations through such measures as providing employment, intervening in working relationships, and regulating wages, bonus and working conditions through various laws relating to labour. The Government keeps an eye on. Both the trade unions and employers' organizations to regulate their behaviors in the interest of the nation.

The role of the Government in Industrial Relations is quite similar to that of our parents or guardians i.e. keeping an eye on the siblings and intervening when things are out of control.

Let us get holistic and see the overall environment of industrial relations.



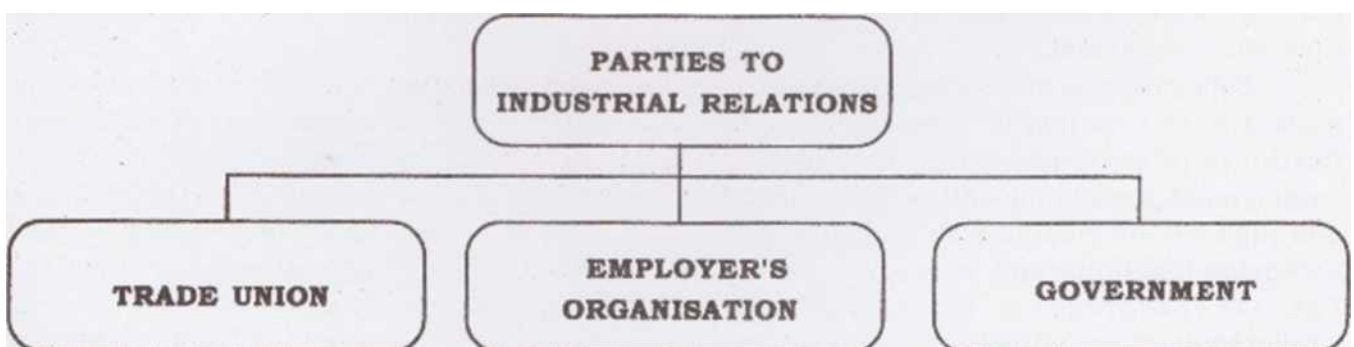
After independence, the Indian Government laid emphasis on the need for consultation between the representatives of labour, management and the Government in tripartite and bipartite forums. Tripartite obviously would mean representatives from three bodies and bipartite means representatives of two bodies.

Moved by the constant pressure of International Labour Organisation, the Government of India constituted various tripartite bodies like Indian Labour Conference (I.L.C.), the Standing Labour Committee (S.L.C.) and the Industrial Committees to deliberate on various issues relating to labour and management that have far-reaching impact on the country's labour policies and legislation.

Before we move on, let us revise what we have studied so far.

We have discussed the concept of Industrial relations and the main players to it. We have talked about the regulating relationship among three main parties or players whatever you call it. They are:

- The Employees' or the Workers' Organisation (Trade Union)
- The Employers' Organisation
- The State or Government



The existence of strong, well-organized, democratic and responsible trade unions and associations of employers.

- Job security of employees
- Increased workers' participation in management
- Negotiations, consultations and discussions
- Good labour-management relations.

The industrial peace can be largely nurtured through the following means:

- (a) **Machinery should be set up for the prevention and settlement of Industrial disputes:**
It can be brought about by developing various legislative and administrative enactments like Trade Unions Acts, Industrial Disputes Act, Industrial Employment (Standing Industrial Orders) Act etc.
And obviously it has to be remembered that prevention is better than cure.
- (b) **The Government should have the power to refer disputes to adjudication:**The State can do so under various circumstances like the following:
- When the situation tends to get out of hand and the employees and employers can't reach on to a solution acceptable to both the parties
 - Industry is faced with economic collapse due to continued stoppage of production on account of strikes or lockouts
 - It is in the public interest to do so during periods of emergency
 - There is fear of foreign attack
- (c) **The Government enjoys the power to maintain the status quo:**This power is exercised when the government, after referring the dispute to arbitration, finds that either party is continuing the strike or lockout and that strike or lockout is likely to negatively affect the life of the community and to create chaos in the industry.
- (d) **The provision of the bipartite and tripartite forums for the settlement of disputes:** These forums act on the basis of the Code of Discipline in industry, the Code of Conduct, Standing Orders etc.
- (e) The industrial peace can also be attained by the creation and maintenance of implementation cells and evaluation committees which have the power to look into implementation of agreements, settlements and awards and also violations of statutory provisions laid down under various labour laws.

2.4.1 Self - help exercise

2. What are the main parties of industrial relations?

2.5 EMPLOYMENT SECURITY

Employment security refers both to regulations concerning hiring (e.g., rules favoring disadvantaged groups, conditions for using temporary or fixed-term contracts, training requirements) and firing (e.g. redundancy procedures, mandated prenotification periods and severance payments, special requirements for collective dismissals and short- time work schemes).

Policymakers are facing the crucial challenge of regulating a rapidly evolving labour market in the context of the globalized economy. Will they listen to calls made for greater flexibility to overcome what have often been characterized as labour market rigidities: employment protection and legislation, union bargaining power, generous welfare systems and high labour taxation? Or can they place their trust in a "flexicurity"* model: new ways of balancing flexibility and security in relation to employment, income and social protection? The ILO encourages a "flexicurity" approach which requires, but also promotes, high employment rates. Without competitive enterprises which are able to adjust their workforces

to market conditions, employment performance will be poor. However, high levels of labour market flexibility per se cannot solve the unemployment problem, unless workers enjoy sufficient employment and income security, through intensive re-employment assistance, active labour market programmers and income support, to motivate them to accept higher mobility and flexibility, and facilitate their adaptation. Dialogue between governments, workers and employers on policy choices is the foundation of the "flexicurity" approach.

2.6 REDUNDANCY

According to the statutory definition, as set out in the Employment Rights Act 1996, a redundancy occurs where a dismissal is wholly or mainly because:

1. the employer has ceased, or intends to cease, to carry out their business for the purposes of which the employee is employed;
2. the employer has ceased, or intends to cease, to carry on that business in the place where the employee was so employed;
3. the requirements of that business for employees to carry out work of a particular kind have ceased or diminished or are expected to do so;
4. the requirements of the business for employees to carry out work of a particular kind in the place where they were so employed have ceased or diminished or are expected to do so.

It should be the aim of the organisation to ensure, as far as possible, security of employment and the avoidance of compulsory redundancies for its employees by means of effective forward planning. However, from time-to-time circumstances may make it necessary to consider reductions in staffing levels. In that event, the provisions of this policy should be applied.

The circumstances in which the redundancy policy shall be used should be set out and the policy or restructuring shall not be used as an alternative to effective performance management.

The purpose of the redundancy policy should be to ensure that, wherever staffing reductions are considered necessary :

- all staff who are affected by the anticipation of a redundancy situation are given fair and equitable treatment.
- wherever practicable, redundancies are avoided; where this is not practicable, matters are handled in a fair and reasonable way and ways are sought to avoid compulsory redundancies through redeployment and an enhanced statutory redundancy payment option.
- so far as possible, changes are affected with the understanding and agreement of the recognized Campus Unions and all staff involved.

Where it is not possible to avoid redundancy the requirements of law shall be met and a reasonable period of time shall be allowed for meaningful consultation to take place with staff and Trade Union representatives. The information disclosed shall be in writing and shall include:

1. the reasons why staff affected may be at risk of redundancy;
2. the names and departments, grades and descriptions of staff at risk

Enhanced Statutory Redundancy Payment Option

Where redundancies are unavoidable the organization shall, in the first instance, endeavor to avoid compulsory redundancy by offering an enhanced statutory redundancy

payment option and, depending upon the circumstances, by seeking volunteers. The mechanisms by which these might be achieved shall be considered beforehand. The organization shall act in accordance with agreed procedures in the calculation of redundancy and pension payments at the point where a member of staff becomes at risk of redundancy they shall be advised in writing. They shall normally be invited to consider the option of an enhanced statutory redundancy payment according to an agreed payment scheme, as an alternative to redeployment:

Where a member of staff confirms they shall opt for the enhanced statutory redundancy payment, entitlement to the provisions of the redeployment policy shall be forfeited.

Where a member of staff confirms they shall opt to explore redeployment opportunities instead of the enhanced statutory redundancy payment, entitlement to the enhanced payment scheme shall be forfeited.

The member of staff shall have 10 working days to consider and confirm their preferred option, by which time they shall be expected to have completed the relevant documentation and returned this to the Department of Human Resources.

The management shall determine whether any applications for the enhanced statutory redundancy payment option can be made and accepted and reserve the right, either not to offer or to refuse applications made where they are not in the interests of the department or the wider University.

Members of staff who choose to access provisions for redeployment and remain unplaced at the end of the redeployment period shall be subject to the terms of compulsory redundancy policy, which shall include the terms of the compulsory redundancy payment scheme. It should be noted that contractual notice periods shall run concurrently. **Redeployment**

Where there continues to be a need to reduce staffing all staff affected who have confirmed they do not wish to apply for the enhanced statutory redundancy payment option shall be eligible to access the provisions of the Redeployment Policy.

Where the provisions of the Redeployment Policy are exhausted the terms of compulsory redundancy shall apply. ■

Compulsory Redundancy

Where there is a need for compulsory redundancy the process which shall normally be followed is set out in the supporting management guidance and shall depend upon the prevailing circumstances.

Any member of staff selected for compulsory redundancy shall be invited to a meeting with their manager and / or a representative from the Department of Human Resources to be informed and consulted on an individual basis, and shall have the right to be accompanied by a work colleague or trade union representative in any such discussions.

The management shall inform the recognized Trade Unions of the numbers and the proposed selection criteria.

Compulsory redundancy payments will be based upon the Statutory Redundancy Payment calculation, as set out in the organisation agreed payment scheme.

Redundancy Payments

Redundancy payments shall be calculated in accordance with the organization's agreed payment scheme, which complies with relevant legislation, taking into consideration the prevailing circumstances for the member of staff and the University.

Individuals shall be provided with details in writing of the redundancy pay which would apply in their case.

In cases of compulsory redundancy where staff are eligible to retire with a pension, and subject to the rules of the Superannuation Scheme, the organisation shall consider the possibilities of early retirement within the prevailing financial situation.

Assistance to Staff at Risk of Redundancy

Staff at risk of redundancy shall be eligible to access organization's facilities to support their redeployment within the management or their identification of alternative employment outside of the Management.

All staff working within their redundancy notice period will be given reasonable time off, in line with statutory requirements.

2.6.1 Self – help exercise

3. Discuss the concept of Redundancy.

2.7 PRACTICE QUESTIONS

1. Define the term industrial relations, also discuss the evolution of industrial relations.
2. Discuss the role of government in industrial relations.
3. What do you understand by the term redundancies

2.8 ANSWER TO SELF-HELP EXERCISE

1. Define the management of industrial relations

Answer :The National Commission on Labour (NCL) also emphasized on the same concept when it observed :

"Industrial relations affect not merely the interests of the two participants- labour and management, but also the economic and social goals to which the State addresses itself. To regulate these relations in socially desirable channels is a function, which the State is in the best position to perform."

2. What are the main parties of industrial relations ?

Answer: We have discussed the concept of Industrial relations and the main players to it. We have talked about the regulating relationship among three main parties or players whatever you call it. They are:

- The Employees' or the Workers' Organisation (Trade Union)
- The Employers' Organisation
- The State or Government

3. Discuss the concept of Redundancy?

According to the statutory definition, as set out in the Employment Rights Act 1996, a redundancy occurs where a dismissal is wholly or mainly because:

- ❖ the employer has ceased, or intends to cease, to carry out their business for the purposes of which the employee is employed;
- ❖ the employer has ceased, or intends to cease, to carry on that business in the place where the employee was so employed;
- ❖ the requirements of that business for employees to carry out work of a particular kind have ceased or diminished or are expected to do so;
- ❖ the requirements of the business for employees to carry out work of a particular kind in the place where they were so employed have ceased or diminished or are expected to do so.

2.9 REFERENCES

- Gupta, C. B., Human Resource Management', 7th edition, 2006.
- Gupta Shashi k. and Rosy Joshi, "Human Resource Management", 2nd edition, 2004.
- Memoria, C.B., "Personnel Management ", 24th edition, 2004.
- Rao, V.S.P., Human Resource Management (text and cases), 2nd edition, 2007.

INDUSTRIAL RELATIONS AND TECHNOLOGICAL CHANGE, CHANGES IN IR POST LIBERALIZATION

STRUCTURE

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Concept of IR
- 3.3 Objectives and Dunlop Model of IR
- 3.4 Industrial Relations and Technological Change
- 3.5 Impact of Globalization and Post liberalization on Industrial Relations
- 3.6 Practice Questions
- 3.7 Answer to Self-Help exercise
- 3.8 Suggested Readings

3. OBJECTIVES

After reading this chapter, the student should be able to:

- Define industrial relation, objectives and Dunlop model
- Understand the technological change
- Understand the impact of technological change on industrial relations
- Understand the impact of Globalization and post liberalization on industrial relations

3.1 INTRODUCTION

Industrial relations have become one of the most delicate and complex problems of modern industrial society. Industrial progress is impossible without cooperation of labors and harmonious relationships. Therefore, it is in the interest of all to create and maintain good relations between employees (labor) and employers (management). Many features of general situation in which it takes place influence the course of technological change, like other aspects of industrial life. This chapter will consider the influence of industrial relation systems on the problems and processes of technological change.

3.2 CONCEPT OF IR

The term 'Industrial Relations' comprises of two terms: 'Industry' and 'Relations'. "Industry" refers to any productive activity in which an individual (or a group of individuals) is (are) engaged". By "relations" we mean "the relationships that exist within the industry between the employer and his workmen."

The term industrial relations explain the relationship between employees and management, which stem directly or indirectly from union-employer relationship.

Industrial relations are the relationships between employees and employers within the organizational settings. The field of industrial relations looks at the relationship[^] between management and workers, particularly groups of workers represented by a union. Industrial relations are basically the interactions between employers, employees and the government, and the institutions and associations through which such interactions are mediated. The relationships which arise at and out of the workplace generally include the relationships between individual workers, the relationships between workers and their

employer, the relationships between employers, the relationships employers and workers have with the organizations formed to promote their respective interests, and the relations between those organizations, at all levels. Industrial relations also include the processes through which these relationships are expressed (such as, collective bargaining, workers' participation in decision-making, and grievance and dispute settlement), and the management of conflict between employers, workers and trade unions, when it arises.

3.2.1 SELF-HELP EXERCISE

1. Define the Concept of Industrial Relations.

3.3 THE MAIN OBJECTIVES OF INDUSTRIAL RELATIONS SYSTEM ARE

- To safeguard the interest of labor and management by securing the highest level of mutual understanding and good will among all those sections in the industry which participate in the process of production.
- To avoid industrial conflict or strife and develop harmonious relations, which are an essential factor in the productivity of workers and the industrial progress of a country.
- To raise productivity to a higher level in an era of full employment by lessening the tendency to high turnover and frequency absenteeism.
- To establish and promote the growth of an industrial democracy based on labor partnership in the sharing of profits and of managerial decisions, so that individuals' personality may grow its full stature for the benefit of the industry and of the country as well.
- To eliminate or minimize the number of strikes, lockouts and gheraos by providing reasonable wages, improved living and working conditions, said fringe benefits.
- To improve the economic conditions of workers in the existing state of industrial managements and political government.

Socialization of industries by making the state itself a major employer vesting of a proprietary interest of the workers in the industries in which they are employed. John Dunlop put one of the significant theories of industrial labor relations forth in the 1950s. According to Dunlop industrial relations system consists of three agents - management organizations, workers and formal/informal ways they are organized and government agencies. These actors and their organizations are located within an environment - defined in terms of technology, labor and product markets, and the distribution of power in wider society as it impacts upon individuals and workplace. Within this environment, actors interact with each other, negotiate and use economic/political power in process of determining rules that constitute the output of the industrial relations system. He proposed that three parties-employers, labor unions, and government - are the key actors in a modern industrial relations system. He also argued that none of these institutions could act in an autonomous or independent fashion. Instead they were shaped, at least to some extent, by their market, technological and political contexts.

Thus, it can be said that industrial relations is a social sub system subject to three environmental constraints- the markets, distribution of power in society and technology. Dunlop's model identifies three key factors to be considered in conducting an analysis of the management-labor relationship: Environmental or external economic, technological, political, legal and social.

1. Forces that impact employment relationships.

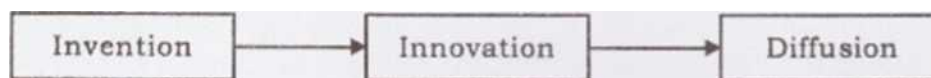
2. Characteristics and interaction of the key actors in the employment relationship: labor, management., and government.
3. Rules that are derived from these interactions that govern the employment relationship.

Dunlop emphasizes the core idea of systems by saying that the arrangements in the field of industrial relations may be regarded as a system in the sense that each of them more or less intimately affects each of the others so that they constitute a group of arrangements for dealing with certain matters and are collectively responsible for certain results". In effect - Industrial relations is the system, which produces the rules of the workplace. Such rules are the product of interaction between three key "actors" - workers/unions, employers and associated organizations and government.

The Dunlop's model gives great significance to external or environmental forces. In other words, management, labor, and the government possess a shared ideology that defines their roles within the relationship and provides stability to the system.

3.4 INDUSTRIAL RELATIONS AND TECHNOLOGICAL CHANGE

Technological change (TC) is a term that is used to describe the overall process of invention, innovation and diffusion of technology or processes(l). The term is redundant with technological development, technological achievement, and technological progress. In essence TC is the invention of a technology (or a process), the continuous process of improving a technology (in which it often becomes cheaper) and its diffusion throughout industry or society, a model of technological change that involves innovation at all stages of research, development, diffusion and use.



Invention

The creation of something new, breakthrough technology. For instance, the invention of the automobile in 1894.

Innovation

The continuous process of improvement, both of quality and that of lower price. Since the invention of the automobile a lot of innovation has occurred. This includes the improved production.

Diffusion

The spread of a technology through a society or industry. The diffusion of a technology generally follows an S-shaped curve as early version of technology are rather unsuccessful, followed by a period of successful innovation with high levels of adoption, and finally a dropping off in adoption as a technology reaches its maximum potential in a market. The rapid technological change has brought significant challenges for industrial relations.

Structural Changes

The main aspects of the structural changes having an impact on the industrial Relations system in the country could be mentioned as:

- (i) Production reorganization or decentralized production making a thin organized sector employment thinner. The large-sized units shifted to flatter structures and

opted for decentralized decision-making. These units reorganized their production by trimming their size and carrying out production in multiple units or by externalizing their production, i.e., concentrating on core activities with higher value addition, and subcontracting the other work/production to other ancillary units. These measures of economic reforms have distinctly affected the industrial relations system in the country as it has limited its institutions and practices to the formal organized sector in the large-sized units. As such, the system has come under pressure to adjust and adapt to the challenges of growth of small and medium units and shift its employment in favour of unorganized sector.

- (ii) Globalization and technological changes proved disruptive for the system in terms of displacement of labour, i.e., job losses, destabilizing the wage structure, and a shift in skill/occupation composition of labour.
- (iii) Ascendancy in managerial rights and the weakening of trade unions gave greater flexibility to management in utilization of labour and in handling industrial conflict.

Technological Changes

The inter-relationship between technological change and industrial relations time and again has been the focus of attention of groups in society. Technology has an impact on labour management issues such as manpower, job security, and training redundancy. All the three parties in industrial relations are closely concerned with the effects of technology. Technological change raises sensitive industrial relations issues, especially where it involves work intensification, rationalization or reductions in employment. Industrial relations issues, especially relating to employment levels and work organization, were seen as important in deciding upon new plant, machinery or equipment. Technological change affects the work environment and alters the relationship between the employers and employees. It affects labour in two ways, economic and social. The first category consists of redundancy, occupational adjustment, allocation of gains, and transfer and retraining problems. The second category includes psychological factors such as resistance to change, job satisfaction, and worker and union relations.

Improving the Role of Industrial Relations

The report states that the European dimension of industrial relations can play an active part in enhancing industrial relations at local, regional and national levels. It highlights three issues which must be addressed in order to improve the European dimension: the interaction between European industrial relations and the national and local level; the interaction between bipartite and tripartite processes at European level; and the interaction between the sectoral and intersectoral levels. It lists a number of key recommendations including the following :

- the social partners should continue with their suggestion, contained in a joint declaration to the Laeken European Council in December 2001, to create a new committee at the highest political level close to the annual spring European Council and to establish a multi-annual work programme;
- the social partners should explore new ways of negotiating agreements by making further use of the Treaty provisions and exploring the possibility of entering into voluntary framework agreements;

- the social partners are invited to put forward proposals for reform of the institutional framework governing the bipartite social dialogue, including proposals to modify the Treaty;
- the social partners should develop their own process adapted to the specificities of industrial relations. This could build on the 'open method of coordination', exchange of experience, 'benchmarking', recommendations, joint opinions and negotiations;
- the new European Monitoring Centre on Change (EMCC), based at the European Foundation for the Improvement of Living and Working Conditions, is highlighted as an institution which will help to promote a network of institutions to follow up best practices and promote exchange of experience. A special effort should be made to train and inform national actors on actions, methods and results of the European social dialogue and on industrial relations systems in other EU and candidate countries;
- technical assistance should be provided at European level to help the social partners to develop industrial relations. The report notes that the interaction between the European and national levels is currently the weakest link in industrial relations;
- in order to develop a 'benchmarking' approach to industrial relations, appropriate indicators should be established to measure and assess the quality of industrial relations. These could be built on the relevant Employment Guidelines developed as part of the European employment strategy launched at Luxembourg in 1997. The report suggests a number of such indicators; and
- social dialogue and EU-level consultation should be used as a tool to promote successful enlargement and to address the challenges of the post-enlargement years. Enlargement should be mainstreamed into all levels of European social dialogue.

3.4.1 SELF-HELP EXERCISE

2. Discuss the stages of technological change.

3.5 IMPACT OF GLOBALIZATION AND POST LIBERALIZATION ON INDUSTRIAL RELATIONS

International Trade is an activity of strategic importance in the development of any country. It facilitates the dissemination of technical knowledge, transmission of ideas and import of know-how skills, managerial talents and entrepreneurship that encourages movement of foreign capital. International trade can have a profound impact on the growth of economy in terms of production, employment and technology and resource utilization. With the growing concept of globalization, liberalization and privatization, the Government of the India embarked on liberalization and economic reforms program to bring about rapid and substantial economic growth and move towards globalization of the economy. The unprecedented increase in competition as well as protectionism in world markets makes it imperative for a country like India to get involved in the international trade business much more energetically and lively. A series of trade policy reforms in the form of annual exam policy announced by the government during the 1990s and thereafter, has been able to change the conditions of trade conducive to its growth. The impact of globalization extends from human and social or ethical perspective to the strategic or technological perspective. Thus, it has a wide scope and the present work attempts to highlight this impact as consequences of globalization and liberalization.

Due to liberalization of economy, several organizations have taken a number of steps to improve operational efficiency. This includes the introduction of quality management system, identification of NPAs and finding ways and means to transform organizations into strategic business units or profit centers. Another step that was taken in the wake of globalization or in the post-New economic policy 1991 era was the government's decision to disinvest their stake in the equities of leading public sector undertakings. Eventually many business houses have begun consolidating their businesses and large number of acquisitions and mergers has started. With large mergers and the development of new free markets around the world, major corporations now wield economic and political power then the governments under which they operate. In response, public pressure has increased for businesses to take on more social responsibility and operate according to higher levels of ethics. Firms in developed nations now promote-and are often required by law to observe-nondiscriminatory policies for the hiring, treatment, and pay of all employees. Some companies are also now more aware of the economic and social benefits of being active in local communities by sponsoring events and encouraging employees to serve on civic committees. Businesses will continue to adjust their operations according the competing goals of earning profits and responding to public pressures for them to behave in ways that benefit society. Among the employment benefits that are prevalent. However, on the recruitment front, as globalization evolves from being a mere corporate buzzword to basic economic reality, more and more organizations are realizing that they need managers and workers with skills that conform to the international standards. The CEOs and senior recruitment consultants have to talk about why selecting and developing global managers. Hence organizations are keen to take care of expatriation and repatriation issues or meeting relocation costs to keep their employees motivated and to retain the best performers and keep building a global talent pool.

In this era of globalization, it is also necessary to study corporate governance, a concept that is multi-dimensional. It includes the very fundamental issues like how organizations function in day-to-day dealing with customers, trade unions, suppliers, shareholders, government and the public. Owing to so many forces, corporate governance requires more internal discipline over external accountability. The internal discipline implies that the quality of corporate governance must be of high order and that workers- management relations are conceived to achieve industrial harmony.

Another astonishing fact in this era of globalization is the interaction between technological changes, primarily micro electronic technology, and industrial relations, while looking at the consequences it is felt that technological changes provide unprecedented opportunities for employers to gain control over the workforce and workers. The present-day high-tech information society has resulted in a shift in emphasis away from brawn to brain or from muscle to mind in the use of human energy. Instead of conventional principles based on direction and control. Modern organizations have resorted to consent and consensus. The decisions are least unilateral and such progressive ideas like workers empowerment and workers participation in management have been adopted. As a result these organizations, their workers as knowledge Workers, their products as Knowledge based products (owing to value additions) and last but not least, of having contributed to the knowledge Economy that the nation is gradually heading towards. Globalization has also given competitive advantage to most organizations. Accelerated growth, productivity improvement, and accent on total quality have been great milestones. Truly speaking, in a global economy, organizations that

have entered into strategic alliances and initiated innovative practices have made huge differences to their enterprises. However, World Bank and IMF have also advised such organizations to focus their attention on social and labor issues and align themselves to the effort being made by institutions like UNESCO and ILO. In India, the confederation of Indian Industries (CII) has addressed itself to social and ethical issues and a few organizations have shown concern to these issues including those under study in this project.

Globalization has necessitated certain structural adjustments (restructuring and diversifications), which has led to cutting off the jobs and recession in the employment scenario. Social security systems in most industrialized countries have become vulnerable. Such large-scale redundancies like stopping indexation of wages, workforce reduction and like are a major cause of concern but at the same time the rise of informal sector employment and part time employment has offered some relief.

Privatization proved a major thrust to promote global trends. Eventually the trade unions become concerned about their job loss and potential adverse effects on their group dynamics and their rights. Hence some unions initially came forward to impede the growth of privatization in general and restructuring and diversification in particular. But gradually they understood that in fact privatization is beneficial for the trade unions as they gain more rights like right to organize, right to collective bargaining. The right to strike, which has been restricted or denied in public services, is now made available to private enterprises. It is yet to determine the negative effects of privatization on collective bargaining and trade dynamics and thus it becomes one of the objectives of this study.

3.6 PRACTICE QUESTIONS

1. What is the concept of industrial relations and its objectives?
2. How technological change impact on industrial relations?
3. What is the impact of Globalization and Post liberalization on Industrial Relations?

3.7 ANSWER TO SELF-HELP EXERCISE

1. Define the concept of Industrial Relation.

Answer: The term 'Industrial Relations' comprises of two terms: 'Industry' and 'Relations'. "Industry" refers to any productive activity in which an individual (or a group of individuals) is (are) engaged". By "relations" we mean "the relationships that exist within the industry between the employer and his workmen."

2. Discuss the stages of technological change.

Invention

The creation of something new, breakthrough technology. For instance, the invention of the automobile in 1894.

Innovation

The continuous process of improvement, both of quality and that of lower price. Since the invention of the automobile a lot of innovation has occurred. This includes the improved production.

Diffusion

The spread of a technology through a society or industry. The diffusion of a technology generally follows an S-shaped curve as early version of technology are rather unsuccessful, followed by a period of successful innovation with high levels of adoption, and finally a dropping off in adoption as a technology reaches its maximum potential in a market. The rapid technological change has brought significant challenges for industrial relations.

3.8 SUGGESTED READINGS

- Monappa Arun - Industrial Relation, Tata McGraw-Hill Publisher, New Delhi.
- Dawar - Industrial Relation and Personal Manager, Vikas Publication House Pvt Ltd, 2007, New Delhi.
- Venkataratnam, C.S.(2007). Industrial Relations. Oxford University Press.
- Mamoria, Mamoria, Gankar (2007). Dynamics of Industrial Relations, Himalaya Publishing House, Mumbai.
- Singh, B.D.(2007). Industrial Relations: Emerging Paradigms, Excel Books, New Delhi.

TRADE UNION: OBJECTIVE, FUNCTION AND ROLE

STRUCTURE

- 4.1 Objectives
- 4.2 Trade Union
- 4.3 Objectives of Trade Union
- 4.4 Functions of Trade Union
- 4.5 Importance of Trade Union
- 4.6 Reasons for Joining Trade Unions
- 4.7 Trade Unionism in India
- 4.8 Trade Unions in India
- 4.9 Trade Union and Globalization
- 4.10 International Trade (IT)
- 4.11 Trade and Productivity
- 4.12 Comparison of Trade Union with other Disciplines
- 4.13 Practice Questions
- 4.14 Answer to Self-Help Exercise
- 4.15 Suggested Readings

4.1 OBJECTIVES

- To understand the meaning of trade unions
- To examine the objectives of trade union
- To study the functions and importance of trade union
- To study the trade union with globalization, IT, trade and productivity

4.2 TRADE UNION

A **trade union** (or **labour union**) is an organization of workers who have banded together to achieve common goals in key areas and working conditions. The trade union, through its leadership, bargains with the employer on behalf of union members (rank and file members) and negotiates labor contracts (Collective bargaining) with employers. This may include the negotiation of wages, work rules, complaint procedures, rules governing hiring, firing and promotion of workers, benefits, workplace safety and policies. The agreements negotiated by the union leaders are binding on the rank-and-file members and the employer and in some cases on other non-member workers.

These organizations may comprise individual workers, professionals, past workers, or the unemployed. The most common, but by no means only, purpose of these organizations is "maintaining or improving the conditions of their employment".

4.1.1 SELF-HELP EXERCISE

1. What is Trade Union?

4.3 OBJECTIVES OF TRADE UNIONS

Trade unions are formed to protect and promote the interests of their members. Their primary function is to protect the interests of workers against discrimination and unfair labor

out the difficulty with the manager or employer. Unions also offer their members legal representation. Normally this is to help people get financial compensation for work-related injuries or to assist people who have to take their employer to court.

4.3.2 Negotiation

Negotiation is where union representatives, discuss with management, the issues which affect people working in an organization. There may be a difference of opinion between management and union members. Trade unions negotiate with the employers to find out a solution to these differences. Pay, working hours, holidays and changes to working practices are the sorts of issues that are negotiated. In many workplaces there is a formal agreement between the union and the company which states that the union has the right to negotiate with the employer. In these organizations, unions are said to be recognized for collective bargaining purposes.

4.3.2.1 SELF-HELP EXERCISE

2. What is Negotiation?

4.3.3 Voice in decisions affecting workers

The economic security of employees is determined not only by the level of wages and duration of their employment, but also by the management's personal policies which include selection of employees for layoffs, retrenchment, promotion and transfer. These policies directly affect workers. The evaluation criteria for such decisions may not be fair. So, the intervention of unions in such decision making is a way through which workers can have their say in the decision making to safeguard their interests.

4.3.4 Member Services

During the last few years, trade unions have increased the range of services they offer their members. These include :

1. **Education and training** : Most unions run training courses for their members on employment rights, health and safety and other issues. Some unions also help members who have left school with little education by offering courses on basic skills and courses leading to professional qualifications.
2. **Legal assistance** : As well as offering legal advice on employment issues, some unions give help with personal matters, like housing, wills and debt.
3. **Financial discounts** : People can get discounts on mortgages, insurance and loans from unions.

4.3.5 Welfare Benefits

One of the earliest functions of trade unions was to look after members who hit hard times. Some of the older unions offer financial help to their members when they are sick or unemployed.

4.3.6 Steady Employment

Steady employment is something which the employer by himself may not be able to guarantee to the workers. Achievement of this aspiration may thus involve workers in political action, through their unions, for maintenance of full employment.

4.3.7 Collective Bargaining

Where trade unions are able to operate openly and are recognized by employers, they may negotiate with employers over wages and working conditions.

4.3.7.1 SELF-HELP EXERCISE

3. What is Collective Bargaining?

4.3.8 Industrial Action

Trade unions may enforce strikes or resistance to lockouts in furtherance of

particular goals.

4.3.9 Political Activity

Trade unions may promote legislation favorable to the interests of their members or workers as a whole. To this end they may pursue campaigns, undertake lobbying, or financially support individual candidates or parties (such as the Labour Party in Britain) for public office.

4.3.10 Rationalization of Personnel Policies

The economic security of an employee is determined not only by level of wages and duration of his employment but also by management's personnel policies - in its selection of employees for lay off, retrenchment, transfer and promotion, the assignment of employees to jobs etc. if these decisions are based on subjective evaluation, there is no security for workers. If such decisions are governed by rules and rational policies, there is greater assurance for fair treatment.

4.3.11 Recognition and Participation

Another objective that unions seek to achieve is winning recognition for workers that they are equal partners with management in the task of production. It is an intellectual quality that is the intellectual faculties of workers are no inferior to those of management.

4.3.12 Gaining Legislative Enactments

To provide legal sanctions to its demands, the unions attempt to get these framed in form of Acts so that they become permanent features of the contract between employers and workers.

4.3.13 Miscellaneous Services

Modern trade union also engage in providing educational, medical, recreational and other facilities for development and welfare of their members.

4.4 FUNCTIONS OF TRADE UNIONS

Trade unions perform a number of functions in order to achieve the objectives. These functions can be broadly classified into three categories:

- (i) Militant functions,
- (ii) Fraternal functions

Militant Functions

One set of activities performed by trade unions leads to the betterment of the position of their members in relation to their employment. The aim of such activities is to ensure adequate wages, secure better conditions of work and employment, get better treatment from employers, etc. When the unions fail to accomplish these aims by the method of collective bargaining and negotiations, they adopt an approach and put up a fight with the management in the form of go-slow tactics, strike, boycott, gherao, etc. Hence, these functions of the trade unions are known as militant or fighting functions. Thus, the militant functions of trade unions can be summed up as :

- To achieve higher wages and better working conditions
- To raise the status of workers as a part of industry
- To protect labors against victimization and injustice

Fraternal Functions

Another set of activities performed by trade unions aims at rendering help to its members in times of need, and improving their efficiency. Trade unions try to foster a spirit of cooperation and promote friendly industrial relations and diffuse education and culture among their members. They take up welfare measures for improving the morale of workers and generate self confidence among them. They also arrange for legal assistance to its members, if necessary. Besides, these, they undertake many welfare measures for their members, e.g. school for the education of children, library, reading-rooms, in-door and outdoor games, and other recreational facilities. Some trade unions even undertake publication of some magazine or journal. These activities, which may be called fraternal functions, depend on the availability of funds, which the unions raise by subscription from members and donations from outsiders, and also on their competent and enlightened leadership. Thus, the fraternal functions of trade unions can be summed up as:

- To take up welfare measures for improving the morale of workers
- To generate self confidence among workers
- To encourage sincerity and discipline among workers
- To provide opportunities for promotion and growth

To protect women workers against discrimination.

4.4.1 SELF-HELP EXERCISE

4. What are the Fraternal Functions?

4.5 IMPORTANCE OF TRADE UNIONS

The existence of a strong and recognized trade union is a pre-requisite to industrial peace. Decisions taken through the process of collective bargaining and negotiations between employer and unions are more influential. Trade unions play an important role and are helpful in effective communication between the workers and the management. They provide the advice and support to ensure that the differences of opinion do not turn into major conflicts. The central function of a trade union is to represent people at work. But they also have a wider role in protecting their interests. They also play an important educational role, organizing courses for their members on a wide range of matters. Seeking a healthy and safe working environment is also prominent feature of union activity.

Trade unions help in accelerated pace of economic development in many ways as follows :

- by helping in the recruitment and selection of workers.
- by inculcating discipline among the workforce
- by enabling settlement of industrial disputes in a rational manner
- by helping social adjustments. Workers have to adjust themselves to the new working conditions, the new rules and policies. Workers coming from different backgrounds may become disorganized, unsatisfied and frustrated. Unions help them in such adjustment.

Trade unions are a part of society and as such, have to take into consideration the national integration as well. Some important social responsibilities of trade unions include :

- promoting and maintaining national integration by reducing the number of industrial disputes
- incorporating a sense of corporate social responsibility in workers achieving industrial peace

4.6 REASONS FOR JOINING TRADE UNIONS

The important forces that make the employees join a union are as follows :

1. Greater Bargaining Power

The individual employee possesses very little bargaining power as compared to that of his employer. If he is not satisfied with the wage and other conditions of employment, he can leave the job. It is not practicable to continually resign from one job after another when he is dissatisfied. This imposes a great financial and emotional burden upon the worker. The better course for him is to join a union that can take concerted action against the employer. The threat or actuality of a strike by a union is a powerful tool that often causes the employer to accept the demands of the workers for better conditions of employment.

2. Minimize Discrimination

The decisions regarding pay, work, transfer, promotion, etc. are highly subjective in nature. The personal relationships existing between the supervisor and each of his subordinates may influence the management. Thus, there are chances of favoritisms and discriminations. A trade union can compel the management to formulate personnel policies that press for equality of treatment to the workers. All the labor decisions of the management are under close scrutiny of the labor union. This has the effect of minimizing favoritism and discrimination.

3. Sense of Security

The employees may join the unions because of their belief that it is an effective way to secure adequate protection from various types of hazards and income insecurity such as accident, injury, illness, unemployment, etc. The trade union secures retirement benefits of the workers and compels the management to invest in welfare services for the benefit of the workers.

4. Sense of Participation

The employees can participate in management of matters affecting their interests only if they join trade unions. They can influence the decisions that are taken as a result of collective bargaining between the union and the management.

5. Sense of Belongingness

Many employees join a union because their co-workers are the members of the union. At times, an employee joins a union under group pressure; if he does not, he often has a very difficult time at work. On the other hand, those who are members of a union feel that they gain respect in the eyes of their fellow workers. They can also discuss their problem with the trade union leaders.

6. Platform for Self-Expression

The desire for self-expression is a fundamental human drive for most people. All of us wish to share our feelings, ideas and opinions with others. Similarly, the workers also want the management to listen to them. A trade union provides such a forum where the feelings, ideas and opinions of the workers could be discussed. It can also transmit the feelings, ideas, opinions and complaints of the workers to the management. The collective voice of the workers is heard by the management and given due consideration while taking policy decisions by the management.

7. Betterment of Relationships

Another reason for employees joining unions is that employees feel that unions can

fulfill the important need for adequate machinery for proper maintenance of employer- employee relations. Unions help in betterment of industrial relations among management and workers by solving the problems peacefully.

4.6.1 SELF-HELP EXERCISE

5. What are the reasons for joining Trade Unions?

4.7 TRADE UNIONISM IN INDIA

The trade unionism in India developed quite slowly as compared to the western nations. Indian trade union movement can be divided into three phases.

The First Phase (1850 to 1900)

During this phase the inception of trade unions took place. During this period, the working and living conditions of the labor were poor and their working hours were long. Capitalists were only interested in their productivity and profitability. In addition, the wages were also low and general economic conditions were poor in industries. In order to regulate the working hours and other service conditions of the Indian textile laborers, the Indian Factories Act was enacted in 1881. As a result, employment of child labor was prohibited.

The growth of trade union movement was slow in this phase and later on the Indian Factory Act of 1881 was amended in 1891. Many strikes took place in the two decades following 1880 in all industrial cities. These strikes taught workers to understand the power of united action even though there was no union in real terms. Small associations like Bombay Mill-Hands Association came up by this time.

The Second Phase (1900 to 1946)

This phase was characterized by the development of organized trade unions and political movements of the working class. Between 1918 and 1923, many unions came into existence in the country. At Ahmedabad, under the guidance of Mahatma Gandhi, occupational unions like spinners' unions and weavers' unions were formed. A strike was launched by these unions under the leadership of Mahatma Gandhi who turned it into a satyagraha. These unions federated into industrial union known as Textile Labor Association in 1920. In 1920, the First National Trade union organization (The All India Trade Union Congress (AITUC)) was established. Many of the leaders of this organization were leaders of the national Movement. In 1926, Trade union law came up with the efforts of Mr. N N Joshi that became operative from 1927. During 1928, All India Trade Union Federation (AITUF) was formed.

The third phase began with the emergence of independent India (in 1947). The partition of country affected the trade union movement particularly Bengal and Punjab. By 1949, four central trade union organizations were functioning in the country :

1. The All India Trade Union Congress,
2. The Indian National Trade Union Congress,
3. The Hindu Mazdoor Sangh, and
4. The United Trade Union Congress

The working class movement was also politicized along the lines of political parties. For instance Indian national trade Union Congress (INTUC) is the trade union arm of the Congress Party. The AITUC is the trade union arm of the Communist Party of India. Besides workers, white-collar employees, supervisors and managers are also organized by the trade unions, as for example in the Banking, Insurance and Petroleum industries.

4.8 TRADE UNIONS IN INDIA

The Indian workforce consists of 430 million workers, growing 2% annually. The Indian labor markets consist of three sectors :

1. The rural workers, who constitute about 60 per cent of the workforce.
2. Organized sector, which employs 8 per cent of workforce, and
3. The urban informal sector (which includes the growing software industry and other services, not included in the formal sector) which constitutes the rest 32 per cent of the workforce.

At present there are twelve Central Trade Union Organizations in India :

1. All India Trade Union Congress (AITUC)
2. Bhartiya Mazdoor Sangh (BMS)
3. Centre of Indian Trade Unions (CITU)
4. Hind Mazdoor Kisan Panchayat (HMKP)
5. Hind Mazdoor Sabha (HMS)
6. Indian Federation of Free Trade Unions (IFFTU)
7. Indian National Trade Union Congress (INTUC)
8. National Front of Indian Trade Unions (NFITU)
9. National Labor Organization (NLO)
10. Trade Unions Co-ordination Centre (TUCC)
11. United Trade Union Congress (UTUC) and
12. United Trade Union Congress - Lenin Sarani (UTUC - LS)

Figures regarding Trade Unions

Table Showing Growth of Trade Unions and Membership is following below :
Growth of trade unions and membership

| Year | No. of Registered Trade Unions | No. of Unions Submitting Returns | Membership of Unions Submitting Returns | | | | Average Membership per union | |
|------|--------------------------------|----------------------------------|---|---------------------|--------------|---------------------|------------------------------|------------------------|
| | | | Men | | Women | | | Total Membership (000) |
| | | | Number (000) | Percentage to Total | Number (000) | Percentage to Total | | |
| 1991 | 53535 | 8418 | 5507 | 90.3 | 594 | 9.7 | 6100 | 725 |
| 1992 | 55080 | 9165 | 5148 | 89.6 | 598 | 10.4 | 5746 | 627 |
| 1993 | 55784 | 6806 | 2636 | 84.1 | 498 | 15.9 | 3134 | 460 |
| 1994 | 56872 | 6277 | 3239 | 79.1 | 856 | 20.9 | 4095 | 652 |
| 1995 | 57952 | 8162 | 5675 | 86.8 | 863 | 13.2 | 6538 | 801 |
| 1996 | 58988 | 7242 | 4250 | 75.9 | 1351 | 24.1 | 5601 | 773 |
| 1997 | 60660 | 8872 | 6504 | 87.8 | 905 | 12.2 | 7409 | 835 |
| 1998 | 61992 | 7403 | 6104 | 84.2 | 1145 | 15.8 | 7249 | 979 |
| 1999 | 64817 | 8152 | 5190 | 81 | 1218 | 19 | 6407 | 786 |
| 2000 | 66056 | 7253 | 4510 | 83.2 | 910 | 16.8 | 5420 | 747 |
| 2001 | 66624 | 6531 | 4392 | 74.8 | 1481 | 25.2 | 5873 | 900 |
| 2002 | 68544 | 7812 | 5102 | 73.2 | 1871 | 26.8 | 6973 | 893 |

4.9 TRADE UNIONS AND GLOBALIZATION

Improved alliance-building, international collaboration and the promotion of the adoption of international labour standards are strategies the trade union movement has developed against the backdrop of globalization. A new book (see reference) examines some of the crucial issues facing the trade union movement. Verena Schmidt, the editor of the book and coordinator of ILO's Global Union Research Network, explains in an interview how the new policies are being shaped.

"Enlargement" of the overall trade union agenda seems to be one of the key responses to globalization. How have trade unions gone about this process?

Increasingly trade unions are enlarging their agendas to include issues such as engaging with international organizations in order to influence their policies and organizing global campaigns and extending and deepening their cooperation at the transnational level. The Global Unions, consisting of the International Trade Union Confederation (ITUC), Global Union Federations (GUF) and the Trade Union Advisory Committee to the OECD (TUAC), are engaging with large international organizations such as the International Monetary Fund, the World Bank Group, the United Nations and their programs and funds, the World Health Organization and the World Trade Organization to promote a fair globalization.

For instance, since the late 1990s, global union leaders have lobbied for inclusion of the ILO core labour standards in World Bank lending and procurement practices. This action has paid off. In May 2006 the International Finance Corporation (IFC) started requiring that all enterprises borrowing from the IFC abide by the core labour standards. Then in December 2006 the World Bank announced that it would extend the core labour standards requirement to public works projects financed by the International Bank for Reconstruction and Development and the International Development Association. The World Bank started including the core labour standards requirement in its procurement contracts in May 2007.

In what ways is the trade union movement working to expand its network and alliance building?

Building networks between trade unions along global production systems is an example of transnational cooperation. Unions have to deal with sophisticated and often anti-union human resource management strategies at a local level within global production systems and respond to difficult representational situations as a result of sourcing decisions. However, the concept of value chains also presents some opportunities for labour. To benefit from these opportunities, unions are developing strategies with a view to organizing and bargaining collectively along the value chains. Organizing along supply chains could be a way to move beyond existing North-South cooperation arrangements.

At the same time, one potential conflict of interest exists between workers of the global North and the global South when it comes to off-shoring and outsourcing. Indeed, there is a need for active labour market strategies in the global North to avoid workers in the North bearing the cost of outsourcing. It is also important to stop a race to the bottom, especially between countries of the global South. Here, the ILO has an important role to play.

How are trade unions addressing issues of governance and accountability as a result of globalization?

The enhanced coordination of productive activity between countries by multinationals highlights how the strength of corporate governance has increased in recent years despite the

greater dispersion of production. In contrast, the impacts on labour of these value chain strategies, combined with the reduced relevance of national labour legislation in many countries, has left gaps in labour rights. As unions are confronted with the growing influence of the private sector, many are concerned that, in some cases, voluntary corporate codes of conduct are not accompanied sufficiently strongly by measures of "accountability".

The increasing integration of national economies in a single global market and the appearance of new world production systems are demanding stronger coordination of national and international trade union agendas. This is a big challenge for trade unions that traditionally organize within a national context.

Where do International Framework Agreements fit into the picture?

International Framework Agreements are a key tool used by a number of unions to lay down the rules of conduct for transnational companies. Since they are negotiated jointly by national trade unions and GUFs and companies, they are an important instrument for dealing with some of the issues raised by globalization.

For example, this new framework of global governance enables the unions to intensify efforts to integrate sustainable development practices within their policy, both by lobbying international institutions and by building alliances with non-governmental organizations. If a multinational violates social and environmental norms, the GUFs can either react by initiating demonstrative action or they can take proactive steps by making an offer to negotiate with the corporation on relevant agreements.

What Is the role of the International Labour Organisation (ILO) and international labour standards in achieving a fair globalization?

International labour standards are an important catalyst in improving working conditions. While core labour standards must be respected in all member States of the ILO regardless of whether they have been ratified by the countries, the reality is very different. The international labour movement is mobilizing the international community to put pressure on those countries which do not respect the core Conventions to make the necessary changes. For example, the issue of private equity and hedge funds has been addressed recently by the international trade union movement. The Global Unions are calling for governments and international organizations to ensure proper regulation, taxation and transparency concerning the activities of private equity and hedge funds.

The book showcases a number of examples of how trade unions have improved the situation of workers by enlarging the labour agenda and cooperation at international, transnational and national levels, as well as through their alliance-building with other civil society groups. The challenges of globalization can only be met if the trade union movement continues to address new issues and adapt its organizational structures accordingly.

4.10 INTERNATIONAL TRADE (IT)

International trade is the exchange of goods and services across national borders. In most countries, it represents a significant part of GDP. While international trade has been present throughout much of history (see Silk Road, Amber Road), its economic, social, and political importance have increased in recent centuries, mainly because of Industrialization, advanced transportation, globalization, multinational corporations, and outsourcing. In fact, it is probably the increasing prevalence of international trade that is usually meant by the term "globalization".

Empirical evidence for the success of trade can be seen in the contrast between countries such as South Korea, which adopted a policy of export-oriented industrialization, and India, which historically had a more closed policy (although it has begun to open its economy, as of 2005). South Korea has done much better by economic criteria than India over the past fifty years, though its success also has to do with effective state institutions.

Trade sanctions against a specific country are sometimes imposed, in order to punish that country for some action. An embargo, a severe form of externally imposed isolation, is a blockade of all trade by one country on another. For example, the United States has had an embargo against Cuba for over 40 years.

Although there are usually few trade restrictions within countries, international trade is usually regulated by governmental quotas and restrictions, and often taxed by tariffs. Tariffs are usually on imports, but sometimes countries may impose export tariffs or subsidies. All of these are called trade barriers. If a government removes all trade barriers, a condition of free trade exists. A government that implements a protectionist policy establishes trade barriers.

The fair-trade movement, also known as the trade justice movement, promotes the use of labour, environmental and social standards for the production of commodities, particularly those exported from the Third and Second Worlds to the First World. Such ideas have also sparked a debate on whether trade itself should be codified as a human right.

Standards may be voluntarily adhered to by importing firms, or enforced by governments through a combination of employment and commercial law. Proposed and practiced fair trade policies vary widely, ranging from the commonly adhered to prohibition of goods made using slave labour to minimum price support schemes such as those for coffee in the 1980s. Non-governmental organizations also play a role in promoting fair trade standards by serving as independent monitors of compliance with fairtrade labelling requirements.

4.11 TRADE AND PRODUCTIVITY

This chapter explains how openness to trade helps drive productivity improvements and hence economic growth. It looks at how openness has operated in practice in the UK economy to promote structural change and increase productivity; and at how Europe has benefited from reductions in barriers to trade. It shows how a mercantilist approach to trade negotiations, which ignores the benefits from openness to imports, misses some of the most important gains from trade. Finally, it looks at the impact of openness on growth in other countries, including the conclusions we can draw from cross-country regression analyze-; of openness and growth.

Openness and Productivity

- ❖ Income growth depends crucially on a country's capacity to raise its productivity, i.e. its capacity to find new ways of making more effective use of the resources which it has available. This means developing techniques which enable existing goods and services to be produced more efficiently, or which expand the range or quality of goods and services which can be produced.
- ❖ In the United Kingdom, the Government's strategy to raise domestic productivity has focused on five key drivers of productivity performance:
 - improving competition, to sharpen the incentives for producers to develop and

- adopt more productive techniques
 - promoting enterprise, to encourage the adoption of innovative processes and products
 - supporting science and innovation, to promote the development of new technologies and more efficient ways of working
 - raising skill levels to create a more productive workforce
 - encouraging investment, to increase the stock of physical capital used in production.
- ❖ Globalization and trade expansion will impact on the importance of these drivers for future prosperity. For example, a continued pace of technological advance that drives globalization and innovation will further increase the demand for a highly skilled workforce with the ability to absorb and generate new ideas and adapt to changing techniques and shifting product demand.

Openness to trade strengthens the drivers of productivity through six important (and mutually reinforcing) routes:

- more efficient allocation of resources. Trade enables each country to specialize in the production of those goods and services which it can produce most efficiently. Countries can raise overall consumption by exchanging their surplus production for the surplus production of other countries which have a different comparative advantage.
- economies of scale. In the absence of trade, economies of scale are constrained by the size of the domestic market. Trade removes this constraint, allowing industries and firms to produce on a more efficient scale than would otherwise be possible.
- similarly, trade increases incentives for firms to innovate, because the rewards from successful innovation will be proportionately greater if firms are selling in larger (i.e. export as well as domestic) markets. Where highly productive firms expand as a result of exports, this boosts the productivity of the economy as a whole.
- greater competition. Trade openness exposes domestic firms to greater competition. This helps to encourage exit from the marketplace of the least productive firms;
 - reduces monopoly rents; drives down margins; and reduces prices for consumers.
 Competition further reinforces incentives to innovate, helping to create more competitive firms which can then compete more effectively in world markets.
- access to new technology. Trade can provide direct access to goods and services that incorporate new technologies, particularly where more open trade regimes have led to different stages of the production process being undertaken in different countries.⁴
- Incentives for investment. Better access to imports and to export markets increases the scope for productive investment by creating new business opportunities. Foreign direct investment (FDI) enables technology and innovation developed abroad to be applied to domestic production, enhancing competition and leading to a faster diffusion of more efficient and innovative processes.

There are four key points in this analysis, discussed in more detail below. First, trade operates by enhancing the existing processes which drive economic growth.

Second, the benefits from trade derive as much from increased access to imports as from

greater access to export markets. Third, foreign investment provides an important channel through which countries can benefit from technologies developed in the rest of the world, and from the different costs of resources across countries. Fourth, the pace of structural change is likely to be faster in open economies, with the full benefits of trade openness accruing to economies that can easily redeploy labour and capital between firms and from declining to expanding industries.

- ❖ In a closed economy, the speed and pattern of economic development is determined by the labour, capital, natural resources and technology available in the domestic economy. This has implications for all five drivers of productivity growth.

Competition is limited by the number of firms that are viable. Innovation, enterprise, investment, and the development of skills are limited by the prospective returns which can be earned by selling to the domestic market.

- ❖ In an open economy, these constraints are less binding, and economic growth can proceed more rapidly. International trade allows domestic resources to be transferred away from goods and services which can be produced more efficiently abroad, and into goods and services which can be produced more efficiently at home.

Competition is greater, promoting greater efficiency; and access to foreign as well as domestic markets raises the prospective returns to investment, innovation, enterprise and skills development.

In practice, economies are neither wholly closed nor completely open to international trade, but somewhere in between. Consequently, all countries can benefit from reforms to trade policies that increase their exposure to foreign competition and their participation in global markets.

The growth-enhancing effects of trade derive from exposure to imports as well as gaining larger markets for exports. Imports are critical for the dynamic competition and technology effects listed above (paragraph 2.5). Imports also provide direct benefits to consumers by allowing access to a wider range of goods at lower prices, rather than restricting consumers to those goods and services which can be produced domestically. Conversely, seeking to restrict imports would require transfer of domestic labour and capital into import-substituting activities, regardless of whether this represents the best use of these resources. Unrestricted access to imports also supports exports by reducing the prices of essential production inputs.

- ❖ The mercantilist approaches which characterize many trade negotiations ignore these benefits from imports. The purpose of negotiations is mistakenly taken to be expanding export opportunities while minimizing demands for greater openness to imports. This view can result in a defensive approach to trade negotiations in which negotiators aim to extract substantial 'concessions' from other parties, while offering little in return. Such a strategy entails a high risk that negotiations will break down. Recognition of the benefits from increased trade warrants adopting negotiating strategies that are more conducive to reaching a deal that can benefit all parties. A defensive approach is self-defeating since it fails to recognize the long-term incompatibility of simultaneously pursuing policies to promote exports while restricting imports.
- ❖ Openness to trade can directly affect the amount of foreign investment that a country

attracts. For example, access to imported inputs and to export markets may be critical in determining the viability of an investment project. In such circumstances, countries with substantial barriers to trade may attract less foreign investment than they otherwise would.

- ❖ The relative importance of factors determining an individual firm's decision to invest will differ across industries. In some cases, foreign investment will act as a substitute for trade, for example when investment abroad is a more profitable option for supplying foreign markets than exporting domestic production. But in other cases, foreign investment may stimulate cross-border trade, for example when locational factors (relative cost of production in the home and foreign market, the availability of skills and of production inputs in each location, the distribution costs applicable to each location, and the size of local markets) lead firms to divide their production process across two or more countries.
- ❖ In either case, barriers to trade affect investment decisions. Where investment decisions are primarily influenced by trade barriers rather than by the inherent economic advantages of production in a given location, there may be a risk of investors increasing resistance to trade reforms (because they have a vested interest in maintaining the relevant barriers), reducing competitive pressures in the longer term. Changes in the structure of employment and production are a necessary part of economic development and flow not just from openness to trade but also from technological developments and changes in consumer preferences. The benefits of structural change are apparent in hindsight, but often resisted as they occur. For example, the "lump of labour" fallacy - namely, that there is a fixed amount of work to go around in any given economy - has often led to concern that technological improvements will lead not just to a reduction in the number of people needed to complete a particular task, but to a reduction in the number of working people needed in the economy as a whole. This can lead to delays in implementing technological innovations which have important potential productivity benefits.
- ❖ Such fears have not been borne out by experience. While new technology has displaced workers from particular tasks, firms and industries have responded by taking on expanded or different priorities, and employment levels have remained high. Similarly, countries which are open to trade maintain high levels of employment by redeploying labour and capital into the production of goods and services which are valued in competitive markets. The process of redeployment inevitably brings transitional costs, which may fall particularly heavily on those least well equipped to cope with change - for example those with non-transferable skills. But the outcome for the economy on a whole is clearly positive; and there is a great deal government can do to minimize transitional disruption to individuals' lives (see chapter 4).
- ❖ Changes are currently particularly striking in trade in services. Until recently, international trade has been much greater in goods than services. The distribution of production and consumption of services is now changing, as advances in technology and substantial declines in communication costs mean that an increasing range of services can be produced remotely and traded internationally.

The relocation of some service sector jobs to countries with a more competitive ratio of

labour cost to skills - 'off-shoring' - presents an opportunity, as well as a challenge, for developed economies. As with trade in goods, increasing imports of services produced more cheaply abroad means that the overall costs of services fall. This provides direct benefits to consumers, and lowers the cost structure of businesses, allowing them to raise profits and increase employment and investment.

- ❖ Higher productivity and a lower cost structure also bring second round benefits that permeate through the economy. These include releasing labour to be reallocated into higher value-added and higher skill jobs. However, the extent to which these benefits are realized will depend on the domestic response to the challenge of foreign competition in services, including the availability of appropriate opportunities for upskilling workers. Where a large proportion of the workforce is engaged in low-skilled and low wage activities which are exposed to direct competition, a comprehensive programme of skills enhancement becomes an essential element of any response. Many firms in different sectors are taking advantage of the opportunity to source cheaper services through imports. Providers of computer, financial, and general business services in particular are benefiting. Firms use different levels of offshore contracted services, ranging from back-office processing and customer contact functions (including call centers) through to wider corporate functions, knowledge management services and research and development. McKinsey Global Institute have estimated that the potential cost reduction for businesses from importing less skill intensive services is between 30 and 50 per cent.^{6,7} Changes in the structure of production and employment are an intrinsic part of capturing the efficiency and productivity benefits of greater openness to trade. It is for this reason that flexibility - the ability of individuals and firms to respond to economic change efficiently and quickly - is an important concomitant to open markets.

4.12 COMPARISON OF TRADE UNION WITH OTHER DISCIPLINES

1. The New Economic Policy and the Trade Unions

The New Economic Policy introduces a number of important changes in the position of the proletariat and, consequently, in that of the trade unions. The great bulk of the means of production in industry and the transport system remains in the hands of the proletarian state. This, together with the nationalization of the land, shows that the New Economic Policy does not change the nature of the workers' state, although it does substantially alter the methods and forms of socialist development for it permits of economic rivalry between socialism, which is now being built, and capitalism, which is trying to revive by supplying the needs of the vast masses of the peasantry through the medium of the market.

Changes in the forms of socialist development are necessary because the Communist Party and the Soviet government are now adopting special methods to implement the general policy of transition from capitalism to socialism and in many respects are operating differently from the way they operated before: they are capturing a number of positions by a "new flanking movement", so to speak; they are retreating in order to make better preparations for a new offensive against capitalism. In particular, a free market and capitalism, both subject to state control, are now being permitted and are developing; on the other hand, the socialized state enterprises are being put on what is called a profit basis, i.e., they are being reorganized on commercial lines, which, in view of the general cultural backwardness and exhaustion of

the country, will, to a greater or lesser degree, inevitably give rise to the impression among the masses that there is an antagonism of interest between the management of the different enterprises and the workers employed in them.

2. State Capitalism In The Proletarian State And The Trade Unions

The proletarian state may, without changing its own nature, permit freedom to trade and the development of capitalism only within certain bounds, and only on the condition that the state regulates (supervises, controls, determines the forms and methods of, etc.) private trade and private capitalism. The success of such regulation will depend not only on the state authorities but also, and to a larger extent, on the degree of maturity of the proletariat and of the masses of the working people generally, on their cultural level, etc. But even if this regulation is completely successful, the antagonism of class interests between labour and capital will certainly remain. Consequently, one of the main tasks that will henceforth confront the trade unions is to protect in every way the class interests of the proletariat in its struggle against capital. This task should be openly put in the forefront, and the machinery of the trade unions must be reorganized, changed or supplemented accordingly (conflict commissions, strike funds, mutual aid funds, etc., should be formed, or rather, built up).

3. The State Enterprises That Are Being Put On A Profit Basis And The Trade Unions

The transfer of state enterprises to the so-called profit basis is inevitably and inseparably connected with the New Economic Policy; in the near future this is bound to become the predominant, if not the sole, form of state enterprise. In actual fact, this means that with the free market now permitted and developing the state enterprises will to a large extent be put on a commercial basis. In view of the urgent need to increase the productivity of labour and make every state enterprise pay its way and show a profit, and in view of the inevitable rise of narrow departmental interests and excessive departmental zeal, this circumstance is bound to create a certain conflict of interests in matters concerning labour conditions between the masses of workers and the directors and managers of the state enterprises, or the government departments in charge of them. Therefore, as regards the socialized enterprises, it is undoubtedly the duty of the trade unions to protect the interests of the working people, to facilitate as far as possible the improvement of their standard of living, and constantly to correct the blunders and excesses of business organizations resulting from bureaucratic distortions of the state apparatus.

4. The Trade Unions And The Management Of Industry

Following its seizure of political power, the principal and fundamental interest of the proletariat lies in securing an enormous increase in the productive forces of society and in the output of manufactured goods. This task, which is clearly formulated in the Programme of the Russian Communist Party, is particularly urgent in our country today owing to post-war ruin, famine and dislocation. Hence, the speediest and most enduring success in restoring large-scale industry is a condition without which no success can be achieved in the general cause of emancipating labour from the yoke of capital and securing the victory of socialism. To achieve this success in Russia, in her present state, it is absolutely essential that all authority in the factories should be concentrated in the hands of the management. The factory management, usually built up on the principle of one-man responsibility, must have authority independently to fix and pay out wages, and also distribute rations, working clothes, and all other supplies on the basis and within the limits of collective agreements concluded

with the trade unions; it must enjoy the utmost freedom to manage, exercise strict control of the actual success achieved in increasing production, in making the factory pay its way and in increasing profits, and carefully select the most talented and capable administrative personnel, etc.

Under these circumstances, all direct interference by the trade unions in the management of factories must be regarded as positively harmful and impermissible.

It would be absolutely wrong, however, to interpret this indisputable axiom to mean that the trade unions must play no part in the socialist organization of industry and in the management of state industry. Their participation in this is necessary in the following strictly defined forms.

5. The Role And Functions Of The Trade Unions In The Business And Administrative Organizations Of The Proletarian State

The proletariat is the class foundation of the state accomplishing the transition from capitalism to socialism. In a country where the small peasantry is overwhelmingly predominant the proletariat can successfully fulfil this function only if it very skillfully, cautiously and gradually establishes an alliance with the vast majority of the peasantry. The trade unions must collaborate closely and constantly with the government, all the political and economic activities of which are guided by the class-conscious vanguard of the working class-the Communist Party. Being a school of communism in general, the trade unions must, in particular, be a school for training the whole mass of workers, and eventually all working people, in the art of managing socialist industry (and gradually also agriculture).

Proceeding from these principles, the trade unions' part in the activities of the business and administrative organizations of the proletarian state should, in the immediate period, take the following main forms :

1. The trade unions should help to staff all the state business and administrative bodies connected with economies: nominate their candidates for them, stating their length of service, experience, and so forth. Right of decision lies solely with the business organizations, which also bear full responsibility for the activities of the respective organizations. The business organizations, however, must give careful consideration to the views on all candidates expressed by the trade unions concerned.
2. One of the most important functions of the trade unions is to promote and train factory managers from among the workers and the masses of the working people generally. At the present time we have scores of such factory managers who are quite satisfactory, and hundreds who are more or less satisfactory, but very soft, however, we must have hundreds of the former and thousands of the latter. The trade unions must much more carefully and regularly than hitherto keep a systematic register of all workers and peasants capable of holding posts of this kind, and thoroughly, efficiently and from every aspect verify the progress they make in learning the art of management.
3. The trade unions must take a far greater part in the activities of all the planning bodies of the proletarian state, in drawing up economic plans and also programs of production and expenditure of stocks of material supplies for the workers, in selecting the factories that are to continue to receive state supplies, to be leased, or to be given out as concessions, etc. The trade unions should undertake no

direct functions of controlling production in private and leased enterprises, but participate in the regulation of private capitalist production exclusively by sharing in the activities of the competent state bodies. In addition to participating in all cultural and educational activities and in production propaganda, the trade unions must also, on an increasing scale, enlist the working class and the masses of the working people generally for all branches of the work of building up the state economy; they must make them familiar with all aspects of economic life and with all details of industrial operations—from the procurement of raw materials to the marketing of the product; give them a more and more concrete understanding of the single state plan of socialist economy and the worker's and peasant's practical interest, in its implementation.

4. The drawing up of scales of wages and supplies, etc., is one of the essential functions of the trade unions in the building of socialism and in their participation in the management of industry. In particular, disciplinary courts should steadily improve labour discipline and proper ways of promoting it and achieving increased productivity; but they must not interfere with the functions of the People's Courts in general or with the functions of factory managements.

This list of the major functions of the trade unions in the work of building up socialist economy should, of course, be drawn up in greater detail by the competent trade union and government bodies. Taking into account the experience of the enormous work accomplished by the unions in organizing the economy and its management, and also the mistakes which have caused no little harm and which resulted from direct, unqualified, incompetent and irresponsible interference in administrative matters, it is most important, in order to restore the economy and strengthen the Soviet system, deliberately and resolutely to start persevering practical activities calculated to extend over a long period of years and designed to give the workers and all working people generally practical training in the art of managing the economy of the whole country.

6. Contact With The Masses-The Fundamental Condition For All Trade Union Activity

Contact with the masses, i. e., with the overwhelming majority of the workers (and eventually of all the working people), is the most important and most fundamental condition for the success of all trade union activity. In all the trade union organizations and their machinery, from bottom up, there should be instituted, and tested in practice over a period of many years, a system of responsible comrades—who must not all be Communists—who should live right among the workers, study their lives in every detail, and be able unerringly, on any question, and at any time, to judge the mood, the real aspirations, needs and thoughts of the masses. They must be able without a shadow of false idealization to define the degree of their class-consciousness and the extent to which they are influenced by various prejudices and survivals of the past; and they must be able to win the boundless confidence of the masses by comradeship and concern for their needs. One of the greatest and most serious dangers that confront the numerically small Communist Party which, as the vanguard of the working class, is guiding a vast country in the process of transition to socialism (for the time being without the direct support of the more advanced countries), is isolation from the masses, the danger that the vanguard may run too far ahead and fail to "straighten out the line", fail to maintain firm contact with the whole army of labor, i.e., with the overwhelming majority of workers

and peasants. Just as the very best factory, with the very best motors and first-class machines, will be forced to remain idle if the transmission belts from the motors to the machines are damaged, so our work of socialist construction must meet with inevitable disaster if the trade unions-the transmission belts from the Communist Party to the masses-are badly fitted or function badly. It is not sufficient to explain, to reiterate and corroborate this truth; it must be backed up organizationally by the whole structure of the trade unions and by their everyday activities.

7. The Contradictions in The Status Of The Trade Unions Under The Dictatorship Of The Proletariat

From all the foregoing it is evident that there are a number of contradictions in the various functions of the trade unions. On the one hand, their principal method of operation is that of persuasion and education; on the other hand, as participants in the exercise of state power they cannot refuse to share in coercion. On the one hand, their main function is to protect the interests of the masses of the working people in the most direct and immediate sense of the term; on the other hand, as participants in the exercise of state power and builders of the economy as a whole they cannot refuse to resort to pressure. On the one hand, they must operate in military fashion, for the dictatorship of the proletariat is the fiercest, most dogged and most desperate class war; on the other hand, specifically military methods of operation are least of all applicable to the trade unions. On the one hand, they must be able to adapt themselves to the masses, to their level; on the other hand, they must never pander to the prejudices and backwardness of the masses, but steadily raise them to a higher and higher level, etc., etc. These contradictions are no accident, and they will persist for several decades; for as long as survivals of capitalism and small production remain, contradictions between them and the young shoots of socialism are inevitable throughout the social system.

Two practical conclusions must be drawn from this. First, for the successful conduct of trade union activities it is not enough to understand their functions correctly, it is not enough to organise them properly. In addition, special tact is required, ability to approach the masses in a special way in each individual case for the purpose of raising these masses to a higher cultural, economic and political stage with the minimum of friction.

Second, the afore-mentioned contradictions will inevitably give rise to disputes, disagreements, friction, etc. A higher body is required with sufficient authority to settle these at once. This higher body is the Communist Party and the international federation of the Communist Parties of all countries-the Communist International.

4.13 PRACTICE QUESTIONS

1. What are the trade union and its objectives?
2. Comment on trade unionism in India?
3. Why do employees form trade unions? Explain its importance.
4. What has been the impact of globalization on trade union?
5. Discuss the role of trade union in IT?

4.14 ANSWER TO SELF-HELP EXERCISE

1. What is Trade Union?

Answer: A **trade union** (or **labour union**) is an organization of workers who have banded together to achieve common goals in key areas and working conditions. The trade union, through its leadership, bargains with the employer on behalf of union members (rank and file members) and negotiates labor contracts (Collective bargaining) with employers. This may include the negotiation of wages, work rules, complaint procedures, rules governing hiring, firing and promotion of workers, benefits, workplace safety and policies. The agreements negotiated by the union leaders are binding on the rank-and-file members and the employer and in some cases on other non-member workers.

2. What is Negotiation ?

Answer :Negotiation is where union representatives, discuss with management, the issues which affect people working in an organization. There may be a difference of opinion between management and union members. Trade unions negotiate with the employers to find out a solution to these differences. Pay, working hours, holidays and changes to working practices are the sorts of issues that are negotiated. In many workplaces there is a formal agreement between the union and the company which states that the union has the right to negotiate with the employer. In these organizations, unions are said to be recognized for collective bargaining purposes.

3. What is Collective Bargaining ?

Answer :Where trade unions are able to operate openly and are recognized by employers, they may negotiate with employers over wages and working conditions.

4.What are the fraternal functions of trade union?

- Answer :To take up welfare measures for improving the morale of workers
- To generate self confidence among workers
- To encourage sincerity and discipline among workers
- To provide opportunities for promotion and growth

To protect women workers against discrimination.

5.What are the reasons for joining Trade Unions?

Answer :

Greater Bargaining Power

Minimize Discrimination

Sense of Security

Sense of Participation

Sense of Belongingness

4.15 SUGGESTED READINDGS

- Monappa Arun - Industrial Relation, Tata McGraw-Hill Publisher, New Delhi.
- Dawar - Industrial Relation and Personal Manager, Vikas Publication House Pvt Ltd, 2007, New Delhi.
- Venkataratnam, C.S.(2007). Industrial Relations. Oxford University Press.
- Mamoria, Mamoria, Gankar (2007). Dynamics of Industrial Relations, Himalaya Publishing House, Mumbai.
- Singh, B.D.(2007). Industrial Relations: Emerging Paradigms, Excel Books, New Delhi.

Lesson No. 5

AUTHOR: RAJPREET K. SIDHU

CROSS CULTURAL ASPECTS OF UNION MANAGEMENT RELATIONS

STRUCTURE

- 5.0 Objectives
- 5.1 Introduction
- 5.2 Culture and its dimensions
- 5.3 Culture and union management relations
- 5.4 Practice Questions
- 5.5 Answers to Self-Help exercise
- 5.6 Suggested Readings

5.0 OBJECTIVES

- To develop an understanding of diverse cultures and impact on behavior of individuals.
- To study the various cross-cultural aspects and union management relations.

5.1 INTRODUCTION

With the increasing globalization of complex organizations, the need to understand cross-cultural issues and the gap between theory and practice is crucial to organizational effectiveness. In part because the union leader of today may well be the manager of tomorrow, large firms generally practice union-management consultation over broad strategic issues. They also cultivate employee participation in some problem solving and solicit recommendations for improving the workplace.

5.2 CULTURE AND ITS DIMENSIONS

Gerard Hendrik Hofstede has demonstrated that there are national and regional cultural groupings that affect the behaviour of societies and organizations, and that are very persistent across time. Geert Hofstede has helped identify important dimensions of national character.⁹ According to Hofstede, culture refers to the collective programming of the mind, which distinguishes the members of one group or category of people from another. ¹⁰ Hofstede identifies four dimensions of national culture: power distance, uncertainty avoidance, individualism/collectivism, and masculinity/femininity. ¹¹ Hofstede suggested that although some cultural gaps were not very disruptive or were even complementary, differences between two cultures in uncertainty avoidance were potentially very problematic for international cooperation because of differences in tolerance towards risk, formalization, and the like He has identified five dimensions on which cultures differ. These are:

- **Low vs. High Power Distance**- the extent to which the less powerful members of institutions and organizations expect and accept that power is distributed unequally. Low power distance countries like Australia, Denmark, New Zealand people expect and accept power relations that are more consultative or democratic. People relate to one another more as equals regardless of formal positions. Subordinates are more comfortable with and demand the right to contribute to and critique the decision making of those in power. In High power distance countries like Malaysia, less powerful accept power relations that are more autocratic and paternalistic. Subordinates acknowledge the power of others simply based on where they are situated in certain formal, hierarchical positions.
- **Individualism vs. collectivism**- Individualism is contrasted with collectivism and

refers to the extent to which people are expected to stand up for themselves and to choose their affiliations, or act predominantly as a member of a life-long group or organization. Latin American cultures rank among the most collectivist in this category, while Anglo countries such as the U.S.A., Great Britain and Australia are the most individualistic cultures.

- **Masculinity vs. femininity** - refers to the value placed on traditionally male or female values. So-called 'masculine' cultures value competitiveness, assertiveness, ambition, and the accumulation of wealth and material possessions, whereas feminine cultures place more value on relationships and quality of life. Japan is considered by Hofstede to be the most "masculine" culture, and Sweden the most "feminine". This dimension is often referred to as Quantity of Life vs. Quality of Life.
- **Uncertainty avoidance**- reflects the extent to which members of a society attempt to cope with anxiety by minimizing uncertainty. Cultures that scored high in uncertainty avoidance prefer rules (e.g., about religion and food) in structured circumstances, and employees tend to remain longer with their present employer. Mediterranean cultures, Latin America, and Japan rank the highest in this category.
- **Long vs. short-term orientation** - describes a society's "time horizon," or the importance attached to the future versus the past and present. In long-term oriented societies, values include persistence, ordering relationships by status, thrift, and having a sense of shame; in short-term oriented societies, values include normative statements, personal steadiness and stability, protecting one's face, respect for tradition, and reciprocation of greetings, favours, and gifts. China, Japan and the Asian countries score especially high (long-term) here, with Western nations scoring rather low (short-term) and many of the less developed nations very low.

5.2.1 SELF-HELP EXERCISE

1. Define culture.
2. List various dimensions of culture

5.3 CULTURAL AND UNION MANAGEMENT RELATIONS

Globalization implies accepting that cultural diversity in management composition and management style contributes to the competitive advantage of the global organization. Asia is a heterogeneous region, characterized by ethnic, cultural, linguistic and religious diversity. Due to substantial increases in investment in Asia by both Asian and Western investors, many employers and unions are dealing with workers and employers from backgrounds and cultures different to their own. Some of the resulting problems and issues (reflected, for instance, in the proliferation of disputes due to cross-cultural 'mismanagement') fall within cross-cultural management. The problems arise due to differences in IR systems, attitudes to and of unions, work ethics, motivational systems and leadership styles, negotiating techniques, inappropriate communication, consultation and participation procedures and mechanisms, values (the basic beliefs that underpin the way we think, feel and respond), expectations of workers and interpersonal relationships.

These cross-cultural management issues in turn pose the following problems :

- What particular IR and human resource management considerations at the regional, sub-regional and country levels affect the development of sound relations at the enterprise level in a cross-cultural environment?
- What would be the most effective programmes for this purpose?
- How can investors in Asia familiarize themselves with the environmental and cultural considerations in the recipient country relevant to their managing people?

at work?

- How could information be collected, analyzed and disseminated?

Certain aspects of cross-cultural management have redefined union-management relations.

Some of the important ones are discussed here :

Cross-Cultural Conflicts and Disputes

Most countries (other than those in transition to a market economy) have long-standing dispute settlement procedures at the national level (e.g. conciliation, arbitration, industrial or labour courts). Essential as these are, they operate only when a dispute arises. Equally important is dispute prevention through communication, consultation and negotiation procedures and mechanisms operating at the enterprise level. These are not particularly common in many Asian enterprises. A more positive movement from personnel management to strategic human resource management is called for.

Cross Cultural Negotiations

Cultural differences significantly influence management approaches and the performance of employees within organizations. General principles of management and specific human resource practices evolving out of management theories are currently being seriously questioned in various cross-cultural settings. Cross-cultural understanding and intercultural communication skills, therefore, can contribute to the success of negotiations.

Negotiation is a process in which two or more entities discuss common, as well as conflicting interests to reach an agreement of mutual benefit. In international negotiations, some of the aspects that differentiate the negotiation process from culture to culture include language, cultural conditioning, negotiating styles, approaches to problem-solving, implicit assumptions, gestures and facial expressions, and the role of ceremony and formality. For international negotiations to produce long-term synergy, and not just shortterm solutions, individuals involved in the negotiation must be aware of the multicultural facets embedded in the process. The negotiator must understand the cultural space of his or her counterparts. Negotiating is a skill and it can be improved. Fisher addresses five considerations for analyzing cross-cultural negotiations:

- (1) the players and the situation;
- (2) styles of decision-making;
- (3) national character;
- (4) cross-cultural noise; and
- (5) interpreters and translators.

- **The Players and the Situation:** There is a cultural dimension inherent in the way negotiators view the negotiation process. This raises several issues. Difficulties arise because there is a difference in what negotiators expect of a negotiation's social setting. The negotiator should discover what the foreign negotiator expects and then provide a tension-free environment that encourages cooperation and problem-solving.
- **Styles of Decision Making:** There are patterns in the way officials and executives structure their negotiation communication systems and reach institutional decisions. A negotiator can find ways to influence a foreign agency's decisions by analyzing its organizational culture and structuring arguments to fit within established guidelines.
- **National Character:** Foreign negotiators concerned with international image may be preoccupied with discussions of their national heritage, identity, and language.

In addition, foreign negotiators utilize many different styles of logic and reasoning. Cultural attitudes such as ethnocentrism may influence the tone of a given argument. The foreign counterpart may pay more attention to some arguments than others. Negotiation breakdown may result from the way issues are conceptualized or the way evidence is used.

- **Cross-cultural Noise:** Noise consists of background distractions that have nothing to do with the substance of the foreign negotiator's message. Factors such as gestures, personal proximity, and office surroundings may unintentionally interfere with communication. The danger of misinterpretation of messages necessitates analysis of various contextual factors.
- **Interpreters and Translators:** There are limitations in translating certain ideas, concepts, meanings, and nuances. Gestures, tone of voice, rhythm, and double entendres are all meant to transmit a message. Yet these are frequently not reflected in a translation. Also, interpreters and translators may have difficulty in transmitting the logic of key arguments. Sometimes, a negotiator will try to communicate a concept or idea that simply does not exist in the counterpart's culture.

Union Participation

According to Keith Davis Participation refers to "the mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share in the responsibility of achieving them". It is a process by which the authority and responsibility of managing the industry are shared with workers.

In the words of Mehtras, ' the concept of participation as a principle of democratic administration in an industry implies a share by rank and file in the decision-making process of an industrial organization through their representatives at all the appropriate levels of management in the entire range of managerial action"

The major benefits of representation/ participation of union members in management are :

- The democratic right to influence managerial decisions.
- Raise worker¹ level of motivation and commitment.
- Cross-fertilization and speedy communication of ideas.
- Foster better cooperation between labour and management.

At the same time it also results in long-term benefits in the form of :

- Mutual understanding
- Higher Productivity
- Industrial Harmony
- Industrial democracy
- Less resistance to change
- Creativity and innovation

5.3.1 SELF-HELP EXERCISE

3. Define Negotiation.
4. List various considerations for analyzing cross-cultural negotiations.
5. Define union participation.

5.4 PRACTICE QUESTIONS

- Q1. What are the various dimensions of culture that determine the behavior of individuals?
- Q2. Describe the various cross-cultural aspects which impact union-management relations.
- Q3. Explain the cross-cultural negotiations. What are the problems and considerations in cross cultural negotiations?

5.5 ANSWERS TO SELF-HELP EXERCISE**1. Define culture.**

Answer: Culture refers to the collective programming of the mind, which distinguishes the members of one group or category of people from another

2. List various dimensions of culture.

Answer: Hofstede identifies four dimensions of national culture: power distance, uncertainty avoidance, individualism/collectivism, and masculinity/femininity.

3. Define Negotiation.

Answer: Negotiation is a process in which two or more entities discuss common, as well as conflicting interests to reach an agreement of mutual benefit.

4. List various considerations for analyzing cross-cultural negotiations.

Answer: Fisher addresses five considerations for analyzing cross-cultural negotiations:

- (1) the players and the situation;
- (2) styles of decision making;
- (3) national character;
- (4) cross-cultural noise; and
- (5) interpreters and translators

5. Define union participation.

Answer: Participation refers to "the mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share in the responsibility of achieving them.

5.6 SUGGESTED READINGS

- Venkataratnam, C.S.(2007). Industrial Relations. Oxford University Press.
- Mamoria, Mamoria, Gankar (2007). Dynamics of Industrial Relations, Himalaya Publishing House, Mumbai.
- Singh, B.D.(2007). Industrial Relations: Emerging Paradigms, Excel Books, New Delhi.

INDUSTRIAL DISPUTES

STRUCTURE

- 6.0 Objectives:
- 6.1 What is a dispute?
- 6.2 Strike
- 6.3 Cause of Industrial Disputes
- 6.4 Measures to improve industrial relations
- 6.5 Industrial Dispute Act of India
 - 6.5.1 Industrial Disputes
 - 6.5.2 Origin
 - 6.5.3 Introduction
 - 6.5.4 Scope and Extent of the Acts
- 6.6 Practice questions
- 6.7 Answers to Self-help exercise
- 6.8 Suggested Readings

6.0 OBJECTIVES

- Definition
- Parties to Industrial disputes
- Severity or Effects
- Weapons used by labour
- Weapons used by management
- Causes
- Living without disputes: Measures to improve Industrial Relations

6.1 WHAT IS A DISPUTE?

It is a conflict, a clash of ideas, a disagreement etc. The definition of Industrial disputes is as follows: According to Section 2(k) of the Industrial Disputes Act, 1947 "industrial dispute" is defined as, ' Any disputes or differences between employers and employees, or between employers and workmen, or between workmen and workmen, which is connected with the employment or non-employment or the terms of employment or with the conditions of labour, of any person.' Let us understand that the definition identifies three parties to disputes. They are :

- (i) Employers and Employees
- (ii) Employers and Workmen
- (iii) Workmen and Workmen

An industrial dispute is a disagreement and difference between two disputants, namely, labour and management. This disagreement or difference could be on any matter concerning them individually or collectively. It must be connected with employment or non-employment or with the conditions of labour. It should also be noted that, the subject- matter of an industrial dispute must be specific, i.e., which affects the relationship of employers and workers.

It is self-evident that industrial disputes and industrial unrest are symptoms of a lack of co-operative spirit and harmonious relations in industry. I am sure you all will agree that the manifestation of these symptoms causes a stoppage of work or disruption of production and all

has serious consequences for the employees and also for the economy at large. From the point of view of the employer, an industrial dispute resulting in a stoppage of work means a stoppage of production. Please understand that this results in an increase in the average cost of production since fixed expenses continue to be incurred. It also leads to a fall in sales and the rate of turnover, leading to a fall in profits. The employer may also be liable to compensate his customers with whom he may have contracted for regular supply. Apart from the immediate economic effects, loss of prestige and credit, alienation of the labour force, and other non-economic, psychological and social consequences may also arise. Loss due to destruction of property, personal injury and physical intimidation or inconvenience also arise.

For the employee, an industrial dispute entails loss of income. The regular income by way of wages and allowance ceases, and great hardship may be caused to the worker and his family, many times resulting in deprivation, malnutrition, and even starvation or nearstarvation. The ability of trade unions to provide for the needs of striking workers, particularly in India, is very limited. Employees also suffer from personal injury and the psychological and physical consequences of forced idleness. The threat of loss of employment in case of failure to settle the dispute advantageously, or the threat of reprisal action by employers also exists.

Prolonged stoppages of work have also an adverse effect on national productivity and national income. They cause a waste of national resources. Class hatred may be generated resulting in political unrest and disrupting amicable social relations or community attitudes. We can also say that: "Industrial disputes are symptoms of industrial unrest in - the same way that boils are a symptom of a disordered body"(Patterson). Now let us understand the weapons used by labour during times of industrial disputes.

Whenever industrial disputes arise, workers generally resort to one or more of the following weapons, namely, strike, boycott, picketing and gherao. Let us discuss them one by one.

6.1.1 SELF-HELP EXERCISE

1. Define industrial dispute.

6.2 STRIKE

When workers collectively cease to work in an industry, it is known as a strike. Strike can be defined according to the Industrial Disputes Act, 1947 as: "It means a cessation of work by a body of persons employed in an industry acting in combination; or a concerted refusal of any number of persons who are or have been so employed to continue to work or to accept employment; or a refusal under a common understanding of any number of such persons to continue to work or to accept employment". It means stoppage for trade unions, strike is the most powerful weapon for forcing the management to accept their demands.

Strikes

Strikes can be divided into two categories. They are:

- Primary strikes
- Secondary strikes

The primary strikes are :

- (i) **Economic Strike:** Most of the strikes of workers are for more facilities and an increase in wage levels. In economic strike, the labourers demand an increase in wages, travelling allowance, house rent allowance, dearness allowance and other

facilities such as an increase in privilege leave and casual leave.

- (ii) **General Strike:**It means a strike by members of all or most of the unions in a region or an industry. It may be a strike of all the workers in a particular region of industry to force demands common to all the workers. It may also be an extension of the sympathetic strike to express generalised protest by the workers.
- (iii) **Stay-in Strike:** In this case, workers do not absent themselves from their place of work when they are on strike. They keep control over production facilities. But it does not work. Such a strike is also known as a 'pen down' or 'tool down' strike.
Now pleas don't tell me that you are going on a pen-down strike!
- (iv) **Slow Down Strike:**Employees remain on their jobs under this type of strike. They do not stop work but restrict the rate of output in an organized manner. They adopt go-slow tactics to put pressure on the employers.

These are some of the primary strikes. A few more will come up in the diagram that we will be discussing shortly.

The secondary strike is :

- (1) **Sympathetic Strike:**When workers of one unit or industry go on strike in sympathy with workers of another unit or industry who are already on strike, it is called a sympathetic strike. The workers of the sugar industry may go on strike in sympathy with their fellow workers in the textile industry who may already be on strike.
- (2) **Boycott:**The workers may decide to boycott the company in two ways. Firstly by not using its products and secondly by making an appeal to the public in general. In the former case, the boycott is known as primary and in the latter secondary If is a coercive method whereby the management is forced to accept their demands.
- (3) **Picketing:**When workers are dissuaded from work by stationing certain men at the factory gates, such a step is known as picketing. If picketing does not involve any violence, it is perfectly legal.
- (4) **Gherao:**Gherao in Hindi means to surround. The workers may gherao the members of the management by blocking their exits and forcing them to stay inside their cabins. The main object of gherao is to inflict-physical and mental torture on the person being gheraoed and hence this weapon disturbs industrial peace to a great extent.

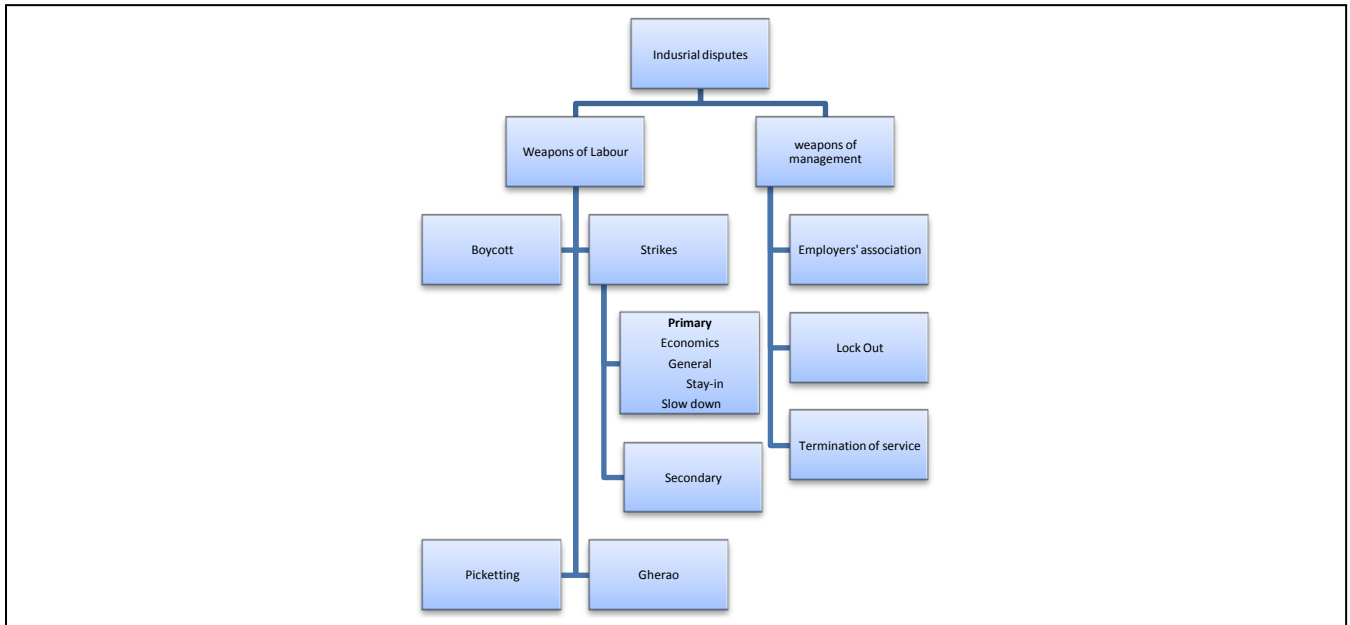
The management uses its methods to counter the workers.

Some of the weapons used by the management are :

1. **Employers' Association:**The employers may form their unions to collectively oppose the working class and put pressure on the trade unions.
2. **Lock-out:**An employer may close down the place of employment temporarily. Such a step is technically known as a lock-out. It is the reverse of a strike and is a very powerful weapon in the hands of an employer to pressure the workers to return to their place of work. According to the Industrial Disputes Act, 1947, "lockout means the closing of a place of employment or the suspension of work, or the refusal by an employer to continue to employ any number of persons employed by him.
3. **Termination of Service:**The employers may terminate the services of those workers who are on strike by blacklisting them. Their lists may be circulated to

other employers to restrict their chances of getting employment with those employers.

Let us summarize the weapons used in industrial disputes with the help of a diagram:



We have discussed the weapons used by the labour and management to coerce each other. These are some of the violent ways of settling the disputes. There are more matured ways of resolving or rather preventing Industrial Disputes. Those will be discussed later.

6.2.1 SELF-HELP EXERCISE

2. List the different types of primary strikes.
3. List the different types of secondary strikes.

6.3 CAUSE OF INDUSTRIAL DISPUTES

The disputes between the management and the workers may arise on account of the following factors :

1. **Economic Cause:** These causes may be classified as :

- Demand for an increase in wages on account of an increase in the all-India Consumer Price Index for Industrial Workers.
- Demand for higher gratuity and other retirement benefits.
- Demand for higher bonus.
- Demand for certain allowances such as:
 - House rent allowance
 - Medical allowance
 - Night shift allowance
 - Conveyance allowance
- Demand for paid holidays.
- Reduction of working hours.
- Better working conditions, etc.

2. **Political Causes:** Various political parties control Trade unions in India. In many cases, their leadership vests in the hands of persons who are more interested in achieving their political interests rather than the interests of the workers.

3. **Personnel Causes:** Sometimes, industrial disputes arise because of personnel problems like dismissal, retrenchment, layoff, transfer, promotion, etc.

- Workers' resistance to rationalisation introduction of new machinery and change of place
- Non- recognition of trade union
- Rumours spread out by undesirable elements
- Working conditions and working methods
- Lack of proper communication
- Behaviour of supervisors
- Inter-trade union Rivalry etc.

6.4 MEASURES TO IMPROVE INDUSTRIAL RELATIONS

The following measures should be taken to achieve good industrial relations :

- (i) **Progressive Management Outlook:** There should be a progressive outlook on the management of each industrial enterprise. It should be conscious of its obligations and responsibilities to the owners of the business, the employees, the consumers and the nation. The management must recognize the rights of workers to organize unions to protect their economic and social interests.
- (ii) **Strong and Stable Union:** A strong and stable union in each industrial enterprise is essential for good industrial relations. Employers can easily ignore a weak union on the plea that it hardly represents the workers. The agreement with such a union will hardly be honoured by a large section of the workforce. Therefore, there must be a strong and stable union in every enterprise to represent the majority of workers and negotiate with the management about the terms and conditions of service.
- (iii) **Atmosphere of Mutual Trust:** Both management and labour should help in the development of an atmosphere of cooperation, confidence, and respect. Management should adopt a progressive outlook and should recognize the rights of workers. Similarly, labour unions should persuade their members to work for the common objectives of the organization. Both the management and the unions should have faith in collective bargaining and other peaceful methods of settling disputes.
- (iv) **Mutual Accommodation:** The employers must recognize the right of collective bargaining of the trade unions. In any organization, there must be a great emphasis on mutual accommodation rather than conflict or uncompromising attitude. One must clearly understand that conflicting attitude does not lead to amicable labour relations; it may foster union militancy as the union reacts by engaging in pressure tactics. The approach must be of mutual "give and take rather than "Take or leave." The management should be willing to co-operate rather than blackmail the workers.
- (v) **Sincere Implementation of Agreements:** The management should sincerely implement the settlements reached with the trade unions. The agreements between the management and the unions should be enforced both in letter and spirit. If the agreements are not implemented then both the union and management stop trusting each other. An environment of uncertainty is created. To avoid this, efforts should be made at both ends to ensure the follow-up of the agreements.
- (vi) **Workers' Participation in Management:** The participation of workers in the management of the industrial unit should be encouraged by making effective use

of works committees, joint consultation and other methods. This will improve communication between managers and workers, increase productivity and lead to greater effectiveness. (This will be discussed later in much detail.)

(vii) Sound Personnel Policies: The following points should be noted regarding the personnel policies.

The policies should be :

- Formulated in consultation with the workers and their representatives if they are to be implemented effectively.
- Clearly stated so that there is no confusion in the mind of anybody.
- Implementation of the policies should be uniform throughout the organisation to ensure fair treatment to each worker.

(viii) Government's Role: The Government should play an active role in promoting industrial peace. It should make law for the compulsory recognition of a representative union in each industrial unit. It should intervene to settle disputes if the management and the workers are unable to settle their disputes. This will restore industrial harmony.

6.4.1 SELF-HELP EXERCISE

4. What are different measures to improve industrial relations?

6.5 INDUSTRIAL DISPUTE ACT OF INDIA

The first piece of legislation in England was the Ordinance of Laborers, promulgated by King Edward II in 1349. It was not for the welfare of workers but it was to ensure the regular supply of the labour. This condition continued until 1548 when the Statute of 1548 was passed. By this Statute also, all that was provided was not to conspire, covenant or promise together to take an oath that they would work only at a certain price or not to work at all or not to finish the work already started. In 1562, all earlier Statutes were repealed and a consolidated law was enacted called as the Statute of Elizabeth. In 1779, England enacted a Law whereby strikes, picketing and combination of Workers were prohibited. The Laws of the 18th century did reduce the severity of earlier laws and did recognise the right of workers to form unions, however, it only reduced the criminal conspiracy to a Civil Conspiracy. The term Civil Conspiracy was defined as the intentional infliction of damages by concerted action upon another without 'just cause' or excuse. In *Toff Vale Rly Co.v. Amalgamated Society of Rly Services*, (1901) A.C. 426, damage was caused to the railway property because of picketing during the strike period. The House of Lords held that the union funds should be made available for payment of compensation for damages caused to the railway property. This decision caused a stir in the labour world and it was realized that further protection was necessary for the Trade Unions. As a result of this, the labour leaders and their Organisation contested the general elections of 1906 and returned 29 candidates to Parliament. They made a common cause with the powerful group of Liberals and were able to get the Trade Disputes Act of 1906. It was then replaced by the Trade Disputes Act of 1913. In India, the first Trade Disputes Act, on the model of the English Trade Disputes Act of 1913, was enacted in 1930. It was replaced by the Trade Disputes Act, 1929. The Industrial Disputes Bill was then finally introduced in the Central Legislative Assembly on 8th October 1946 which was ultimately passed in March 1947 to become the Act with effect from 1st April 1947.

6.5.1 INDUSTRIAL DISPUTES

The "Industrial Disputes" are disputes relating to an industry. It appears so simple. But what is "industry" has always been a puzzle. There are judgements and judgements to explain

the term industry and these judgements are of no inferior courts but of the highest court of the land, the supreme court of India. The last one was given in the case of Bangalore Water supply and Sewerage Board v/s A. Rajappa, AIR 1978 SC 548.

Our legislatures also resolved their differences and amended the definition of the term industry given in Section 2(j) of the Act by the Industrial Disputes Amendment Act, 1982. However, no notification is still issued to bring it into force. But then the Hon'ble Supreme Court of India in the case of Coir Board v/s Indira Devi, 1998 I CLR 866 observed that the definition given in Section 2(J) of the Act needs re-examination and so the judgement given in the case of Bangalore Water Supply should be reconsidered. Accordingly, it was reconsidered but it was held (1991 I LLJ 1109) that the earlier ruling was correct.

6.5.1.1 SELF-HELP EXERCISE

5. What is "Industrial Dispute"?

6.5.2 ORIGIN

In the year 1920, the Trade Disputes Act was passed for the first time. This Act was repealed and replaced by the Trade Disputes Act, of 1929. The Act of 1929 was amended in the year 1938. However, it was not found useful because the Government policy at that time was laissez-faire. Then, later on, it became necessary for the Government of India to promulgate the Defence of India Rule to meet the exigency created by World War II.

Rule 81-A of the Defence of India Rules gave powers to the appropriate Government to intervene in industrial disputes and provide speedy remedies for industrial disputes by referring them compulsorily to conciliation or for adjudication. The Award passed upon such a reference was made legally binding on the parties. The strikes and lock outs were prohibited during the pendency of conciliation or adjudication proceedings. At last, the Industrial Disputes Bill was introduced in the Central legislative Assembly on 8,10.1946. This Bill embodies the essential principles of Rule 81-A of Defence of India Rules and also certain provisions of the Trade Dispute Act, 1929. The Bill was passed by the assembly in march 1947 and it became the law of the land with effect from 1-4-1947.

6.5.3 INTRODUCTION

Every piece of legislation reflects the social philosophy prevailing at the time. If there is some ambiguity and if more than one construction is possible, the court accepts the one which is consistent with the objects of the Act as explained by the preamble. This explains the utility and importance of the preamble/The preamble of the Act recites that the Act was enacted to make provisions for the investigation and settlement of industrial disputes and for certain other purposes. The "investigation" and "settlement" includes resolving disputes by conciliation as well as by adjudication. For investigation and settlement of disputes, the Act empowers the appropriate government to constitute courts of enquiry and boards of conciliation and appoint conciliation officers to investigate, mediate in and promote settlements of industrial disputes. A remarkable feature of the Act is that the machinery created under the Act, for settlement, is activated almost automatically and needs no outside initiative. The Act has undergone substantial modifications since it came into force in 1947. The provisions of Sections 2-A, 11-A, 17-B, chapter V A, chapter V B etc. have been engrafted in the Act.

6.5.4 SCOPE AND EXTENT OF THE ACTS

The Act extends to the whole of India including Jammu and Kashmir but only to the extent to which the Act applies to the Government of India. Prior to the Constitution of India, the Government of India Act was holding the field. Nevertheless. Labour was always a subject on which Centre, Provinces and the Presidencies (under British rule) could make laws.

Most of the states (Provinces and Presidencies) have enacted their laws on the subjects of Labour either by enacting the Amending Acts to the LD. Act or by independent legislation. Several States have not enacted their independent legislation on this issue but they have adopted the Central Act (I.D. Act) by engrafting their amendments to suit their respective peculiar local and political conditions. However, some of the States have enacted legislation on the subject of labour, for instance, Bombay Industrial Relations Act, 1946 was passed by the US Presidency of Bombay. The Government of Central Provinces and Berar has enacted the C.P.C. and Barer Industrial Disputes Settlement Act, 1947. C.P. Barer, later on, merged with the state of Madhya Pradesh and in the case of Uj- jain Mill Mazdoor Sangh of State of M.P. (1980 II LLJ 287), it was held that the M.P. Industrial Relations Act is not invalid merely because the amending Act was not referred for the assent of the President of India. In the case of Ahmedabad Mill Owners Association v/s I.G. Thakore, Air 1967 SC 1091, the court held that there is no conflict between the LD Act and Bombay Industrial Relations Act as long as the I.D. Act did not provide for that is covered by the state legislation (BIR ACT).

6.6 PRACTICE QUESTIONS

1. What is meant by industrial dispute? Explain different causes of industrial disputes.
2. What is meant by strike? List and explain different kinds of strikes.
3. What is meant by industrial relations? How it can be improved?
4. Explain the Industrial Dispute Act of India.

6.7 ANSWERS TO SELF-HELP EXERCISE

1. Define industrial dispute.

Answer: Industrial dispute" is defined as, ' Any disputes or differences between employers and employers, or between employers and workmen, or between workmen and workmen, which is connected with the employment or non-employment or the terms of employment or with the conditions of labour, of any person.

2. List the different types of primary strikes.

Answer: Economic Strike
General Strike
Stay-in Strike
Slow Down Strike

3. List the different types of secondary strikes.

Answers: Sympathetic Strike
Boycott
Picketing
Gherao

4. What are different measures to improve industrial relations?

Answer: Progressive Management Outlook
Strong and Stable Union
Atmosphere of Mutual Trust
Mutual Accommodation
Sincere Implementation of Agreements
Workers' Participation in Management
Sound Personnel Policies

5. What is an "Industrial Dispute"?

Industrial Dispute means any difference or dispute between employer and employer, or between employers and workmen or between workmen and workmen which is connected with the employment or non-employment or the terms of employment or with conditions of labour of any person.

6.8 SUGGESTED READINGS

- Venkataratnam, C.S.(2007). Industrial Relations. Oxford University Press.
- Mamoria, Mamoria, Gankar (2007).Dynamics of Industrial Relations, Himalaya Publishing House, Mumbai.
- Singh, B.D.(2007). Industrial Relations: Emerging Paradigms, Excel Books, New Delhi.

ROLE OF JUDICIARY AND ITS IMPACT ON INDUSTRIAL RELATIONS

STRUCTURE

- 7.1 Introduction
- 7.2 Conciliation
- 7.3 Arbitration
- 7.4 Adjudication
- 7.5 Practice Questions
- 7.6 Answers To Self-Help exercise
- 7.7 Suggested Readings

7.1 INTRODUCTION

Preventive measures seek to create an environment where industrial disputes do not arise. Should they, however, arise, every effort is required to be made to settle them as early as possible so that they do not lead to work stoppage. The machinery for the settlement of industrial disputes has been provided under the Industrial Disputes Act, 1947.

This machinery comprises :

- (a) Conciliation,
- (b) Arbitration, and
- (c) Adjudication.

These are discussed below.

7.2 CONCILIATION

Conciliation or mediation signifies third-party intervention in promoting the voluntary settlement of disputes. The International Labour Organisation has defined conciliation as: " The practice by which the services of a neutral third party are used in a dispute as a means of helping the disputing parties to reduce the extent of their differences and to arrive at an amicable settlement or agreed solution. It is a process of rational and orderly discussion of differences between the parties to a dispute under the guidance of a conciliator."

The conciliator assists the parties to dispute in their negotiations by removing bottlenecks in communication between them. Conciliation machinery as provided under the Industrial Disputes Act, 1947 is as under:

I. Conciliation Officers

The Act provides for the appointment of conciliation officers, permanently or for a limited period, for specific area or for a specific industry, to whom the industrial disputes shall be referred for conciliation. The conciliation officer enjoys the powers of a civil court; he can call and witness parties on oath. The conciliation officer examines all facts relevant to the disputed matter and then gives his judgment.

II. Board of Conciliation

The Act also empowers the Government to appoint a Board of Conciliation for promoting the settlement of disputes where the Conciliation Officer fails to do so within 14 days. The Conciliation Board is a tripartite adhoc body consisting of a chairman and two to four other members nominated by the parties to the dispute. The mode and procedure of the functioning of the Board are similar to those of the Conciliation Officer.

III. Court of Inquiry

In case the conciliation proceedings fail to settle an industrial dispute, the Government has yet another option of referring the disputed to the Court of Inquiry. The Court is expected

to give its report within six months. The performance of conciliation machinery cannot be said to be satisfactory. Only 25% of cases are annually handled. Besides a very large number of disputes are filed and then withdrawn later on by workers or unions. It means petty issues are taken up for conciliation. Finally, a substantial number of cases remain pending.

The ineffectiveness of conciliation machinery can be attributed largely to inefficient Conciliation officers! "Either they do not have the necessary educational background, training and experience, and knowledge of industrial relations, since most of them are promoted from the ranks of clerks and labour inspectors, or they lack interest and initiative because conciliation is devoid of conciliation machinery because of the parties attitude of casualness towards it.

7.2.1 Self-Help Exercise

1. What is conciliation?
2. Name the bodies that come under Conciliation machinery.

7.3 ARBITRATION

Voluntary arbitration became popular as a method of settling differences between workers and management with the advocacy of Mahatma Gandhi, who had applied it very successfully in the Textile industry of Ahmedabad. However, voluntary arbitration lent legal identity only in 1956 when the Industrial Disputes Act, 1947 was amended to include a provision relating to it. On failure of conciliation proceedings, the conciliation officer may persuade the parties to refer the dispute to a voluntary arbitrator. Voluntary arbitration refers to getting disputes settled through an independent person chosen by the parties involved mutually and voluntarily.

The provision for voluntary arbitration was made because of the lengthy legal proceedings and formalities and resulting delays involved in adjudication. It may, however, be noted that the arbitrator is not vested with any judicial powers. He derives his powers to decide the dispute from the agreement that parties have made between themselves regarding the referring of the dispute to the arbitrator. The arbitrator submits his award to the government. The government then publishes it within 30 days of its submission.

Regarding the performance of voluntary arbitration as a method of resolving disputes, it can be said at the very outset that it has failed to make much progress. There exists general indifference among parties to use voluntary arbitration as a method of settling disputes. Hardly 2 to 3 percent of the disputes not settled by conciliation are referred to voluntary arbitration.

National Commission on Labour (1969) identified following causes for the failure of voluntary arbitration:

1. Lack of arbitrators who command the confidence of the parties to the disputes.
2. Law provides no appeal against the award given by arbitrator
3. Easy availability of adjudication on the failure of negotiation or conciliation.
4. The absence of simplified procedure to followed in voluntary arbitration.

7.4 ADJUDICATION

The ultimate remedy for the settlement of an unresolved dispute is its reference by the Government to adjudication. Adjudication may be described as process which involves intervention in the dispute by a third party appointed by the government, with or without the consent of the parties to the dispute, for the purpose of settling the dispute. The reference of dispute to adjudication is voluntary when both parties agree to reference of dispute to adjudication at their own accord, and it is compulsory when reference is made to adjudication by the Government without the consent of either or both the parties to the dispute. The Industrial Disputes Act, 1947 provides a three-tier adjudication machinery comprising:

- (i) Labour Courts,
- (ii) Industrial Tribunals, and
- (iii) National Tribunals

(i) Labour Courts

The Labour Courts can deal with disputes relating to:

- (a) The propriety or legality of an order passed by an employer under the standing Orders.
- (b) The application and interpretation of Standing Orders.
- (c) Discharge and dismissal of workmen and grant of relief to them.
- (d) Withdrawal of any statutory concession or privilege.
- (e) Illegality or otherwise of any strike or lock-out
- (f) All matters not specified in the third schedule of Industrial Disputes Act, 1947, (it deals with the jurisdiction of Industrial Tribunals).

(ii) Industrial Tribunals

The Industrial Tribunals can deal with the following matters:

1. Wages including the period and mode of payment.
2. Compensatory and other allowances.
3. Hours of work and rest intervals
4. Leave with wages and holidays
5. Bonus, profit sharing, provident fund and gratuity.
6. Shift working otherwise than in accordance with standing orders.
7. Rules of discipline
8. Rationalisation
9. Retrenchment.
10. Any other matter that may be prescribed.

(iii) National Tribunals

These tribunals are meant for those disputes which, as the name suggest, involve the questions of national importance or issues which are likely to affect the industrial establishments of more than one state, The employers and unions use adjudication as a primary measure of resolving disputes. About 90 to 95 per cent of disputes are referred to adjudication machinery on an average annually. However, the functioning of adjudication machinery has not been very satisfactory, particularly because of the delays involved and the inefficient implementation of the awards.

The proceedings at adjudication take unduly long period. About 50 to 60 per cent of the cases are decided in more than a year. And 25% of the cases take between 6 to 12 months. The state of the implementation of awards (requiring implementation) is also not very commendable. 30 to 40 per cent of awards are not implemented by the date of enforcement. Incomplete and abrupt implementation of awards creates suspicions in the minds of workers and shakes their faith in the machinery. Adjudication has been the most popular measure of resolving disputes accounting for more than 90 per cent of the disputes every year. However, adjudication is not a democratic method and may create bitterness among the parties. It tends to encourage litigation and irresponsible behavior. Among employers and labour. The functioning of the adjudication machinery has in practice been unsatisfactory. I am sure you will agree that an unduly long time is involved in adjudication proceedings.

You will be surprised to know that more than one-half of the disputes are decided in more than a year. Moreover, the implementation of the awards has been inefficient. Delays in implementation erode the faith of workers in the adjudication machinery. Adjudication is preferred more by employers who can afford to spend more on legal proceedings.

7.4.1 SELF-HELP EXERCISE

3. What settlement machinery is constituted under adjudication?

7.5 PRACTICE QUESTIONS

1. What industrial dispute settlement machinery is constituted by the Government to prevent and settle industrial disputes? Describe their workings.
2. Discuss the jurisdiction and workings of the labour courts, industrial tribunals and national tribunals.

7.5 ANSWERS TO SELF-HELP EXERCISE

1. What is conciliation.

Answer: The practice by which the services of a neutral third party are used in a dispute as a means of helping the disputing parties to reduce the extent of their differences and to arrive at an amicable settlement or agreed solution.

2. Name the bodies come under Conciliation machinery.

Answer: **Conciliation Officers, Board of Conciliation** and Court of Inquiry.

3. What settlement machinery is constituted under adjudication?

Answer: Labour courts, industrial tribunals and national tribunals.

7.5 SUGGESTED READINGS

- Monappa Arun - Industrial Relation, Tata McGraw-Hill Publisher, New Delhi.
- Dawar - Industrial Relation and Personal Manager, Vikas Publication House Pvt Ltd, 2007, New Delhi.
- Venkataratnam, C.S.(2007). Industrial Relations. Oxford University Press.
- Mamoria, Mamoria, Gankar (2007).Dynamics of Industrial Relations, Himalaya Publishing House, Mumbai.
- Singh, B.D.(2007). Industrial Relations: Emerging Paradigms, Excel Books, New Delhi.

ROLE OF ILO AND SIGNIFICANCE OF SOCIAL CLAUSE OF WTO

STRUCTURE

- 8.1 International Labour Organization (ILO)
- 8.2 ILO Conventions
 - 8.2.1 Specific Features of Conventions
 - 8.2.2 Freedom of Association and Protection of the Right to Organize Convention, 1948)
 - 8.2.3 Forced Labour Convention, 1930
 - 8.2.4 Abolition of Forced Labour Convention, 1957
 - 8.2.5 Discrimination (Employment and Occupation) Convention, 1958
 - 8.2.6 Equal Remuneration Convention, 1951
 - 8.2.7 Minimum Age Convention, 1973
- 8.3 Conclusion
- 8.4 Practice Questions
- 8.5 Answers to self-help exercise
- 8.6 Suggested Readings

8.1 INTERNATIONAL LABOUR ORGANIZATION (ILO)

International labour standards are central to the activities of the International Labour Organization. Over the years, the governments of member States and their employers' and workers' organizations have built up a system of international standards in all work-related matters, such as the abolition of forced labour, freedom of association, equality of treatment and opportunity, employment promotion and vocational training, social security, conditions of work, maternity protection, minimum age for entering the labour market, and protection of migrants and categories of workers such as seafarers. In June of each year, after considerable preparatory work, representatives of governments, and employers' and workers' organizations of all member countries meet in the International Labour Conference in Geneva, to adopt or revise those standards which will become international labour Conventions or Recommendations. These international instruments deal with people and their work. The Conventions are binding for countries which ratify them. These standards are subject to constant supervision by the ILO. Each member country agrees to present periodically to the International Labour Office a report on the measures taken to apply, in law and in practice, the Conventions which it has ratified. The government reports are examined by the Committee of Experts on the Application of Conventions and Recommendations, composed of some twenty independent, eminent figures in either the legal or social field and who are also specialists in labour matters. The Committee submits an annual report to the International Labour Conference, which is closely examined by a tripartite committee composed of government, employer and worker members.

In parallel with this mechanism of regular supervision, procedures written into the ILO Constitution also contribute to observing the system of international labour standards. Employers' and workers' organizations can lodge representations with the International Labour Office on a member State's non-compliance with a Convention it has ratified. If the representation is judged receivable by the ILO Governing Body, it appoints a tripartite committee to examine the issue. This committee submits a report containing its conclusions and recommendations to the Governing Body. Moreover, any member country can lodge a complaint with the International Labour Office against another member country which, in its opinion, has not observed in a satisfactory manner the

The Governing Body has the option to establish a Commission of Inquiry to examine the issue and present a report on the subject. This process may also be set in motion by the Governing Body itself or on complaint of a delegate to the Conference. The Commission of Inquiry formulates recommendations on measures to be taken, if necessary. The governments concerned then have three months to accept these recommendations. If they do not, they may submit the case to the International Court of Justice. If a member State does not comply with the recommendations of the Commission of Inquiry or with the decision of the International Court of Justice, within the stipulated time, the Governing Body may "recommend to the Conference such action as it may deem wise and expedient to secure compliance therewith". The supervisory system of the ILO also includes a standing tripartite committee of the Governing Body responsible for examining complaints concerning freedom of association and the right to organize, rights which have a central place in the ILO Constitution. Since its creation in 1951, this committee has examined over 1,800 cases concerning both employers' and workers' organizations in countries all around the world. The supervisory mechanisms concerning the application of standards are extremely important. They ensure that the principles, once enunciated, are put into effect. In many cases, the regular supervisory procedure, based on the periodic examination of reports by the Committee of Experts and the Conference Committee, has proved to be effective. Measures taken at the national level to put the Conventions into force are a crucial factor. International labour standards play an important role in the elaboration of national legislation, even in those countries which have not ratified a given Convention. Governments of member countries often refer to the ILO Conventions in questions concerning the adoption of labour laws or modifying existing legislation. The provisions of the standards are used as a basis for establishing national laws. International Labour Conventions thus have an impact which goes well beyond the legal obligations which they engender. The Recommendations are not subject to ratification. They therefore do not carry the legal requirements of Conventions. They are often adopted at the same time as Conventions dealing with the same subject, which they complement in more detail. Recommendations are aimed at member countries and their goal is to stimulate and guide national programmes in given areas. They have also left their mark on law and practice in countries around the world.

The standard-setting function is the strength of the International Labour Organization. It draws its uniqueness from the constant search for a consensus between public authorities and the principal interested parties, namely employers and workers. The entire process of international labour standards, from their elaboration to the supervision of their application and their promotion is motivated by tripartism, which is a peaceful means of conducting work relations involving the full participation of employers and workers in the decisions which affect them. Governments and employers' and workers' organizations are thus partners in the framework of this unique international organization, the ILO, whose objective is to improve the lot of all people in their work. Standards are the principal means which it puts at their disposal for bringing this about.

8.1.1 SELF-HELPEXERCISE

1. List the subjects ILO worked upon
2. Name the bodies involved in tripartite committee.

8.2 ILO CONVENTIONS

8.2.1 Specific Features of Conventions

Conventions are instruments designed to create international obligations for the states which ratify them. In addition to its Conventions, the ILO has adopted a number of Recommendations, which are different from the point of view of their legal character.

Recommendations do not create obligations but rather provide guidelines for action. Conventions have a number of specific features, which can be grouped under four main ideas :

1. Conventions are adopted within an institutional framework: Thus, the adoption of Conventions does not follow the type of diplomatic negotiation which is usual in the case of treaties. They are rather prepared in discussions in an assembly that has many points in common with parliamentary assemblies. This also partly explains the fact that unanimity is not necessary for the adoption of Conventions. For the same reason, only the
2. International Court of Justice can interpret the Conventions: The revision of Conventions is made only by the General Conference, which is the legislative body of the Organization.
3. The International Labour Conference, which adopts Conventions, is constituted of representatives of governments, employers and workers, each delegate being entitled to vote individually.
4. A two-thirds majority is sufficient for the adoption of a Convention, and governments should submit the Convention to their competent authorities for ratification, i.e. as a rule to their parliaments. Also, the governments have the obligation, when requested, to supply reports on various issues related to conventions. (See an overview of the supervisory system)
5. Some Conventions include flexibility clauses because they are generally directed towards countries with very different economic, social and political conditions, as well as different constitutional and legal systems. The flexibility clauses comprise options regarding the following :
 - (a) Obligations: the possibility of choosing, at the time of ratification, by means of the formal declaration, the extent of the obligations undertaken, (for e.g. Social Security Convention, No. 102)
 - (b) Scope : Governments may decide for themselves, subject to certain consultations, what the scope of the Convention shall be (for e.g. Conventions of minimum wage fixing machinery, Nos. 26 and 29), or they may be permitted to exclude certain categories of persons or undertakings (for e.g. Conventions on night work, Nos. 41 and 89), or the definitions of persons covered may be based on a specified percentage of the wage earners or population of the country concerned (for e.g. many social security Conventions), or exceptions are allowed for a certain part of the country (Various types of Conventions, for e.g. Nos. 24, 25, 62, 63, 77, 78, 81, 88, 94, 95, 96 etc.), or governments may themselves define a certain branch, industry or sector (for e.g. Weekly rest Convention, No. 106)
 - (c) Methods : The state which ratifies a Convention shall take such action as may be necessary to make effective the provisions of such Convention, custom, administrative measures or, in certain circumstances, collective agreements. Core Conventions While ILO Conventions are not ranked in terms of their order of importance, there is an underlying hierarchy, which can be discerned. In the first category are Conventions dealing with freedom of association and collective bargaining (Conventions Nos. 87 and 89), forced labour (Conventions Nos. 29 and 105), non-discrimination in employment.

8.4 PRACTICE QUESTIONS

1. Write a note on International Labour Organisation.
2. Write main features of ILO Conventions.

8.5 ANSWERS TO SELF-HELP EXERCISE

1. List the subjects ILO worked upon.

Answer: The abolition of forced labour, freedom of association, equality of treatment and opportunity, employment promotion and vocational training, social security, conditions of work, maternity protection, minimum age for entering the labour market, and protection of migrants and categories of workers such as seafarers.

2. Name the bodies involved in tripartite committee.

Answer: Government, employer, and worker members.

8.6 SUGGESTED READINGS

- Monappa Arun - Industrial Relation, Tata McGraw-Hill Publisher, New Delhi.
- Dawar - Industrial Relation and Personal Manager, Vikas Publication House Pvt Ltd, 2007, New Delhi.
- Venkataratnam, C.S.(2007). Industrial Relations. Oxford University Press.
- Mamoria, Mamoria, Gankar (2007). Dynamics of Industrial Relations, Himalaya Publishing House, Mumbai.
- Singh, B.D.(2007). Industrial Relations: Emerging Paradigms, Excel Books, New Delhi.

HRM AND INDUSTRIAL RELATIONS

STRUCTURE

- 9.0 Objectives
- 9.1 Introduction
- 9.2 Industrial Relations?
- 9.3 Scope of Industrial Relations
- 9.4 Practice Questions
- 9.5 Answers to self-help exercise
- 9.6 Suggested Readings

9.0 OBJECTIVES

This chapter aims to familiarise you with the concept of Industrial Relations, Industrial Disputes and the Dispute Resolution Procedures in India.

- Definition
- Parties to Industrial relations
- Features
- Scope
- Contemporary Issues

9.1 INTRODUCTION

We are going to study Industrial Relations in India. This affects Indian labour. First, let us understand the changes. The changes that have taken place in the Indian economy since 1991 are as follows :

- Tariff and non-Tariff trade barriers lowered
- Industrial licensing abandoned in many sectors
- Private capital is permitted in areas reserved for the public sector
- Restrictions on foreign direct investment removed
- Steps towards privatisation
- Food subsidies reduced and
- The rupee devalued.

These changes have lead to :

- Strengthened presence of multinational companies
- Increase in redundancy
- Introduction of new technologies
- New management techniques etc.

Having understood the environment encompassing the Industrial relations, let us now understand and discuss the concept of Industrial Relations and study its features and scope.

9.2 INDUSTRIAL RELATIONS?

Is it just the relationship between the Union and Management or is it something beyond that? Industrial Relations is used to denote the collective relationships between management and the workers. According to Lester: "Industrial relations involve attempts at arriving at solutions between the conflicting objectives and values; between the profit motive and social gain; between discipline and freedom, between authority and industrial democracy; between bargaining and co-operation; and between conflicting interests of the individual, the group and the community"

We shall now examine the concept of industrial relations with the help of some definitions to understand its various dimensions. One of the most comprehensive definitions which view industrial relations from the perspective of human relationships is by J. Henry Richardson: "Industrial relations is an art, the art of living together for purposes of production. The parties while working together learn this art by acquiring the skills of adjustment. If the Management and the unions are committed and responsible towards each other, they can learn this art of living. According to H.A. Clegg: "The field of industrial relations includes the study of workers and their trade unions, management, employers' associations, and the State institutions concerned with the regulation of employment".

While Richardson called for regulation of relationships in industry from within the organisation as the parties have to live together by a process of accommodation and adjustment, Clegg assigned great importance to the role of institutions and the regulatory role played by the government.

The National Commission on Labour (NCL) also emphasized the same concept when it observed: "Industrial relations affect not merely the interests of the two participants- labour and management, but also the economic and social goals to which the State addresses itself. To regulate these relations in socially desirable channels is a function, which the State is in the best position to perform.

In simple words, industrial relations are the outcome of the 'employment relationships' in industry, i.e. between employers and labour. The government of a nation or state influences these relations to a great extent. Thus, there are three main parties in industrial relations :

(i) Workers and their Organisations

The personal characteristics of workers, their culture, educational attainments, qualifications, skills, attitude towards work, etc. play an important role in industrial relations.

Trade unions are formed for safeguarding the economic and social interests of the workers. They put pressure on the management for the achievement of these objectives.

Now coming to the second main player.

These changes have its obvious effects on labour. Ghatoshkar (2000) and Noronha (1996) have summarized these changes. They state that Indian management has introduced flexibility by :

- Restructuring of companies
- Banning recruitment of permanent category employees
- Shutting of units or departments
- Transferring of jobs from bargainable to non-bargainable categories
- Introducing functional flexibility
- Intensifying the working day through pressure to increase productivity
- Opening parallel plants
- Employing contract workers and sub-contracting production.

(ii) Employers and their Organisation

The employers are a very important variable in industrial relations. They provide employment to workers and try to regulate their behaviour for getting high productivity from them. In order to increase their bargaining power, employers in several industries have organised employers' associations. These associations put pressure on the trade unions and the Government.

It is the State or what we better know as the Government.

(iii) Government

The Government or State exerts an important influence on industrial relations through such measures as providing employment, intervening in working relationships, and regulating wages, bonuses and working conditions through various laws relating to labour. The Government keeps an eye on both the trade unions and employers' organisations to regulate their behaviours in the interest of the nation.

The overall environment of industrial relations.

After independence, the Indian Government emphasized the need for consultation between the representatives of labour, management and the Government in tripartite and bipartite forums. Tripartite obviously would mean representatives from three bodies and bipartite means representatives of two bodies. Moved by the constant pressure of the International Labour Organisation, the Government of India constituted various tripartite bodies like the Indian Labour Conference (I.L.C.), the Standing Labour Committee (S.L.C.) and the Industrial Committees to deliberate on various issues relating to labour and management that have far-reaching impact on the country's labour policies and legislation. Before we move on, let us revise what we have studied so far. We have talked about the regulating relationship among three main parties or players whatever you call it. They are :

- The Employees' or the Workers' Organisation (Trade Union)
- The Employers' Organisation
- The State or Government

9.2.1 SELF-HELP EXERCISE

1. What are industrial relations?
2. What is the role of government in improving industrial relations?

9.3 SCOPE OF INDUSTRIAL RELATIONS

The scope can be studied under three main categories. These categories are :

- Promotion and development of healthy labour-management relations
- Maintenance of industrial peace and avoidance of industrial strife and
- Development of industrial democracy.

(1) Development of Healthy Labour-Management Relations: The promotion of healthy labour management relations pre-supposes:

- (a) The existence of strong, well-organised, democratic and responsible trade unions and associations of employers.

This can lead to :

- Job security of employees
- Increased workers' participation in management
- Negotiations, consultations and discussions
- Good labour-management relations.

- (b) The spirit of collective bargaining and willingness to take recourse to voluntary arbitration. The collective bargaining recognises equality of status between the two conflicting groups and prepares the ground in an atmosphere of trust and goodwill, for discussions, consultations and negotiations on matters of common interest to both industry and labour.

- (c) Welfare work, whether statutory or non-statutory, provided by the state, trade unions and employers create, maintain and improve labour management relations and thereby contribute to industrial peace.

(2) Maintenance of Industrial Peace: Industrial peace pre-supposes the absence of industrial strife. Industrial peace is essential for increased productivity and harmonious labour-management relations.

The industrial peace can be largely nurtured through the following means:

- (a) Machinery should be set up for the prevention and settlement of industrial disputes:** It can be brought about by developing various legislative and administrative enactments like Trade Unions Acts, Industrial Disputes Act, Industrial Employment (Standing Industrial Orders) Act etc.
- (b) The Government should have the power to refer dispute* to adjudication:**The State can do so under various circumstances like the following:
- When the situation tends to get out of hand and the employees and employers can't reach a solution acceptable to both parties
 - The industry is faced with economic collapse due to continued stoppage of production on account of strikes or lockouts
 - It is in the public interest to do so during periods of emergency
 - There is fear of foreign attack
 - Production needs to be carried on without interruption etc.
- (c) The Government enjoys the power to maintain the status quo:**This power is exercised when the government, after referring the dispute to arbitration, finds that either party is continuing the strike or lockout and that strike or lockout is likely to negatively affect the life of the community and to create chaos in the industry.
- (d) The provision of the bipartite and tripartite forums for the settlement of disputes:** These forums act on the basis of the Code of Discipline in industry, the Code of Conduct, Standing Orders etc.
- (e) Industrial peace can also be attained by the creation and maintenance of implementation cells and evaluation committees** which have the power to look into the implementation of agreements, settlements and awards and also violations of statutory provisions laid down under various labour laws.
- (3) Development of Industrial Democracy:** The idea of industrial democracy states that the labour should have the right to be associated with the management of an industry. To achieve this objective, the following techniques are usually employed :
- (a) Establishment of the Shop Councils and Joint Management Councils at the floor and plant level. These councils aim at:
- Improving the working and living conditions of employee
 - Improving productivity, encourage suggestions from employees
 - Assisting the administration of laws and agreements
 - Serve as a channel of communication between the management and employees
 - Creating among the employees a sense of participation in the decisionmaking process and
 - Sense of belonging to the industry.
- These methods and activities provide the necessary climate for the development of industrial democracy in the country.
- (b) **Recognition of Human Rights in Industry** : This implies that labour is not a commodity of commerce, which can be purchased and disposed of at the whims and fancies of employers. The workers are to be treated as human beings whose sense of self-respect is to be fostered. Their urge for self-expression (through closer association with management) should be satisfied. These are the basic prerequisites for achieving industrial democracy.

(c) **Increase in Labour Productivity: The** factors that contribute to higher productivity of labour are :

Improvement in:

- Level of effort and skills of workers
- Production process,
- Materials,
- Equipment,
- Layout,
- Work methods etc.

It can be brought about by :

- The suggestions of workers
- Research and development
- Special studies and technological development
- Improvement in the output resulting from capital intensification within the framework of the same technology
- Increasing the productivity of labour by adopting a proper motivational system

(d) **The availability of proper work environments** necessary so that the worker can effectively carry out his

Let us end with discussing the contemporary issues in Industrial Relations :

(i) **Low Wages** : Low wages have been a perennial problem and have been a source of industrial dispute for years despite the existence of Payment of Wages Act and the Minimum Wages Act. The acts do not seem to be solving the problem due to their poor implementation. In many of the factories, workers are still given wages below subsistence level, which leads to high degree of dissatisfaction and subsequent decrease in productivity. In many industries, the minimum wages have not been revised at par to compensate for it.

I am sure that is not a very good practice anyways. Won't you call it exploitation of labour?

(ii) **Employment of Women** : In the Indian cultural setup, the employment of women is a major problem even though things have started changing in the recent times. There are special provisions regarding the employment of women in the Factories Act, which prohibit employment of women during the night shift and also on heavy machinery. Under the Equal Remuneration Act, women are entitled to equality of wages at par with the male workers. Some employers don't follow the above provisions in letter and spirit and continue to exploit the women workers by virtue of their strong position and because of mass illiteracy and superstition among the women workers.

(iii) **Ignorance and illiteracy** : Various labour laws that have been made would be beneficial to the workers if implemented properly. For this it is important that the workers themselves understand the underlying principles and provisions of the law and demand whatever is due to them.

With the high rate of ignorance and illiteracy prevailing among the workers, it can be imagined how many of them know about the laws. It is here that the exploitation of workers takes place and legal provisions are ignored totally.

- (iv) **Industrial Housing:** Another burning issue in the industrial relations field is that of accommodation for industrial employees. Here the problem is that the firms are not able to provide accommodation to the employees and further that the house rent allowance (HRA) that they provide is not sufficient to keep pace with the ever-rising demands of the landlords
- (v) **Child Labour:** The law requires that no child below the age of 14 is allowed to work in any factory and the adolescent is not allowed to work in hazardous conditions. The Supreme Court has passed a ruling strictly prohibiting the employment of children in any kind of factory. But still one finds instances of violation of law.

9.3.1. SELF-HELP EXERCISE

3. List some issues that disturb industrial relations.

9.4 PRACTICE QUESTIONS

1. Define industrial relation. Explain the role of three main parties involved in influencing industrial relations.
2. List some contemporary issues involved in disturbing industrial relations. How these relationships can be improved?

9.5 ANSWERS TO SELF-HELP EXERCISE

1. What are industrial relations?

Answer: Industrial relations are the outcome of the 'employment relationships' in industry, i.e. between employers and labour.

2. What is the role of government in improving industrial relations?

Answer: The Government or State exerts an important influence on industrial relations through such measures as providing employment, intervening in working relationships, and regulating wages, bonus and working conditions through various laws relating to labour. The Government keeps an eye on both the trade unions and employers' organisations to regulate their behaviours in the interest of the nation.

3. List some issues for disturbing industrial relations.

Answer: Low wages, exploitation of women, ignorance and illiteracy, industrial housing, and child labour

9.6 SUGGESTED READINGS

- Monappa Arun - Industrial Relation, Tata McGraw-Hill Publisher, New Delhi.
- Monappa Arun - Industrial Relation, Tata McGraw-Hill Publisher, New Delhi.
- Dawar - Industrial Relation and Personal Manager, Vikas Publication House Pvt Ltd, 2007, New Delhi.
- Venkataratnam, C.S.(2007). Industrial Relations. Oxford University Press.
- Mamoria, Mamoria, Gankar (2007). Dynamics of Industrial Relations, Himalaya Publishing House, Mumbai.
- Singh, B.D.(2007). Industrial Relations: Emerging Paradigms, Excel Books, New Delhi.

COLLECTIVE BARGAINING

STRUCTURE

- 10.1 Collective Bargaining
- 10.2 Classical Theory of Collective Bargaining
- 10.3 Modern theory of Collective Bargaining
- 10.4 Components of 'Collective Bargaining'
- 10.5 The Other Modes of Settling Grievances of Workers
- 10.6 Advantages of Collective Bargaining'
- 10.7 Disadvantages of Collective Bargaining'
- 10.8 Essential Conditions for Successful 'Collective Bargaining'
- 10.9 The subject matter of 'Collective Bargaining'
- 10.10 Role of the State and its Machinery in Collective Bargaining
- 10.11 Practice questions
- 10.12 Answers to self-help exercise
- 10.13 Suggested Readings

10.1 COLLECTIVE BARGAINING

When the industrial revolution was taking shape, unskilled workers were in predominance naturally because production was low and the technique was primitive then. The workers, therefore, had nothing to bargain with. But as the Technique, Technology of Production and Manufacturing Process advanced, a new class of skilled workers emerged. These workers naturally had with them something to bargain with, Skill, Training and Experience. However, they were very weak individually in bargaining with their Employers. They then realized that unitedly they would be in a stronger position to bargain with their employers. They also felt certain that if they came together, they would be able to avoid competition among themselves.

10.2 CLASSICAL THEORY OF COLLECTIVE BARGAINING

This gave rise to collective bargaining. According to International Labour Office "'Collective Bargaining' as negotiations between Employer and Employees about the terms and conditions of employment with a view to arrive at an agreement. This concept was first formulated in 1897. This is a classical theory because it is in consonance with the classical and traditional concept of collective bargaining. According to this theory/ individual bargaining' is substituted by the "collective bargaining" through the medium of a trade union. In other words, a "trade union" is one kind of 'trading' organisation dealing in labour. This theory is based on the experience of earlier time.

10.3 MODERN THEORY OF COLLECTIVE BARGAINING

According to Modern Theory it is a 'Sale of Labour'. The modern theory takes into consideration that the collective bargaining is not a commercial transaction between a Trader and Consumer or amongst Traders themselves because a trade union does not bargain with the Employer or Employers' Associations in the sense of 'marketing' or 'economic activity'. This modern theory takes the trade union more in the nature of a political and diplomatic type of institution. It holds the view that collective bargaining, really does not do "bargaining" but it does only the Negotiations. Although the activities of 'collective bargaining' are not political; nevertheless, there are two political characteristics in the collective. One is 'rule making' process and the Other is 'regulation

of power relations between capital and labour. Collective bargaining is nothing but the 'collective wisdom and collective will'. There is thus a radical departure from the classical and traditional concept of collective bargaining, which suffered from inherent confusion and contradiction flowing from the term bargaining in the term 'collective bargaining'.

10.4 COMPONENTS OF COLLECTIVE BARGAINING

The components of collective bargaining are as follows :

(i) Negotiation

Collective Bargaining is a process of negotiation conducted to arrive at an amicable settlement. However, it is possible that even after protracted negotiations, it may not be possible to reach any settlement at all. But there must be an effort of negotiation; it may result in a settlement, it may not, but the aim of carrying on negotiation must always be to reach an amicable settlement. Therefore, negotiation is the most essential and basic ingredient of the process of collective bargaining.

(ii) Negotiations to improve Service Conditions or the Terms of Employment

The whole concept of 'Collective Bargaining' in the field of industrial law is to improve the service conditions of the working class people. Naturally, therefore, for this purpose, the negotiations just be for improving Wages, Leave, Security of employment, Hours of work, Health, Safety etc. The negotiations, -of course, can also be on any matter connected therewith or incidental thereto.

(iii) Parties to the Negotiations

For the negotiation, on One Side, there will all ways be the Employer and on Side, there will always be the Employees. For and on behalf of Employees, there may be Trade Union or Trade Unions, these trade unions, may be recognized or unrecognized. Similarly, on the side of the Employer, it may be his representative or the Officer or there may be the Association of the Employers and their office bearers can carry on negotiations.

10.4.1 SELF-HELP EXERCISE

1. Name different parties involved in negotiation.

10.5 THE OTHER MODES OF SETTLING GRIEVANCES OF WORKERS

The improvement in Service Conditions or the 'Terms of Employment¹' may be sought by two modes. One is Collective bargaining' or and the other is 'Compulsory Adjudication' or 'Arbitration'. The Arbitration is nothing but an another form of 'Collective Bargaining' because unless workers agree to refer the dispute to a third party for its intervention, there can not be any arbitration. As such, the arbitration is not an independent mode of settling the grievances but a part of the Collective Bargaining. The question, therefore, is that out of the two modes of settling, the grievances which one is better, the 'collective Bargaining' or the 'Compulsory adjudication. In the Western countries, collective bargaining is preferred to the compulsory adjudication. But in underdeveloped countries, it is said that the compulsory adjudication' is far better. So much so that, it is said, the compulsory adjudication' is as essential as the compulsory education or the compulsory taxation. Compulsory Adjudication or Arbitration means that under the compulsion of law, the Government requires the parties to go before a Tribunal for settlement or redressal of the dispute by adjudication. It is a benevolent compulsion and not a coercive or totalitarian measure. The Government thus retains the power to judge whether the process of Collective Bargaining' is sincerely used or not.

10.6 ADVANTAGES OF COLLECTIVE BARGAINING

1. It is quick and efficient. The Parties do not waste time - as litigation.
2. Parties themselves resolve their disputes it is more democratic and long-lasting.
3. It creates harmony in relations between capital and labour.
4. Bitterness, delay and expenses are avoided in sharp contrast to adjudication.

10.7 DISADVANTAGES OF COLLECTIVE BARGAINING

1. Consumer is not represented in collective bargaining although he is affected by the rise in prices as a result of the wage rise.
2. Collective Bargaining flows from strength (of workers) and correlation of forces and not from any rational or moral basis.
3. If the transaction of collective bargaining fails, Strikes or lockouts follow.

10.8 ESSENTIAL CONDITIONS FOR SUCCESSFUL COLLECTIVE BARGAINING

(a) General

The utility and need of collective bargaining need not be over-emphasised. But if collective bargaining is a must then it must be considered as to what can it help in achieving it. The favourable political climate, freedom of association, stable unions, recognition of trade unions, willingness for the give-and-take approach and avoidance of non-participation can certainly go a long way in achieving the Collective Bargaining successfully.

(b) Favorable Political Climate

- (i) If the Political Party in power, in any given Country, is hostile to the trade union movement,
- (ii) If the Government proceeds to abolish the trade unions,
- (iii) If the Government declares Emergency rule and prohibits all forms of public grievances and raising any demands otherwise than through of the Government,
- (iv) Even if the Government is not hostile to trade union activities if the government still does not actively support the cause.

The Collective Bargaining is bound to suffocate and fail on account of this climate in the country. On the other hand, if the Political Party in power actively encourages and creates an atmosphere for the negotiations between Employers and Workers, collective bargaining is sure to blossom and prospers.

(c) Freedom of Association

Collective Bargaining itself shows that it is not an individual effort but the collective effort of the workers. Necessarily, therefore, the workers must have freedom to Organize, Form, and Join or assist the Union of their choice. Such freedom must flow from the Constitution. But apart from the Constitutional freedom, the Legislation granting facilities and removing restrictions on trade unions should also be enacted.

(d) Stable Unions

A union can-not be stable if it does not have sufficient majority. Therefore, what is necessary and important is that the workers must patronize their unions. It must be noted that even if there is freedom of forming a union and even if there is a political climate, the lethargy of the workers will ruin the whole purpose of the 'Collective Bargaining'. If the union has the support of majority of the workers, the Employer is also ready and willing to negotiate rather than negotiating with the union of minority or when the stability of the union is extremely doubtful. The employer in that, case is reluctant to negotiate with such a minority union.

Indeed, it is the stable union that itself feels powerful in the negotiation. If there are a number of unions operating in the organisation or any given industry, the strength of the union is reduced to a very great extent. The Employers are tempted to play one against the other. As such, the stability of the union is also very important in the process of 'Collective Bargaining.

(e) Recognition of the Union

The Employer must accord recognition to the union having the majority. It also motivates and induces the workers to join the union and as aforesaid, the larger the number supporting the union, the more it carries the weight in its negotiations. But it is a vicious circle. Majority Union induces and even forces the Employer to grant recognition and Recognition granted by the Employer induces the Workers to join that union. But once a vicious circle is broken, it helps in negotiation and helps the 'Collective Bargaining' to its fullest extent. Once the recognized union enters into a settlement, that settlement is long-lasting and there is no danger of strike or stoppage of work.

(f) 'Give and Take' Approaches

The parties can not in any negotiation worth its name adopt a hard line and both must be ready to give up to gain something. If there is no broad approach and give-and-take attitude, no negotiations can succeed. One must not approach with a closed mind' with any pre-conditions or with any biased approach. What is true for the general negotiations is true for the 'Collective Bargaining' too. No 'Collective Bargaining*' can succeed if the parties are not prepared to give up certain things for a 'package deal'.

(g) Non -Participation

It is an open secret that no negotiations can be carried out unless one is mentally and physically present in the discussion. If one simply remains present with a closed mind or biased mind, no settlement can be achieved. Similarly, a mere honest and sincere desire to settle would bear no fruit unless one physically remains present in the negotiations. Therefore, avoidance, absence and non-participation are fatal to the 'Collective Bargaining.

10.8.1 SELF-HELP EXERCISE

2. What is the role of stable unions in collective bargaining.

10.9 SUBJECT MATTER OF COLLECTIVE BARGAINING'

The Legislation undoubtedly prefers and supports the 'Collective Bargaining". However, so far, no statute has listed out the issues, which can be negotiated by and between the parties to the Collative Bargaining. But it is too obvious that the parties will always prefer to negotiate on the issues of mutual interest. It will always be tug of war between the Employers, their Association or their Federations on One Side and the Employees, Trade Unions, recognised or otherwise and their Federations on the other side. It may be recorded here that on Employees' side, inter-alia, on the following issues, negotiations can be carried out" -

1. Service Conditions or settlement of Standing Orders.
2. Wages - Times-rate or Piece-rate, other payments, fixing wage scales and the scales of other payment-for existing and future employees.
3. Working Hours, Rest Hours, Lunch Time, Tea Time, Overtime, shift working, Night Shifts and payments in respect of overtime,
4. Holidays, Leave- annual, casual, study, sickness, maternity, paternity, extraordinary and Wages in lieu thereof.
5. Exemption from work-on account of sudden sickness, union representatives given special permission to attend to union work rather than working on their

work-place etc.

6. Seniority, promotion, and incidental issues.
7. Settling list of misconduct, framing rules of Disciplinary action, layoffs, retrenchment, re-employment, dismissal, termination and related issues.
8. Benefits like fringe benefits, retirement benefits, maternity benefits, family benefits, house accommodation, etc. and related issues. On behalf of the Employers, the following issues can be discussed :
 1. Fixing up the Standards of Production and ways and means to achieve the same.
 2. Quality control measures risk-avoiding measures, loss-avoiding measures, waste-avoiding measures.
 3. Ways and means to increase production/productivity and achieve the target of maximum.
 4. Formation of Works Committees and/or Joint Consultative bod}' for discussion on day-to-day affairs and the I procedure for the same.
 5. Adoption of misconduct to bring law and order on the Shop Floor as well as beyond it.
 6. Prohibition of Strikes, go-slow and other coercive modes adopted by the employees.
 7. Duration of the agreements during which time, the agreements can hold the field.

10.9.1 SELF-HELP EXERCISE

3. List some subjects involved in collective bargaining.

10.10 ROLE OF STATE AND ITS MACHINERY IN COLLECTIVE BARGAINING'

In the Western countries, 'collective bargaining is preferred to the compulsory adjudication. But in underdeveloped countries, it is said that the 'compulsory adjudication' is far more better. So much so that, it is said, the 'compulsory adjudication' is as essential as the compulsory education or the compulsory taxation. Compulsory Adjudication or Arbitration means under compulsion of law, the Government requires the parties to go before a Tribunal for settlement or redressal of the dispute by adjudication. It is a benevolent compulsion and not a coercive or totalitarian measure. The Government thus retains the power to judge whether process of Collective Bargainingl is sincerely used or not. All our Legislations derive their power of making laws from the

Constitution of India, which we adopted on 26th January 1950. The Hon'ble Supreme Court of India in Workmen of Balmer Lawrie & Co Ltd v/s BL & Co. 1964 I LLJ 380 has rightly considered the importance of industrial adjudication at par with the fundamental rights guaranteed under the Constitution of India. Thus it is clear that the State [Union of India and the State Governments) is sure to advance

- (1) the collective bargaining,
- (2) adjudication and the
- (3) admixture of the two because all these are finely woven in the fabric of the Constitution of India itself. But by any chance, if the Government fails, the Courts are undoubtedly there to protect the rights enshrined in the Constitution of India.

10.11 PRACTICE QUESTIONS

1. Define collective bargaining and discuss various components of collective bargaining.
2. What are essential conditions for successful collective bargaining? Explain in detail.
3. What are different subjects involved in collective bargaining? Explain the role of government and its machinery in collective bargaining.

10.12 ANSWER TO SELF-HELP EXERCISE**1. Name different parties involved in negotiation.**

Answer: For the negotiation, on One Side, there will all ways be the Employer/representative/the Officer/Association of the Employers/office bearers and on the Other Side, there will always be the Employees/Trade Union, or Trade Unions.

2. What is the role of stable unions in collective bargaining.

Answer: If the union has the support of majority of the workers, the Employer is also ready and willing to negotiate rather than negotiating with the union of minority or when the stability of the union is extremely doubtful. The employer in that, case is reluctant to negotiate with such a minority union.

3. List some subjects involved in collective bargaining.

Answer:Service conditions, wages, working hours, holidays, leaves, exemption from work

10.13 SUGGESTED READINGS

- D.C.Sharma & R.C. Sharma, Personnel Management & Industrial Relations, S. J. Publications, Meerut.
- PC. Tripathi, Personnel Management & Industrial Relations, Sultan Chand & Sons, New Delhi.
- Monappa Arun - Industrial Relation, Tata McGraw-Hill Publisher, New Delhi.
- Dawar - Industrial Relation and Personal Manager, Vikas Publication House Pvt Ltd, 2007, New Delhi.
- Venkataratnam, C.S.(2007). Industrial Relations. Oxford University Press.
- Mamoria, Mamoria, Gankar (2007).Dynamics of Industrial Relations, Himalaya Publishing House, Mumbai.
- Singh, B.D.(2007). Industrial Relations: Emerging Paradigms, Excel Books, New Delhi.

COLLECTIVE BARGAINING IN INDIA, UK, AND USA**STRUCTURE**

- 11.1 Introduction
- 11.2 The Unionization Process the Legal Basis
- 11.3 Organizing Drive
- 11.4 Administration of the Collective Bargaining Agreement
- 11.5 Union Security Clauses
- 11.6 Bargaining Unit in the US
- 11.7 Collective Bargaining in India
- 11.8 Practice questions
- 11.9 Answers to self-help exercise
- 11.10 Suggested Readings

11.1 INTRODUCTION

Many managers see unions as a major stumbling block to the implementation of workplace changes that are essential to increased competitiveness. To them, unions are a problem. To others, unions can be and should be part of the solution to problems of workplace competitiveness. Many union leaders and members, in turn, deeply distrust management's motives. They see "enhanced competitiveness" as thinly veiled code words for downsizing. What is right? Is it possible for a well-established union to take a leadership role in workplace innovation and imaginative approaches to enhancing competitiveness? Is it possible for management to allow creative approaches to more efficient operations without cutting workers as a result of the increase in efficiency? To be sure, management and workers have ample reason to distrust each other. Chrysler's union workers arouse that management is demanding-ever-faster production while getting bonuses that make their own \$4300 profit-sharing checks look paltry. In 1993 Chrysler paid 200 executives bonuses equal to 100 per cent of salary.

11.2 THE UNIONIZATION PROCESS THE LEGAL BASIS

The Wagner, or National Labor Relations Act, of 1935 affirmed the right of all employees to engage in union activities, to organize, and to bargain collectively without interference or coercion from management. It also created the National Labor Relations Board (NLRB) to supervise representation elections and to Many union leaders fear cooperative work systems, because they suspect that management's real intention is to circumvent lawfully designated unions. In some cases, this has occurred, as in a recent decision by the National Labor Relations Board that Electromation, Inc., used teams to create a company-dominated union. Even though the wages at the unionized Stevens plants are not substantially higher now than at the company's non-unionized plants or than the wages at other non-union textile plants in the south, the wage level was never the biggest issue. The union contract has meant expanded benefits, a seniority system to protect workers when jobs are lost and to provide opportunities when jobs open, and a grievance procedure with access to binding arbitration. For the company, the settlement allowed it to put its past squabbles with the workers behind and concentrate on battling foreign textile imports. Among union members, however, worker after worker echoes the same sentiment: the collective bargaining agreement has meant that they are treated with new dignity on the job.'

11.2.1 SELF-HELP EXERCISE

1. What National Labor Relations Act, of 1935 act states?

11.3 ORGANIZING DRIVE

There are three ways to kick off an organizing campaign:

- (1) employees themselves may begin it,
- (2) employees may request that a union begin one for them, or
- (3) in some instances, national and international unions may contact employees in organizations that have been targeted for organising.

In all three cases, employees are asked to sign authorization cards that designate the union as the employees' exclusive representative in bargaining with management. Well-defined rules govern organizing activities:

1. Employee organizers may solicit fellow employees to sign authorization cards on company premises but not during working time.
2. Outside organizers may not solicit on premises if a company has an existing policy prohibiting all forms of solicitation and if that policy has been enforced consistently.
3. Management representatives may express their views about unions through speeches to employees on company premises. However, they are legally prohibited from interfering with an employee's freedom of choice concerning union membership.

The organizing drive usually continues until the union obtains signed authorization cards from 30 percent of the employees. At that point, it can petition the National Labor Relations Board (NLRB) for a representation election. If the union secures authorization cards from more than 50 percent of the employees, however, it may ask management directly for the right to exclusive representation. Usually, the employer refuses, and then the union petitions the NLRB to conduct an election.

11.3.1 SELF-HELP EXERCISE

2. What is the minimum number of employees required to get permission from court to conduct the election.

11.4 ADMINISTRATION OF THE COLLECTIVE BARGAINING AGREEMENT

With too many union and management officials, the real test of effective labour relations comes after the agreement is signed, that is, in its day-to-day administration. At that point, the major concern of the union is to obtain in practice the employee rights that management has granted on paper. The major concern of management is to establish its right to manage the business and to keep operations running." A key consideration for both is the form of union security that governs conditions of employment.

11.5 UNION SECURITY CLAUSES

Section 14b of the Taft-Hartley Act enables states to enact "right-to-work" laws that prohibit compulsory union membership (after a probationary period) as a condition of continued employment, the forms that such union security provisions can take and indicates that most of them are illegal in the 21 states that have passed right-to-work laws.

Agency shop agreements appear in about 12 percent of all collective bargaining contracts. May the "service charge" for representation be used to pay for activities such as lobbying for pro-labor legislation, organizing efforts, and political activities in addition to collective bargaining? Non-union-member employees of American Telephone & Telegraph Company sued the Communications Workers of America (CWA) over this issue. The Supreme Court ruled that a union may be violating the: rights of non-members who are required to pay agency fees for union representation if it uses those fees for political and other activities not directly related to collective bargaining. How much money goes to activities other than collective bargaining?

At the trial-court level, a federal judge ordered the CWA to rebate 79 percent of the agency fees it had collected one year because the union could only prove that 21 percent of its collections were devoted to collective bargaining.

11.6 BARGAINING UNIT IN THE US

When the election petition is received, the NLRB conducts a hearing to determine the appropriate (collective) bargaining unit, that is, the group of employees eligible to vote in the representation election. Sometimes labor and management agree jointly on the appropriate bargaining unit. When they do not, the NLRB must determine the unit. The TLRB is guided in its decision, especially if there is no previous history of bargaining between the parties, by a concept called "community of interest." That is, the NLRB will define a unit that reflects the shared interests of the employees involved. Such elements include similar wages, hours, and working conditions. Physical proximity of employees to one another; common supervision; the amount to interchange of employees within the proposed unit; and the degree of integration to the employer's production process or operation. Under the Taft-Hartley Act, however, professional employees cannot be forced into a bargaining unit with non-professionals without their majority consent.

The size of the bargaining unit is critical both for the union and for the employer because it is strongly related to the outcome of the representation election. The larger the bargaining unit, the more difficult it is for the union to win. If a bargaining unit contains several hundred employees, it is almost invulnerable.

11.7 COLLECTIVE BARGAINING IN INDIA

Like many other countries, collective bargaining in India got some impetus from various statutory and voluntary provisions. The Trade Disputes Act, 1929, the Bombay Industrial Relations Act, 1946, the Industrial Disputes Act, 1947, and the Madhya Pradesh Industrial Relations Act, 1960 provided machinery for consultation and paved the way for collective bargaining. Among the voluntary measures, mentioned may be made to the different tripartite conferences and joint consultative bodies. The collective bargaining contract in India can be enforced under Section 18 of the Industrial Disputes Act 1947 as a settlement arrived at between the workers and the employers. The appropriate government may refer the dispute over a breach of contract to a labour court or to an Industrial Tribunal. In India, the collective bargaining agreements have been concluded at three levels at plants levels, industry level and national level. A number of plant level agreements have been reached between management and union covering wages scales, hours of work, working conditions, welfare amenities, health and safety, etc. the best example of an industry level agreement is that of Ahmedabad Mill Owners Association and the Ahmedabad Textile Labour Association. Such agreements are to be found in the plantation industry in the South and in Assam and in the coal industry. The agreements at the national level are generally bipartite agreements. In India collective bargaining was not very popular till the end of the Second World War. However, there had been a few instances where wages and working conditions were regulated by collective agreements even earlier. Collective bargaining was traditionally conducted at the plant level as in the case of T.I.S.C.O, India Aluminium Company and Bata Shoe Company. In some industrial units, detailed grievance procedures have been laid down by mutual agreements. The collective agreement signed between the T.I.S.C.O and Tata Workers Union in 1956 embodies with management. The Belur Report of 1958 which is a study by Subbiah Kannappan and his associates in the Indian Aluminium Company is one of the best-published case studies on collective bargaining in India.

It throws light on the factors responsible for creating a favourable bargaining relationship between the management and the union. The Employer's Federation in a study of collective bargaining in its member organization in 1970 classified collective agreement into three categories :

- (i) agreements which have been drawn in after direct negotiations between the parties and are purely voluntary for their implementation;
- (ii) agreements which combine the elements of voluntariness and compulsion i.e. those negotiated by the parties and registered before a conciliator as settlements; and
- (iii) agreements which acquire legal status because of successful discussions between the parties when the matters in disputes were under reference to industrial tribunal court and could be considered sub judice, the agreements reached being recorded by the tribunals/courts as consent awards.

The National Joint Consultative Committee for the steel industry also arrived at a number of agreements covering the wage structure and allied matters for different categories of employees. Similar agreements also exist for the coal mining industry. Association and the Ahmedabad Textile Labour Association, which were signed on June 5 laid down the procedure to be followed for the grant of bonus and the voluntary settlement of industrial disputes.

11.7.1 SELF-HELP EXERCISE

3. List some industrial dispute acts that paved the way for Collective bargaining.

11.8 PRACTICE QUESTIONS

1. Write a note on rules to govern organizational drives.
2. Write a note on:
 - a. Bargaining unit in US
 - b. Collective Bargaining in India

11.9 ANSWERS TO SELF-HELP QUESTIONS

1. What National Labor Relations Act, of 1935 act states?

National Labor Relations Act, of 1935 affirmed the right of all employees to engage in union activities, to organize, and to bargain collectively without interference or coercion from management.

2. What is the minimum number of employees required to get permission from court to conduct the election.

Answer: 30 percent of total employees

3. List some industrial dispute acts that paved the way for Collective bargaining.

Answer: The Trade Disputes Act, 1929, the Bombay Industrial Relations Act, 1946, the Industrial Disputes Act, 1947, and the Madhya Pradesh Industrial Relations Act, 1960.

11.10 SUGGESTED READINGS

- Monappa Arun - Industrial Relation, Tata McGraw-Hill Publisher, New Delhi.
- Dawar - Industrial Relation and Personal Manager, Vikas Publication House Pvt Ltd, 2007, New Delhi.
- Venkataratnam, C.S.(2007). Industrial Relations. Oxford University Press.
- Mamoria, Mamoria, Gankar (2007). Dynamics of Industrial Relations, Himalaya Publishing House, Mumbai.
- Singh, B.D.(2007). Industrial Relations: Emerging Paradigms, Excel Books, New Delhi.

EMPLOYEE STOCK

STRUCTURE

- 12.0 Objectives
- 12.1 Introduction
- 12.2 Stock ownership
 - 12.2.1 Broad-based plans
 - 12.2.2 Stock Option plans
- 12.3 Employee Stock Ownership Plans (ESOPs)
- 12.4 Employee Ownership Plans
- 12.5 Benefits
- 12.6 A Primer on Employee Ownership
- 12.7 Theoretical Overview
 - 12.7.1 Principal-agent Theory
- 12.8 Practice questions
- 12.9 Answers to self-help exercise
- 12.10 Suggested Readings

12.0 OBJECTIVES

Employee stock option exercise plans are designed to reduce time, to simplify the process of purchasing the company's stock, and to provide loans to take advantage of stock option plans. Employees are offered these three choices for exercising employee stock option plans :

- Exercise the stock option and sell the stock immediately
- Wait until the stock reaches a certain price and sell the stock at a predetermined price range
- Exercise their stock option and hold the shares

12.1 INTRODUCTION

The motives for introducing employee stock option plans can be divided into five categories: personnel motives, incentive motives, salary motives, accounting motives and tax motives. The case studies show how motives for option plans can be dependent on different circumstances within the companies. Further, the study also shows that the consequences of the stock option plans varies according to factors such as motives, design of the stock option plan, share price performance and other context factors. Context factors that could have an effect are the company's business, organizational structure, corporate culture and experiences from employee stock options in the industry, employees' education and tax rules. The consequences for the company are also dependent on how the employees react to the options. To be able to estimate what an employee stock option plan means for the company, all these factors must be taken under consideration. Further one must take into account the costs for the stock options such as dilution effects, hedging costs, personnel costs and costs for designing the program.

12.1.1 SELF-HELP EXERCISE

1. Write five categories of motives for introducing employee stock option plans.

12.2 STOCK OWNERSHIP

- Broad-based plans
- Stock options for executives
- Performance-based

12.2.1 Broad-based plans

1. Stock granted to at least 50% of the workforce
2. ESOP: Employee Stock Ownership Plan: Stocks are an employee benefit

12.2.2 Stock Option plans

1. Employees can buy stock at a later date at a price established when the option was granted.
2. Executive stock options: Often exceeds all other compensation and also encourages execs to "think like owners"?

12.3 EMPLOYEE STOCK OWNERSHIP PLANS (ESOPS)

ESOPs may be attractive tools for motivating staff members because of their positive symbolic and motivational effects. Through an ESOP, employees become owners, so it should be easier for the staff members to internalize the interests of the firm. ESOPs are, however, typically one-time incentive mechanisms that are probably not very well suited to boost operational performance over the longer term.

12.3.1 SELF-HELP EXERCISE

2. What is ESOP.

12.4 EMPLOYEE OWNERSHIP PLANS

These plans are widespread in Europe and the U.S. and have existed for some time. In Canada, they are appearing more and more often in organizational compensation systems. Depending on their origin, they are known under such names as worker share-ownership, ESOPs (Employee Share-Ownership Plans), or employee ownership of corporate equity. Corporate equity participation formulas or Employee Share- Share-ownership plans are implemented primarily through the purchase of shares in the firm where he/she works. For a long time, this type of shareownership was reserved for top managers and executives of private-sector non-unionized organizations. Beginning in the late 1980s, shared ownership increasingly involved all employee groups from different work environments. Participation in the ownership of the company involves both real or actual participation formulas and simulated or phantom participation formulas. Real participation usually includes three specific methods that are not necessarily mutually exclusive :

- Share purchase with a maximum pre-established amount (percentage of salary or number of shares). These are new shares issued by the company or shares already on the market, the purchase of which is usually entrusted to a trust company;
- A grant of shares, a plan often involving a waiting period before the employee has the right to sell the shares. The shares are not always voting shares (one share, one vote).
- The shares are often granted to employees as compensation for lost wages or as retirement incentives;
- Share purchase option, a plan under which the employer agrees to sell to an employee at a preset price, shares in the company or a company with which the employee has a direct financial link. The employee with a share purchase option has a deadline by which the option must be exercised, with a share price fixed as of the year of issue or at market value. In simulated participation plans, there is no requirement for cash outlays by employees and there is no diluting effect on

capital (the price invested when purchasing the shares versus the value to be negotiated at the holder's discretion). These plans may have different designs: simulated shares, yield units, and share value-added; for example, an amount (as per predetermined yield units) based on the yield of the share or a number of fictional shares are credited to the employee's account. This overview of the employee as a shareholder in the company raises a number of issues relating to: risk; investment portfolio management, particularly when investments are deducted from an employee's salary; the rights and privileges based on the nature of the shares held (common, special, preferred); the representation and decision-making power of the employee shareholder; the uncertainties of the stock market; and the effectiveness of the firm's financial management strategy, including the economic viability of the firm over the long term. There are definite challenges involved in employee share-ownership or equity participation plans; however, there are also opportunities, as noted by Hubert: These formulas usually contribute to better labour/management relations and often to improved corporate profitability (translation) (1992, p. 1195). Others, such as Long (1992) and Buchko (1992), Herrick (1990) and Whyte (1983), suggest that workers would feel more motivated, more productive and more involved in their work if they had a financial and personal interest in sharing in the success of their firm.

12.5 BENEFITS

- Innovation and entrepreneurship, particularly in the high technology industry, helped propel the economic growth of the 1990s and will continue to be the essential building blocks of economic growth in the 21st century.
- Broad-based employee stock option plans enable entrepreneurs and corporations to attract quality workers, incentivize worker innovation, and stimulate productivity, which in turn increases shareholder value.
- Broad-based employee stock options plans that expand corporate ownership to rank-and-file employees spur capital formation, benefit workers, and improve corporate performance to the benefit of investors and the economy.
- Concerns raised about the impact of employee stock option plans on shareholder value raise legitimate issues relevant to the current level of disclosure and transparency of those plans to current and potential investors.
- Investors deserve to have accurate, reliable, and meaningful information about the existence of outstanding employee stock options and their impact on the share value of a going concern.

12.6 A PRIMER ON EMPLOYEE OWNERSHIP

There are a variety of ways through which employees can own stock of their employers. Below is a brief description of the primary mechanisms used in the United States to provide for broad-based employee ownership. By "broad-based," we mean a plan in which most employees of an organization may participate. An employee stock ownership plan (ESOP) is a type of tax-qualified employee benefit plan in which most or all assets are invested in the stock of the employer. An ESOP generally must include at least all full-time employees meeting minimum age and service requirements. Employees do not actually buy

shares in an ESOP. Instead, the company contributes its shares to the plan., contributes cash to buy its stock (often from an existing owner), or, most commonly, has the plan borrow money to buy stock, with the company repaying the loan. All of these uses have significant tax benefits for the company, the employees, and the sellers. Employees gradually vest in their accounts and receive their benefits when they leave the company.

A stock option plan grants employees the right to buy company stock at a specified price during a specified period once the option has vested. Stock options are extremely flexible; companies have a great deal of freedom in determining who can receive options, how much, how often, and under what terms and conditions. Stock options can be given to as many or as few employees as desired. Since the late 1980s, there has been a dramatic increase in the number of companies granting stock options to most or all employees. These are often called broad-based stock option plans.

An employee stock purchase plan (ESPP) is similar to a stock option plan. It gives employees the chance to buy stock, usually through payroll deductions, on predetermined dates, over a certain period, usually at a 15% discount. As with a stock option, after acquiring the stock the employee can sell it for a quick profit or hold onto it. Companies usually set up ESPPs as tax-qualified "Section 423" plans, which means that almost all full-time employees with two years or more of service must be allowed to participate. A Section 401(k) plan is a retirement plan that, unlike an ESOP, is designed to provide the employee with a diversified portfolio of investments. Like an ESOP, however, a 401(k) plan is a tax-qualified plan that generally must include all full-time employees meeting age and service requirements. Company stock may be an investment choice for the employees and/or how the company makes matching contributions and can amount to a sizable portion of employee accounts. ESOPs are often combined in some way with 401(k) plans.

In a restricted stock plan, employees are given shares or the right to buy shares (perhaps at a discount), but cannot take possession of them until some time later when certain requirements have been met (or, to put it differently, restrictions have been lifted), such as working for a certain number of years or until specified corporate or individual performance goals have been met. If the employee does not meet the requirements for restrictions to lapse, the shares are forfeited.

Phantom equity plans such as phantom stock or stock appreciation rights (SARs) provide employees with a payout, usually in cash, based on the increase in the company's stock value. Employees may receive stock instead of cash, and phantom stock can include phantom dividends, etc. Employee Ownership and Corporate Performance Research indicates that overall, employee-ownership companies have grown significantly faster than they would have been expected to grow without employee ownership, that employees accumulate more wealth than employees in comparable non-employee ownership companies, and that employee-ownership companies are more stable than their counterparts. A number of studies have revealed that employee ownership has an impact on corporate performance only when combined with organizational development initiatives that create an environment in which employees are given the tools, training, and opportunities to take more active roles as owners. There has been growing interest in developing these* organizational cultures among all types of employee ownership companies, especially ESOP companies. Research also shows that in most companies with employee ownership, employees are not giving up wages or other benefits to receive ownership.

There is considerable focus at the moment on equity ownership. According to a recent article in *The Economist*

1. Currently, over 50 per cent of the adult population in the USA own equity. This is a 100 per cent increase since the time of the market correction in 1987. Equity ownership is not only a growing phenomenon in the USA but is also occurring worldwide. Greater than 50 per cent of Australians own shares, 20 per cent of Germans and equity ownership is growing in virtually every major western country.
2. Equity ownership, either in the form of stocks or property, plant, and equipment, has always been an important element of the wealth of the upper-income populations of Western societies. However, the recent developments in the rise of equity ownership appear in the context of four major developments.

First, equity markets have grown as a way of raising funds and have prospered in this period as a result of general business expansion, the rise of world capital markets, and the wide diffusion of information technology in financial markets.

Second, among Western nations, and this has been very clear in the USA, there has been a decline in the ability of the average worker to increase their standard of living solely through wage increases adjusted for inflation. These increases have been generally flat or within conservative ranges since 1980, while increases in pension benefits and social security benefits have been very modest. Companies have increasingly offered the average worker equities partly as a response to this reality.

Sometimes companies simply supplement wages with equity compensation; other times companies reduce fixed wages and benefits and trade these reductions for equity. As a result of the fact that fixed state pensionschemes can no longer deliver retirement income security, some governments have created various pension savings schemes that private companies can offer and many of these as the widely imitated US 401k plan-hold employer stock.

Third, governments, in Western Europe, Latin America, and transitional economies, have used privatization of state assets as a way to jump-start their public stock markets. Virtually all of these cases have included some form of broad worker equity.

While this has led to wide variations in terms of success, it has popularized the stock market in some of these countries. Fourth, the rise of high technology companies, in an atmosphere of tight labour markets for skilled labour, has led to a move to expand equity incentives for these knowledge workers.

In the last few years, public policy discussions in the European Union, Latin America, and Asia, have included soul-searching discussions about whether conservatism in their property sharing and equity participation regimes has served as a moderating influence on their ability to nurture high technology sectors. Certainly, one of the problems associated with any examination of shared property ownership by employees and any objective assessment of the research literature is that so many different manifestations of employee ownership have emerged in the last two decades. While there has been substantial expansion of employee ownership in the past several decades, the past decade has also seen growth in the use of broad-based stock option plans. While employees do not directly own shares as with employee ownership plans, broad-based stock option plans are similar in that they represent an employee equity stake in the company, where employee compensation is tied

to the firm's stock price and employees are likely to develop greater interest in firm performance.

What are the lessons from the accumulated evidence on employee equity stakes in companies? Do they improve outcomes for workers and firms, or does the evidence confirm the views of detractors who point to excessive worker risk and other possible dangers?

While no economies have been fundamentally structured around employee ownership, many Western industrialized economies have a substantial share of firms embodying these concepts in some form, and a number of transition economies are experimenting with employee ownership. This has provided the basis for over 50 empirical studies on the causes and consequences of employee ownership. This paper provides an overview of evidence on employee ownership and broad-based stock options, and a discussion of further research needs. Following an overview of relevant economic theory in Section 2, the incidence, company characteristics, and determinants are reviewed in Section 3. Section 4 covers evidence on firm performance (profitability, productivity, firm survival, and employment stability), Section 5 covers evidence on employee attitudes and behaviour, and Section 6 provides conclusions. As will be seen, one broad generalization from the many studies is that employee ownership and broad-based stock options do not automatically improve outcomes for workers or firms. A second generalization, though, is that these policies are more often associated with better outcomes than with worse outcomes. This broadly supports a case that there may be benefits - and are unlikely to be adverse consequences the expansion of employee equity stakes in companies, although the results cannot be pre-ordained and depend on a variety of factors. In addition, the findings create a strong case for further research in this area, to provide better insights into the conditions underlying positive and negative outcomes when employees have significant equity stakes in their companies.

12.6.1. SELF-HELP EXERCISE

3. What is a stock option plan.

12.7 THEORETICAL OVERVIEW

12.7.1 Principal-agent theory

Many advocates of employee ownership have focused on how they can serve as collective incentives to improve workplace cooperation and performance. This is founded most basically on the idea that worker motivation is improved by giving workers a direct stake in outcomes, and by tying compensation and/or wealth more closely to worker performance. While there are a variety of ways in which employers can try to ensure the optimum performance of workers (e.g., close supervision, piece rates, deferred compensation, and efficiency wages), collective incentives can complement or substitute for these methods under certain conditions. Piece rates, for example, may be difficult to implement and discourage innovation and cooperation, and centralized monitoring may be more costly and less effective than 'horizontal monitoring' done by co-workers (Nalbantian, 1987). This may be especially true in current modular team production settings (Applebaum and Berg, 2000).

A theoretical objection to the positive productivity effects of employee ownership concerns managerial incentives to supervise workers. The objection is that, by decreasing the share of the economic surplus going to owners, the owners (and their agents, the managers) will have weaker incentives for effective monitoring of workers, leading to lower performance (Alchian and Demsetz, 1972). This argument relies on several assumptions,

including that there are no principal-agent problems between owners and managers, and that the decrease in monitoring by management will not be accompanied by an increase in workers monitoring each other. Putterman and Skillman (1988) note that the argument is based on 'incentives to monitor but not on the ability to observe accurately', and such decreased ability can offset the theorized higher incentives for management monitoring. Nalbantian points out that Employees engaged in the routine day-to-day fulfilment of a task are usually in a position to detect inefficiencies in operations that diminish productivity. They are also likely to acquire important information concerning the actual productive contributions of their co-workers.

The information derived from such activity...is potentially very valuable to the firm as an input to production. Yet such information transfers will not be induced under an individual performance-based rewards system since it does not affect his performance measures... However, under the group system, the appropriate incentives are much more likely to be resent. If there are indeed positive externalities associated with these information inputs and all the relevant group members are subject to the same incentives, then there is reason for the employee to identify his interests with those of the firm and to furnish the inputs requisite to the firm's success.

One of the often-cited drawbacks of group incentive schemes is the connection between individual performance and reward.

12.8 PRACTICE QUESTIONS

1. What are employee ownership plans. Explain its benefits.
2. Write a note on
 - a. Primer on employee ownership
 - b. Principal-agent theory

12.9 ANSWERS TO SELF-HELP EXERCISE

1. Write five categories of motives for introducing employee stock option plans.

Answer: Personnel motives, incentive motives, salary motives, accounting motives and tax motives.

2. What is ESOP.

Answer: ESOP, is a type of employee benefit plan. Employee Stock Ownership Programs are frequently distributed as profit-sharing plans, incentives, or direct stocks to employees chosen at the full discretion of the business.

3. What is a stock option plan.

Answer: A stock option plan grants employees the right to buy company stock at a specified price during a specified period once the option has vested.

12.10 SUGGESTED READINGS

- Monappa Arun - Industrial Relation, Tata McGraw-Hill Publisher, New Delhi.
- Dawar - Industrial Relation and Personal Manager, Vikas Publication House Pvt Ltd, 2007, New Delhi.
- Venkataratnam, C.S.(2007). Industrial Relations. Oxford University Press.
- Mamoria, Mamoria, Gankar (2007).Dynamics of Industrial Relations, Himalaya Publishing House, Mumbai.
- Singh, B.D.(2007). Industrial Relations: Emerging Paradigms, Excel Books, New Delhi.