

HUMAN RESOURCE MANAGEMENT-II (161MN604)

I-MBA 6th Semester

MODULE 1: INTRODUCTION TO COMPENSATION MANAGEMENT

Concept and Definition of Compensation:

Compensation refers to money and other benefits received by an employee for providing services to his/her employer. Money and other benefits received can be in different forms:

- Base Compensation: in terms of money
- Benefits: Provident Fund, Gratuity, and Insurance scheme, etc

According to Cascio, "Compensation includes direct cash payments, indirect payments in the form of employee benefits, and incentives to motivate employee to strive for higher levels of productivity"

❖ **Concept and Nature of Compensation:**

- Compensation is basically time-based: hourly, weekly, monthly, or yearly.
- It is simple and measurable: Overtime and under time .
- It is purely extrinsic as it contains all forms of tangible services and benefits.
- It is kind of rewarding an employee's worth to the organization and in turn acts as a motivator.
- It acts as a tool for an organization to foster the values, culture and the behaviour of the employees.

❖ **The 3P Compensation Concept**

1. **Pay for Position:** Pays employee for the job to which they are assigned, regardless of the skills they possess. Pay is centred on the job or position one holds in the organization; and not on the person. This is a traditional pay structure wherein each position is assigned a pay range based on the job duties they perform. Employee's compensation is set in broadband based on qualifications, education, experience and seniority. Through broad banding, narrowly structured pay grades determined through job evaluation are replaced by fewer and wider bands. For example, everyone working in customer service, or all administrative assistants (regardless of department), are paid within the same general band.

2. **Pay for Person:** Person-focused pay or skill based pay, or knowledge based pay or competency based pay structures is also a market-based pay approach. This pay structure is linked to the skills, abilities, competencies and knowledge a person acquires and applies at work. The market demand for the person's unique skills is also considered. Payment is based on all the "certified skills" regardless of whether the work they are doing requires all or just a few of those particular skills.

Here, increments in payment, is based on the **3 types of skills:**

- Horizontal skills (broadening of skills – range of tasks)
- Vertical skills (higher level skills)
- Depth Skills (higher level of skills related to a specialized area and the same job).

Employees become multi-skilled and more flexible in their work, in the long run

3. **Pay for Performance:** Performance based pay is a financial reward system given to the employees when their performance is assessed related to certain stated criteria. These criteria may be based on individual, group or organizational performance or a mix of them all. An individual's performance is managed through a "performance contract" which comprises of the clarification of the goals, setting of objectives and the review of performance. When individual performance is difficult to measure, team-based criteria of appraising the performance of the team becomes appropriate.

❖ **System of Compensation:**

Compensation is a tool used by management for safeguarding the existence of the company. The main characteristics of the compensation system are as follows:

- A hierarchy of jobs
- A hierarchy of pay levels
- A set of rules and procedures
- Qualities required for movement from one level to other

Compensation in terms of money can be claimed –On Time or Deferred. Compensation in terms of "in-kind" claims.

Therefore compensation is mainly of two types:

1. **direct and**
2. **indirect.**

Direct Compensation: Cash compensation like –

- Basic pay,
- Dearness Allowance (DA)
- House Rent Allowance (HRA)
- Leave Travel Allowance (LTA)
- Medical Allowance
- Shift allowance (SA)
- Variable pay,
- Superannuation Allowance
- Long-term incentives (equity),
- Bonuses and commission

❖ **Indirect Compensation:** are the Non-monetary benefits provided to employees:

- Provident fund
- Pension schemes
- Health insurance
- Gratuity
- Stock Options
- Overtime Pay
- Vacations (paid leaves)
- Sick leaves
- Other benefits and perks (company cars, mobile phones, Staff dinner, in office snacks, hotel suites)

❖ **Dimensions of Compensation:**

- a. **Payment for Work and Performance:** Payment for work and performance includes the disbursement of money within a short-term period (weekly, monthly and bonus/annual awards). The total amount of payment given to the employee will depend on the following: - Needs for the specified job. - Results that meet or exceed the standards of quantity, quality or time. - Innovations that lead to the increase in productivity, loyalty, trustworthiness and a combination of some or all of these features. The components that are usually included in the payment for

work and performance are basic pay, premium and premium differences, short-term bonus, merit payment and certain allowances.

- b. **Payment for Non-working Days:** The past few years have seen a reduction in working hours. In addition, employees today enjoy more official non- working days and longer paid leave. Components of payment for non-working days raise labour costs. On the other hand, such payment allows for lifestyle change and enhancement of the quality of life.
- c. **Loss of Job Income Continuation Benefit:** Job security has always been an important aspect of employment. Employees need to be assured of their job and economic security. Accidents, personal problems, work performances are some of the reasons that will cause a temporary cessation of employment or a permanent termination. The change in the current technological and economic climate will limit, and at times eliminate the need and demand for certain products and services. This will lead to the reduction or disintegration of an organisation. Various components, like unemployment insurance, unemployment added-benefits and salary during the severance period, have been generated to assist affected employees who have neither been offered any alternative position by the organisation, nor found other work.
- d. **Disability Income Continuation Benefit:** When an employee suffers from a disability due to an illness or accident, he is unable to execute his tasks effectively. In addition to paying for daily living expenses, the employee also has to pay for the hospital bills. Employee compensation, in the form of medical leave and short-term and long-term disability plans, exists to assist an employee who is incapable of working due to poor health.
- e. **Deferred Income:** Most employees depend on programmes provided by their employers to ensure a continuous income after retirement. There are two main reasons why such programmes exist. First, most people do not have enough savings upon retirement to enable them to continue enjoying the comfortable lifestyle they were accustomed to when they were working. Therefore, programmes like the retirement allocation planning programme, savings and thrifty plans, annuities and additional income plans are drawn up by organisations to provide employees an ongoing income after their retirement. Secondly, the laws and tax regulations make the deferred income plans more attractive to the employees.
- f. **Spouse/Family Income Continuation Benefit:** Employees with families worry that they will not be able to provide and care for and support their dependents in the event of their death or disability. To this end, certain plans have been created to provide the dependents with the

financial means to go on if an employee dies or is incapacitated due to temporary or permanent disability.

- g. **Health, Accident and Liability Protection:** Apart from income to sustain a comfortable lifestyle, income for products and services to heal an illness or disability is also of great concern to employees. Therefore, an organisation offers various insurance plans to assist employees in paying for their medical care and treatment.
- h. **Income Equivalent Payments:** Income equivalent payments are also known as perquisites or perks. Some of these special benefits are exempted from tax, and this is advantageous for employers and employees. □ Examples of special benefits are provision of credit cards, allowance to attend official meetings, subsidized food and childcare services.

❖ Organizational Compensation Policy:

Employee incentives are a part of some employers' compensation policies. Incentives can be based on number of factors, such as performance, sales or other standards the company uses to reward employees for attaining organizational and career goals.

D. S. Beach in his book, 'The Management of People at Work' provides 7 principles of compensation administration:

1. The enterprise should have a clear-cut plan to determine differential pay level in terms of divergent job requirements involving varied skills, efforts, responsibilities and working conditions.
2. An attempt should be made to keep the general level of wages and salaries of the enterprise in-line with that obtained in the labour market or industry.
3. Adequate care should be taken to distinguish people from the jobs.
4. Irrespective of individual considerations, care should be taken to ensure equal pay for equal work depending upon flexibility of jobs, of course, variations may be permitted within the pay range.
5. There should be a plan to adapt equitable measure for recognizing individual differences in ability and contribution.
6. Attempt should be made to provide some procedure for handling wage grievances.
7. Adequate care should be taken to inform the employees and the union, if any, about the procedure followed in determining wage rates.

❖ Wage Payment – Features

- ▶ It should be simple to operate and easy to understand.
- ▶ It should guarantee a minimum wage to each and every worker.
- ▶ It should be acceptable to the employer and the employee.
- ▶ It should be flexible enough so that changes may be made in future according to the requirements.
- ▶ It should ensure the establishment of industrial peace.

❖ Methods of Payment:

1. Time Rate System:

Payment is based on the time, irrespective of the quantity of work done. Predetermined rate per day/ hour/ week or fortnight for the actual time the employees have worked. **Calculated as -**
Time spent by the worker * Rate per unit of time.

This system prevails more in engineering and processing industries where it requires skilled workers. Nature of work is unstandardized and less rigid. The minimum wage rate, the need-based minimum wage, fair wage or the living wage fixed by the government or the wage board or through collective bargaining mechanism - are all payments on time rate principles.

Advantages:

- Simplest and economical method.
- Develops a sense of security in workers.
- The quality of the output is maintained.
- Best method suitable for any kind of artistic work.
- Quality of output is of prime consideration
- Minimizes material wastage.

Disadvantages:

- May decrease the moral of the efficient workers.
- Increases the cost of supervision.
- Production may suffer.
- Workers usually work very slow.
- Lack of motivation in workers.

2. Payment by Results:

The payment is based on the output of work produced by an employee/worker or average output of the group of workers to which he belongs. **Calculated as – Number of units produced * Rate per unit.**

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The earning of the workers depends on the speed of the work and his own individual skills and efficiency. It is more applicable for simple manual operations where the effort of an individual can be measured in terms of quantity. More appropriate where the nature of work is repetitive and standardized.

Most common schemes of payment by results (individual in character):

- **Straight Piece Rate** – on the basis of number of pieces produced and the rate per piece; that is – payment of a uniform price per unit of production. Mostly seen in industries where production is repetitive in nature and can be easily divided into sub-units.
- **Differential Piece Rate** – payment based on a worker's output which may be higher/lower than the standard level of performance. This system is mostly used where there is heavy non-labour costs involved.

❖ **Scheme of payment by results (group):**

Used mainly in jobs which are interdependent, either because they are performed in sequence as in assembly.

Advantages:

- Induces workers to work more and produce more.
- Reward is related to one's own efforts.
- A very fair method.
- Decreases the cost of supervision.

Disadvantages:

- The workers may feel highly exhausted and fatigued.
- Develops a sense of insecurity among workers.
- Loss of payment due to failure in the machines.
- Affects the quality of production

3. Measured Day Work:

Payment is based on a specified level of performance. This required level of performance can be defined and actual work level monitored with the help of Work Measurement Methods. Emphasizes on incentives paid to the worker for meeting a specified level of performance.

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Therefore it is often referred as an incentive based payment system. Both the time and speed are considered as the basis of wage payment. These systems provide incentives to the workers to produce more and more maintaining the quality as well. The workers are paid bonus or premium for the additional work.

Advantages:

- Provides opportunity to workers to earn more.
- Reduction in supervision cost.
- Enhances creativity and encourages innovation among workers
- Reduces absenteeism.

Disadvantages:

- Creates jealousy among workers
- Some workers tend to overwork and undermine their health.
- Risky and hazardous to health of workers.
- Quality of work might be affected

❖ **New Trends in Compensation Management:**

- Performance based bonus for employees emphasizing on their KPAs.
- Tax benefit on fringe benefits.
- Effectiveness of incentives – change in work culture.
- Implementing reward policies and determining monetary and non-monetary incentives.
- Team based incentives enhancing collaboration among individuals.
- External market-sensitive based pay, not internal consistency.
- Risk-sharing partnership, not entitlement.
- Variable pay based on performance factors and not annual increases.
- Employability and not job security.

Wage Concepts:

Money paid to the workers (blue collar workers), is considered as wages. In earlier ages, the remuneration was determined in the quantum of commodities to be exchanged for labour. With the advent of money,

the wages are now paid in coins/notes and/or in commodities. Etymologically, any remuneration paid for services is regarded as Wages. The Oxford English Dictionary defines “wages” as “a payment to a person for service rendered...., the amount paid periodically, especially by the day or week or month, for the time during which work-man or servant is at employer’s disposal.”

Wages, in the widest sense, means any economic compensation met by the employer under some contract to his employees for the services rendered by them. Normally, they are composed of two parts:

- a) **Basic Wage:** is the remuneration which is paid or payable to an employee in terms of his contract of employment for the work done by him.
- b) **Other allowances:** are paid in addition to the basic wage to maintain its value over a period of time. Ex – Dearness Allowance.

Wage Structure and Components:

In the Indian context, soon after the independence, Government of India set up a Committee on Fair Wages in 1948 which has defined various concepts of wages which govern the wage structure in the country specially in those sectors which can be termed as underpaid and where workers do not have bargaining power through unions. These concepts are:

- i. Minimum wage,
- ii. Fair wage
- iii. Living wage, and

Later, the concept of need-based minimum wage was added.

Minimum Wage: A minimum wage is one which has to be paid by an employer to his workers irrespective of his ability to pay. According to the above committee,

"Minimum wage is the wage which must provide not only for the bare sustenance of life, but for the preservation of the efficiency of the workers. For this purpose, minimum wage must provide some measure of education, medical requirements and amenities. "

This Act empowers the Central Government as well as State Governments to fix minimum wages from time to time. Wherever this Act applies, the payment of minimum wages is mandatory.

In 1957, **Indian Labour Conference** elaborated the concept of fixation of minimum wages which were termed as need-based minimum wages. For the calculation of wages, the Conference suggested the following guidelines:

1. The standard working class family should be taken to consist of three consumption units for the earner; the earnings of women, children and adolescents should be disregarded.
2. The minimum food requirements should be calculated on the basis of the net intake of 2,700 calories for an average Indian adult.
3. The clothing requirements should be estimated at a per capita consumption of 18 yards per annum per person, which could give for the average worker's family of four, a total of 72 yards.
4. In respect of housing, the norms should be the minimum rent charged by the Government in any area for houses provided under subsidized housing scheme for low-income groups.
5. Fuel, lighting and other miscellaneous items of expenditure should constitute 20 per cent of the total minimum wage.

Fair Wage:

The concept of fair wage is linked with the capacity of the industry to pay. A fair wage is, in the opinion of the Indian National Trade Union Congress, "a step towards the progressive realization of a living wage." The Committee on Fair Wages has defined fair wage as follows:

"Fair wage is the wage which is above the minimum wage but below the living wage. The lower limit of the fair wage is obviously the minimum wage; the upper limit is to be set by the capacity of the industry to pay."

Calculation of wage depends on various factors like labor productivity, prevailing wage rates, the level of national income and its distribution and the capacity of industry to pay.

Living wage:

Along with the minimum wage the Committee on Fair Wages has given the concept of living wage which has been defined by Justice Higgins is as follows:

"A living wage is one which should enable the earner to provide for himself and his family not only the bare essentials of food, clothing and shelter but a measure of frugal comfort including education for his children, protection against ill-health, requirements of essential social needs and a measure of insurance against the more important misfortunes including old age. "

Living wage is more than the concept of minimum wage. Such a wage is determined keeping in view the national income and paying capacity of industrial sector. It was recognized that the present level of our national income does not permit the payment of "living wage" on standards prevailing in more advanced countries, Therefore it should be implemented in three phases. In the initial stage the wages to be paid to the entire working class were to be established and stabilized. In the second phase fair wages were to be established in the community and industry.

In the final phase the working class was to be paid the living wage.

There are **three possible ways** of obtaining some indication as to what constitutes a living wage:

1. It should be sufficient to purchase the minimum theoretical needs of a typical family, calculated in accordance with some more or less scientific formula.
2. It should be sufficient to pay for a satisfactory basic budget, as revealed by a survey of actual family expenditures.
3. It should be comparable with a living wage already established in similar circumstances.
4. It is a difficult task to fix a living wage in terms of money as it differs from country to country and from time to time, according to national economy and social policies.

Criteria for Wage Fixation:

- The organization's ability to pay
- Supply and demand of labour
- The prevailing market rate
- The cost of living
- Living wage
- Productivity
- Trade Union's bargaining power
- Job requirements

- Managerial Attitudes
- Psychological and sociological factors
- Levels of skills available in the market

Broad banding:

It is a method of grouping jobs with similar duties, responsibilities and determining pay that makes compensation system more flexible. Broad banding reduces number of salary levels. **This** method evolved as organizations wanted to flatten their hierarchies. It has a fixed minimum and maximum level, which overlaps with each other. For example, if a salary band for entry level is 10,000- 18,000 then salary band for next level can be 12,500-22000. But the traditional narrow band: salary band for entry level will be 10000-12000 & for next level it will be: 12500-14500.

Advantages of Broad banding:

- Gives manager a free hand to fix the pay of individual workers.
- It reduces employee resistance to being shifted laterally in organization.
- Helps organization to avoid unnecessary distinction based on level or status.
- Variable compensation
- Designed to pay in accordance with performance not in accordance with position.

MEANING AND DEFINITION OF EXECUTIVE COMPENSATION:

Executive compensation is how top executives of business corporations are paid. This includes a basic salary, bonuses, shares, options and other company benefits. Over the past three decades, executive compensation has risen dramatically beyond the rising levels of an average worker's wage. Executive compensation is an important part of corporate governance, and is often determined by the company's board of directors. According to Tapomoy Deb, "Executive compensation refers to short-term and long-term financial and non- financial rewards given to the top ranking executives under, a contractual, legal and contractual mandate".

The importance of compensation system in executive compensation is their impact on attracting, retaining and motivating the executives.

The **Five basic elements** of Executive Compensation are: basic salary, employee benefits, short-term incentives, long-term incentives and perquisites. The Executives not only expect to be properly paid for their performance and to receive promotions when they have demonstrated their ability to assume greater responsibility, they also expect formal recognition.

ELEMENTS OF EXECUTIVE COMPENSATION:

- **Salary** – is the first component of executive compensation and makes up for 40-60% of top managers' annual compensation. Job evaluation plays only a part, a senior executive is paid for his capabilities and for the job he/she performs. Salary for the executives varies by the type of job, size of the organization region of the country and the type of the industry.
- **Bonus or Profit-sharing bonus** – is a type of short term incentive paid annually and is based on performance or profit-sharing. The bonuses for executives vary from one organization to the other. In some, the board of Directors and CEO make a subjective judgement and some others tie it to return on investment, and few others pay it based on a target of 10% increase in corporate earnings from the previous year.
- **Long term incentives/stock options** – Companies allow their managers to purchase their shares at fixed prices. The stock options are valuable as long as the price of the share keeps increasing. When the company starts incurring losses, the share price crashes. It is a kind of offering large rewards to executives.
- **Fringe Benefits** – The top level executives receive benefits like other employees – the protection program benefits but with supplemental coverage that provides enhanced benefit levels. They also get employees services in terms of exclusive benefits known as perquisites or perks. These perks can be company car, recreational facilities (country club and athletic club memberships, travel perks (first class airfare), Tickets to sporting events, etc.

Theoretical explanations for setting executive compensation:

1. **Agency Theory:** The central issue of this theory is “How to pay the executives rather than determining how much to pay?” According to this theory, shareholders delegate control to top executive to represent their ownership interests. However, top executives usually do not own majority shares of their companies' stocks. Consequently, executives do not share the same interest as the collective shareholders. This makes executives to pursue activities that benefit

themselves rather than the shareholders. The actions of the executives on behalf of their own self-interest are known as the agency problem. Hence, executives may emphasize on the attainment of long-term objectives. As a result, the BODs may pay

2. Annual bonuses on short-term gains or award company stock to align executives' interest with the shareholders' interest.
3. **Tournament Theory:** This theory casts lucrative executive compensation as the prize in a series of tournaments or contests among the middle and top level managers who aspire to become CEO. Winners at one level of the tournament enter the next-level of tournament. In other words, an employee's promotion to a higher rank signifies a win, and more lucrative compensation (higher base pay, incentives, enhanced benefits, and perks) represents the prize. The ultimate prize is promotion to CEO and a lucrative executive compensation package. The chance of winning competition decreases dramatically as employees rise through the ranks: there are fewer positions at higher levels in corporate hierarchical structure.
4. **Social Comparison Theory:** According to this theory, individuals need to evaluate their accomplishments, and they do so by comparing themselves to similar individuals. Demographic characteristics like age or race, and occupation are common comparative bases. Individuals tend to select social comparisons that are slightly better than themselves. The compensation committee members probably rely on their own compensation packages and the compensation packages of CEOs of other companies of equal or greater stature.

Approaches to Executive Compensation:

1. Economic Theory Approach: The classical economists talk largely about the determination of profits to the owners rather than compensation to the owners. These economists hold a market approach to management compensation wherein , executive ability, like any other factor of production, has a price which is determined by the interaction of the supply of and the demand for such an ability. Therefore, they view that management compensation is determined by external factors.

The **focus of the economists' approach** lies in:

- Explaining in broad - compensation overtime,
- Explaining the relative differences in compensation levels among various types of abilities or occupations,
- Forecasting trends in the demand for and supply of various types of personnel.

2. Administrative Theory Approach: These theorists consider executive compensation as an integral part of organizational planning and control. The compensation system is expected to support the structure and strategy of the organization. Different compensation systems (Ex-Salesmen's, Divisional manager) are considered appropriate for different types of organization and are expected to serve specific sub-goals. The administration is thus concerned with the designing of an appropriate compensation system for a given organization, the identification of the factors determining it and the relationships of such a system with other aspects of administration.

Different philosophies of top management results in wide range of compensation practices like:

- One looks at it as cost and other as a motivational device,
- Some pay straight salary, others combine it with bonus,
- Some are generous in compensation management while other are niggardly,
- Some are committee managed and others hold the individual accountable for specific responsibilities;
- Some set high standards; others accept inadequate work without question.

3. Social Science Approach: Social Scientists have viewed the executive as an individual with needs, drives and motivations and as a person and as a member of several groups. This approach is based on the application of psychology and sociology and is more general than the economic approach and the administrative approach.

These theorists focus on:

- The factors that motivate individuals to work,
- The role of money in motivation,
- The relationship between satisfaction with pay and individual performances,
- The role of perceived equity in payment on the level of performance.

Lawler and Porter through their surveys found that when pay was held constant, there was no difference at various levels in the importance that managers attached to pay. On the other hand, when the management level was held constant higher paid managers gave less importance to pay than lower-paid managers. Money, served as a powerful motivator the executive level as per the study of Anand, who did an exploratory study of the levels and forms of executive compensation in the context of executive job satisfaction and turnover. Some Social Scientists also revealed that the nature of technology employed has an effect upon the level of compensation. The levels and patterns of executive compensation vary between industries and firm size and with the type of technology employed.

Executive Compensation Planning and Administration:

Executive Compensation is different from that of compensating other employees or groups of employees in several ways:

- Compensation practices at the executive and managerial level set the tone for the practices at the lower levels of management;
- Executive and managers typically have greater latitude to “make their own jobs” than personnel at lower organization levels.
- The results achieved by the company as a whole or by a profit center within the company are more likely to reflect accurately the personnel contributions of higher level executives or managers than those of employees at lower levels,
- Executive compensation different from other levels:
- The compensation of higher level executives is subject to high personnel income tax.
- The HR department often plays a more limited role, particularly in smaller companies in dealing with compensation for executives and managers than with compensation for other groups.

Key Requirements in Executive Compensation Planning and Administration:

- Compensation should be competitive with what other employers are paying for similar skills and jobs;
- Compensation paid to various individuals in an organization should reflect the comparative value of their respective contributions to that organization,
- Compensation decisions should be made and communicated in a way that is perceived as rational and fair.

Important aspects of Executive Compensation Planning and Administration:

- Position Level
 - Salary Structure
 - Performance Appraisal
 - Incentive Bonus Plans
 - Supplementary forms of compensation
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MODULE-II: INDUSTRIAL RELATIONS

Industrial Relations

Industrial relations may be defined as the relations and interactions in the industry particularly between the labour and management as a result of their composite attitudes and approaches in regard to the management of the affairs of the industry, for the betterment of not only the management and the workers but also of the industry and the economy as a whole.

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

Industrial relation is the relation in the industry created by the diverse and complex attitudes and approaches of both management and workers in connection with the management of the industry.

Industrial Relation: Definitions, Scope, Objectives, Types, Characteristics, Importance, Aspects and Other Details

Industrial Relations – Meaning and Definition

The term ‘Industrial Relations’ comprises ‘Industry’ and ‘relations’. Industry means any productive activity in which an individual is engaged. It includes- (a) primary activities like agriculture, fisheries, plantation, forestry, horticulture, mining etc. etc. and (b) Secondary activities like manufacturing, construction, trade, transport, commerce, banking, communication etc.

Economically speaking, industry means the secondary sector where factors of production (land, labour, capital and enterprise or four M’s – men, materials, money and machines) are gainfully employed for the purpose of production, and where a business organisation exists.

‘Relations’ means ‘the relations that exist in the industry between the employer and his work-force. Different authors have defined the term industrial relations in somewhat different way.

Some of the very oft-quoted definitions are given below:

According to Bethel and Others, “Industrial relation is that part of management which is concerned with the manpower of the enterprise whether machine operator, skilled worker or manager.”

Manpower of the enterprise can, thus, be classified as management and workers or employers and employees and industrial relations can, thus, be treated as relations between the employer and the workmen.

According to V. Agnihotri, “The term industrial relations explains the relationship between employees and management which stem directly or indirectly from union-employer relationship.”

According to V.B. Singh, “Industrial relations are an integral aspect of social relations arising out of employer- employee interaction in modern industries, which are regulated by the State in varying degrees, in conjunction with organised social forces and influenced by prevailing, institutions. This involves a study of the State, the legal system, workers’ and employers’ organisations on the institutional level; and that of patterns of industrial organisation (including management), capital structure (including technology), compensation of labour force and the forces of market on the economic level.”

Thus, it covers all types of relations arising out of employer-employee interaction in the industry which are influenced by the power of the State and other social and economic institutions.

According to Ordway, Tead and Metcalf, “Industrial relation is the composite result of the attitudes and approaches of employers and employees towards each other with regard to planning, supervision, direction and coordination of the activities of an organisation with a minimum of human efforts and frictions with an animating spirit of cooperation and with proper regard for the genuine well-being of all members of that organisation.”

According to T.N. Kapoor, “The term ‘Industrial Relations’ should be understood in the sense of labour-management relations as it percolates into a wider set of relationship touching extensively all aspects of labour such as union-policies, personnel policies and practices including wages, welfare and social security, service conditions, supervision and communication, collective bargaining etc., attitudes of parties and governmental action on labour matter.”

The following points emerge from the analysis of the above definitions:

(1) Industrial relations are the relations which are the outcome of the ‘employment relationship’ in an industrial enterprise. It is, thus, employer-employee relationship in an industry. Two parties—employer and workmen are necessary without which such relationship cannot exist and it is the industry which provides the setting for industrial relations.

(2) Industrial relation is the relation in the industry created by the diverse and complex attitudes and approaches of both management and workers in connection with the management of the industry.

Attitude refers to the mental state of a person, approach can be the external expression of such an attitude. Attitudes are always not obvious and the individual himself may not always be fully conscious of the attitudes.

Attitudes must be inferred from tone of verbal expressions or perhaps from the individual's overt behaviour. Attitude is the mental state of the individual which prepares him to take a particular, (external) approach or make him behave in a particular manner. Attitudes of both—employer and employees influence each other and determine natural relationship.

(3) This relationship emphasises on the process of accommodation whereby both the parties develop skills and methods of adjusting to and cooperating with each other.

(4) Industrial relation is not a simple relationship between the two parties but is a set of functional interdependence involving a number of factors, say, historical, economic social, psychological, demographic, technological, occupational, legal and others etc. It, therefore, requires an interdisciplinary approach for its study. In this context, industrial relations are the relations and interactions between management and workers and as a result of their composite attitudes and approaches.

(5) Every industrial relation creates a complex of rules and regulations to govern the work-place, the work- community with the main purpose of maintaining harmonious relations between the management and the workmen by solving their problems through the process of collective bargaining.

(6) The Government/State also regulates the industrial relations in the country. It evolves, influences and shape industrial relations through laws, rules, agreements, awards of the courts, and emphasises on the usages, customs, traditions, implementation of its policies and interference through executive and judicial machinery.

Industrial relations may, thus, be defined as the relations and interactions in the industry particularly between the labour and management as a result of their composite attitudes and approaches in regard to the management of the affairs of the industry, for the betterment of not only the management and the workers but also of the industry and the economy as a whole.

Industrial Relations – Scope

Industrial relations are relation between employee and employer in their day-to-day work. Hence, it is continuous relationship.

The scope of industrial relations includes:

- (a) Relationship among employees, between employees and their superiors or managers.
- (b) Collective relations between trade unions and management. It is called union-management relations.
- (c) Collective relations among trade unions, employers' associations and government.

Scott, Clothier and Spiegel remarked that industrial relations has to attain the maximum individual development, desirable working relationships between management and employees and effective

moulding of human resources. They have also asserted that either industrial relations or personnel administration is primarily concerned with all functions relating man effectively to his environment.

Thus, the scope of industrial relations seems to be very wide. It includes the establishment and maintenance of good personnel relations in the industry, ensuring manpower development, establishing a closer contact between persons connected with the industry and that between the management and the workers, creating a sense of belonging in the minds of management, creating a mutual affection, responsibility and regard for each other, stimulating production as well as industrial and economic development, establishing a good industrial climate and peace and ultimately maximising social welfare.

Industrial Relations– 4 Main Objectives

Two-fold objectives of good industrial relations are to preserve industrial peace and to secure industrial co-operation.

If we have to establish industrial peace, the workers must be assured of fair wages, good conditions of work, reasonable working hours, holidays and minimum amenities of life.

Industry can be defined as a venture of co-operation under the direction of the management to secure the effective co-ordination of men, materials, and machinery and money.

The objectives of good industrial relations should be development and progress of industry; through democratic methods, stability, total wellbeing and happiness of the workers; and industrial peace.

Industrial peace is the fruit of good industrial relations. It is the harmonious atmosphere where there is no “inquilabs”, no strikes and no industrial disputes.

Regional prejudices, provincialism and clannishness have no place where good industrial relations prevail.

The primary objective of industrial relations is to bring about good and healthy relations between the two partners in the industry i.e., the management and the labour.

All other objectives revolve around it. Mr. Kirkaldy, has listed the following four objectives of industrial relations:

- (a) Improving the economic condition of the labour in the existing state of industrial management and political government;
- (b) Controlling industries by the State to regulate production and industrial relations;
- (c) Socialization or nationalization of industries by making the state itself the employer; and
- (d) Vesting the proprietorship of the industries in the worker.

He stated “The state of industrial relations in a country is intimately connected with the form of its political government and the objectives of an industrial organisation may change from economic to political ends.”

The Labour Management Committee of the Asian Regional Conference of the ILO has recognized certain fundamental principles as objectives of social policy in governing industrial relations with a view to establishing harmonious labour management relations.

They are:

- (i) Good labour management relations in an industry depend upon employers and trade unions being able to resolve their problems mutually, freely, independently and responsibly.
- (ii) The trade unions and employers and their organisation must be desirous of resolving their problems mutually through the process of collective bargaining. However, the assistance of appropriate government agencies may be sought in resolving the problem, whenever necessary in the public interest. Collective bargaining, therefore, is the corner-stone of good relations and appropriate legislative measures must be adopted to aid the maximum use of this process of accommodation.
- (iii) The workers’ and employers’ organisations should be desirous of associating with government agencies keeping in view the social public, economic and general measures affecting the relations between the two parties.

The committee, therefore, emphasized the need for the management to acquire the fuller understanding of human factor in production and must use the appropriate methods of employees’ selection, promotion and training, wage administration work rules and labour discipline, lay-off and dismissal procedures etc. and other policies and procedures and practices to improve labour and personnel relations.

In short, the objectives of industrial relations are given below:

- (i) To safeguard the interest of labour and management by securing high level of mutual understanding and goodwill between all sections in the industry which are associated with the process of production.
- (ii) To raise productivity to a higher level by arresting the tendency of higher labour turnover and frequent absenteeism.
- (iii) To avoid industrial conflicts and develop harmonious relations between labour and management for the industrial progress in a country.

- (iv) To establish and maintain Industrial Democracy, based on labour partnership, not only by sharing the gains of the organisation, but also by associating the labour in the process of decision making so that individual personality is fully recognized and developed into a civilized citizen of the country.
- (v) To bridge about government control over such units which are running at losses or where production has to be regulated in the public interest.
- (vi) To bring down strikes, lockouts, gheraos and other pressure tactics by providing better wages and improved working conditions and fringe benefits to the workers.
- (vii) To bring the gap, by the state, between the imbalanced, disordered and maladjusted social order (which has been the result of industrial development) and the need for reshaping the complex social relationships adaptable to the technological advances by controlling and disciplining its members, and adjusting their conflicting interests.

The main theme behind the concept of industrial relation is to recognise the fact that labour is a human being and not a commodity and, therefore, it should be treated as living being. Every individual differs in mental and emotional abilities, sentiments and traditions. Human like treatment only can improve the relations between the management and the labour. In its absence, the whole edifice of organisational structure may crumble down.

Thus, the employees constitute the most valuable assets of any organisation. Neglecting this important source may result in high cost of production in terms of wages and salaries, benefits and services, working conditions, increased labour turnover and absenteeism, growing indiscipline, strike and walkouts and the like besides deterioration of quality of goods and strained labour- management relations.

Industrial Relations– Types

The industrial relations are mainly concerned with the management and the workers relations or employer-employee's relations. But its scope is not limited only to this aspect. It also includes labour relations i.e., relations between workers themselves or between various groups of workers and public or community relations i.e., relations between the community or society and the industry.

There are so many groups of workers in an industry like workmen, supervisory staff, management and employer and harmonious relationship between various groups that affects the social, economic and political life of the whole community. Thus, industrial life creates a series of social relationships which regulate the relations and working together of not only workmen and management but also of community and industry.

Good industrial relations not only indicate the cordial atmosphere in the industry but also facilitate higher and quality production and industrial growth.

Thus, industrial relations include four types of relations:

- (i) Labour relations i.e., relations between union- management (also known as labour management relations);
- (ii) Group relations i.e., relations between various groups of workmen i.e., workmen, supervisors, technical persons, etc.
- (iii) Employer-employee relations i.e., relations between the management and employees. It denotes all management employer relations except the union- management relations;
- (iv) Community or Public relations i.e., relations between the industry and the society.

The last two are generally, not regarded the subject matter of study under industrial relations. They form part of the larger discipline—sociology. The first two are studied under industrial relations but these two i.e., labour management relations and employer-employee relations are synonymously used.

Industrial Relations– Salient Characteristics

The salient characteristics of industrial relations are discussed herein below:

1. Parties in the Industrial Relations Activities:

Basically, two parties-workers and management are involved in the process of establishing relations. However, the government agencies regulate /maintain industrial relations.

2. Interactive Process:

Industrial relations arise out interactions between different persons/parties. They are supervisors, workers trade unions, employers' associations.

So, interactive process takes place between –

- i. Supervisors and industrial workers
- ii. Supervisors and group/team members
- iii. Management and trade union leaders
- iv. Employers' federations and workers' unions.

3. Two-Way Communication:

IRs is a two-way communication process. One party gives stimuli, other party responds to the stimuli. So, the transaction occurring through such mechanism is either complementary or cross. More the complementary transactions, better will be the industrial relations situations.

4. HRM Practices:

Effective human resource planning system, identification and stimulating prospective employees, designing the most suitable selection technique to choose the right kind of people help to organization to get a committed and willing workforce that want to grow, develop and achieve. Such employees in the process like to develop better relations with their bosses. So, HRM practices influence IRs pattern in the industry.

5. Approaches to IRs:

Various approaches contribute to shape IRs pattern in industrial organizations. These approaches include sociological, psychological, socio-ethical, human relations, Gandhian, system approaches etc.

6. State Intervention:

State plays a vital role to influence industrial relations situations through its activities as facilitator, guide, counsellor for both the parties in the industry.

7. Role of Trade Union:

Behavioural manifestations of workers are mostly governed by the trade unions to which they belong. Hence, trade union's perception, attitudes towards management influence workers to form their mind set that regulates/promotes interaction with the management.

8. Organizational Climate:

If, congenial and conducive organizational climate prevails, workers feel homely, interact spontaneously, communicate boss about their problems, difficulties directly and come close to him to exchange/share the views each other in respect of work, change of job design, introduction of any operative system, process etc. Under such situation, possibility of establishing healthy human relations develops and these relations influence industrial relations pattern of organization.

9. Dispute Settlement Process:

If, the management personnel believe on the philosophy of settling workers' grievances/ disputes through bi-lateral negotiation process, they give much more emphasis on mutual talk, sharing responsibility, collaboration, partnership dealing and mutual trust. In the process changes in workers' attitudes, behaviour and thought pattern are likely to occur which effect industrial relations.

10. Outcomes of IRs:

Outcomes of IRs are reflected in production both in quantity and quality, services, man days lost, wastes, accident rate, productivity, labour turnover rate, absenteeism rate, number of bipartite negotiations, company's image, growth, development etc.

11. Competency Development:

Healthy industrial relations help to develop workers' skill, knowledge, ability, aptitude and change their attitudes, perception to enable them to participate in collaborative activities / collective bargaining process effectively.

12. Issues in IRs:

Industrial relations climate / situation is greatly influenced by the issues-economic, non-economic governed by service contract / terms and conditions of employment. Besides, the issues not covered under service rules viz., behavioural, and attitudinal issues influence IRs pattern.

Industrial Relations – Importance of IR

1. The labours today are more educated and they are aware of their responsibilities and rights. Management has to deal with them not merely as factors of production, but as individuals having human dignity and self-respect. The objective is to change the traditional views of management and labour towards each other and develop mutual understanding and co-operation and work towards achievement of common goal. Good industrial relations lead to industrial peace and increase in production.
2. Joint consultation between employees and management paves the way for industrial democracy and they contribute to the growth of the organisation.
3. Conducive industrial relations motivate the workers to give increased output. Problems are solved through mutual discussions, workers' participation, suggestion schemes, joint meeting, etc. Good industrial relations, increase labour efficiency and productivity.
4. With increased productivity, the management is in a position to offer financial and non- financial incentives to workers.

Industrial Relations – Conditions for Healthy IR

Every organization strives to induce good industrial relations. To ensure industrial peace and avoid labour unrest like strikes, gheraos, demonstrations, slogan shouting, work stoppages etc.; healthy work relationships must exist for the development and promotion of harmonious labour-management relations which has become very important in the modern industrial society.

Importance of good industrial relations and concern for the welfare of the labour is best expressed in the words of Dorabji Tata as follows –

“The welfare of the labouring classes must be one of the first cares of every employer. Any betterment of their conditions must proceed more from the employers downward rather than be forced up by demands from below, since labour, contented, well-housed, well-fed and generally well-looked after, is not only an asset and advantageous to the employer but serves to raise the standard of industry and labour in the country.”

Good industrial relations depend upon a large number of factors/conditions.

1. History of Industrial Relations in an Enterprise:

Every industry moves ahead with its good or bad history of industrial relations. Harmonious relationship between the workers and management marks the good history of the enterprise. While strikes and lockout characterise the bad history of the business. History, good or bad, established once will take time to change.

Once militancy (strikes, lockouts etc.,) is established as a conduct of operations, there is a tendency to continue. If harmonious relationships are established, it will perpetuate. This, however, does not mean that militancy situation cannot be converted into a harmonious relationships or vice-versa. Rather what it means is that probability of peaceful relations is greater where mutual understanding exists – and the probability of conflict is greater when industrial conflict has been accepted as a normal conduct of business.

2. Strong Trade Unions:

Strong and enlightened trade unions help to promote the status of labour without jeopardising the interest of management. Trade unions maintain good relations with management and avoid militancy and strikes situation. Enlightened trade unions induce the workers to produce more and persuade the management to pay more.

They mobilize public opinion on vital labour issues and help the government in enacting progressive labour laws. They develop right kind of leadership, avoid multiplicity of unionism and union rivalry. Hence, a strong, responsible and enlightened trade union promote healthy industrial relations.

3. Negotiating Skills of Management and Workers:

Well experienced and skillful negotiations create a bargaining environment conducive to the equitable collective agreements. The representatives of management and workers must recognize the human element involved in collective bargaining process.

Both parties must have trust and confidence in each other. They should be able to perceive a problem from the opposite angle with an open mind. A constructive and positive approach from both the parties must be present to honour the agreements in the right spirit.

4. Economic Factors:

Economic satisfaction of workers is one of the important condition for good industrial relations. Reasonable wages and benefits in commensurate with other industries must be paid by the employer. Economic need is the basic survival need of the workers.

5. Social Factors:

Social factors such as – social values, social groups and social status also influence the industrial relations. The employment relationship is not just an economic contract. It is a joint venture involving a climate of human and social relationships wherein each party (workers and management) fulfills his needs and contributes to the needs of others. The supportive climate is essentially built around social factors. The influence of social factors gets changed with the progress of industrialisation.

6. Psychological Factors:

The psychological factors such as motivation, alienation and morale are significant determinants of industrial relations. The relationship between workers and management would be more stable and sure if the needs and expectations of the workers are integrated with the goals of the enterprise.

Workers should understand that their interests get furthered when organisational goals are achieved. Cordial and collective relations create an environment of power relationships, where everyone will be motivated to offer their best towards the attainment of goals.

7. Public Policy and Legislation:

The regulation of employer- employee relationship by the government is another important factor for the smooth industrial relations. Government intervenes the relationships by enacting and enforcing labour laws. Government intervention checks and balances upon the arbitrary management action.

It also provides a formal measure to the workers and employers to give emotional release to their dissatisfaction. Timely intervention by the government can catch and solve problems before they become amounting serious.

8. Off the Job Conditions:

Living conditions of workers are also important. The industry appoints the 'whole person'. His personal and home life is inseparable from his work life. His personal optional conditions do affect on his efficiency and productivity. So off-the-job conditions of workers must be taken care of and improved to develop good industrial relations at the work place.

9. Better Education:

Industrial workers in Indian are generally illiterate. They can be easily misled by the trade union leaders who have their self-interest. Workers must be properly educated to understand the prevailing industrial environment. They must have a problem solving approach and a capability to analyse the things in the right perspective. They must be aware of their responsibility towards the organisation and the community at large.

10. Business Cycles:

Industrial relations are good when there is boom and prosperity all round. Levels of employment go up, wages rise and workers are more happy in prosperity period. But during recession, there is decline in wages and fall in employment level. Such recessionary conditions mars the good industrial relations. Thus business cycles also influence the existence of healthy industrial relations.

To sum up, the establishment of good industrial relations depends upon the constructive approach of both the management and the trade union. Mutual respect, understanding, goodwill and recognition of dignity are the essential conditions for healthy industrial relations. Promotion of collective bargaining and establishment of a fair and independent machinery for the peaceful settlement of industrial disputes are the pre-requisites for good industrial relations in the modern industrialised world.

Industrial Relations – Models of IR

1. Dunlop's Industrial Relations System Model- Four Interrelated Elements:

i. Actors:

- a. Specialized government agencies.
- b. Management, non-managerial employees and their representatives.

ii. Shared Ideology:

- a. Beliefs within the system which not only define the role of each actor or groups of actors but also define the view that they have of the role of other actors in the system. If the view is compatible-stable IR system and other wise.
- b. Set of ideas and beliefs held by the actors.
- c. Helps to bind or integrate the system together.

iii. Contexts:

Influence and constraints on the decisions of the actors which emanate from other parts of society, such as technology, market, budgetary and the locus of power in the society.

iv. Rules:

- (i) Procedural
- (ii) Substantive
- (iii) Distributive
- (iv) The regulatory framework developed by a range of process and presented in variety of forms which expresses the terms and nature of the employment relationship.

Criticisms of the Dunlop Model:

- (i) Descriptive
- (ii) Lacks ability to predict outcomes/ relationships
- (iii) Underestimates importance of power and conflict in employment relationship
- (iv) Static.
- (v) Cannot explain rapid decrease in unionization especially in the U.S.

2. Craig's Industrial Relations System Model:

- (i) Adds an actor- end user
- (ii) Elements from the external environment converted into outputs
- (iii) Series of conversion mechanisms
- (iv) Outputs flow back into the environment through a feedback loop

External Inputs:

- (i) Legal Subsystem
- (ii) Economics Subsystem
- (iii) Ecological Subsystem
- (iv) Political Subsystem
- (v) Socio-cultural Subsystem

Internal Inputs:

- (i) Goals- Sought by actors
- (ii) Strategies- Processes developed and implemented to achieve goals
- (iii) Power- The ability to make another actor agree to your terms

Conversion Mechanisms:

- (i) Processes actors use to convert internal and external inputs into outputs
- (ii) Collective bargaining
- (iii) Produces a collective agreement
- (iv) Grievances
- (v) Written complaint by employees
- (vi) Alleges collective agreement not been followed
- (vii) Day to day relations-communication

Third-Party Interventions:

- (i) Interest arbitration
- (ii) Mediation
- (iii) Grievance arbitration
- (iv) Conciliation
- (v) Fact-finding
- (vi) mediation/arbitration
- (vii) strikes/lockouts
- (viii) Joint committees

Outputs:

- (i) Management outcomes
- (ii) Productivity, profitability
- (iii) Labour outcomes
- (iv) Equity issues, ways to achieve fairness in the workplace
- (v) Worker perceptions
- (vi) Work climate
- (vii) Employee morale
- (viii) Organizational commitment
- (ix) Union satisfaction/commitment
- (x) Conflict or conflict resolution

Industrial Relations– Main Aspects of IR

The main aspects of industrial relations are:

- (1) Promotion and development of healthy labour management relations;
- (2) Maintenance of industrial peace and avoidance of industrial strife; and
- (3) Development of industrial democracy.

(1) Promotion and Development of Healthy Labour-Management Relations:

One of the aspects of industrial relations is to promote and develop healthy relations between the employer and employees and pre-supposes.

- (a) Spirit or collective bargaining and willingness to take recourse to voluntary arbitration. The very feeling of collective bargaining makes them assume equal status in the industry. This feeling may further industrial peace.
- (b) The existence or strong, well organised, democratic and responsible trade unions and also associations or the employers in the industry which may ensure job security to workers and their participation in the decision-making and give labour a dignified role in the society. These associations, tend to create grounds for negotiations, consultations and discussions on mutual basis leading to good labour- management relations.
- (c) Welfare Work. Whether voluntary or statutory provided by the state, trade unions and the employers do create, maintain and improve good and healthy labour-management relations.

(2) Maintenance of Industrial Peace:

Industrial peace presupposes the absence of industrial strife. Such peace can be established only when the following rights and privileges are enjoyed by the State and facilities for bipartite or tripartite consultation machinery for resolving disputes if any, are provided –

- (a) Machinery for the prevention and settlement of industrial disputes should be established through legislative and administrative enactment.

(b) The provision of the bipartite and tripartite forums for the settlement of disputes must be made. Various codes, model standing orders and procedures to resolve disputes are necessary.

(c) Appropriate Government must have sufficient power to refer the disputes to adjudication or arbitration when it feels it necessary in the interest of the industry, or of the country. The Government must not allow any group in the industry to stop production due to strikes or lock-outs.

(d) Implementation Cells and Evaluation committees must be established, having power to look into the implementation of various agreements, settlements and awards and also to violation of statutory provisions under various labour laws.

(3) Development of Industrial Democracy:

The idea of 'industrial democracy' is that the labour must have the right to associate with the management in running the industry.

In this connection, following techniques are usually adopted:

(a) Establishment of the Shop Councils and Joint Management Councils at the floor and plant level to improve the working and living conditions through mutual consultation and understanding. It will create necessary climate for the development of industrial democracy;

(b) Increase in labour productivity through various means;

(c) Recognizing the labour not as a commodity but as a human being in the industry, allowing them a feeling of self-respect and better understanding of their role in the organisation;

(d) The material and social environment to which the worker adjusts and adapts himself while at work, must be available.

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

Industrial Relations – 3 Main Participants in Industrial Unit

Basically there are two parties in the employment relationship, i.e., the labour and the management. Over the years, the Government has come to play a major role in industrial relations and they have established legal and non-legal measures for cordial industrial relations in the country.

These three parties of industrial relations interact with the environment that prevails in the industry at any time. Good industrial relations are the outcome of- (a) Healthy labour management relations, (b) Existence of industrial peace and settlement of all disputes in such a manner that there are no strikes or lockouts and (c) Labour participation in industry which is referred as Industrial democracy.

In an industrial unit, different people are performing the different tasks.

We can have three parties or participants or actors in an industrial unit:

1. The workers and their unions,
2. Employees and their associations, and
3. Government.

1. Workers and their Unions:

The total work plays an important role in industrial relations. The total work includes working age, educational background, family background, Psychological factors, social background, culture, skills, attitude towards other work, etc. Workers organisation prominently in trade union activities.

The main purpose of trade unions is to protect the workers economic interest through collective bargaining and by bringing pressure on management through economic and political practices. Trade union factors include leadership, financial, activities, etc.

2. Managers and their Associations:

The prominent role is of work group, the differences in their sizes, constitutions and the degree of specialization they press upon. Of course, there is the necessary provision for mutual communications for the structure of status and authority and for such other organisation as trade unions and employer's associations.

3. Government:

Government plays a balancing role as a custodian of the nation; government exerts its influence on industrial relations through its labour policy, industrial relations policy, implementing labour laws, the process of conciliation and adjudication by playing the role of a mediator, etc. It tries to regulate the activities and behaviour of both employee's organisations and employer organisations.

Thus the three groups of employees, employers and the government work within the social and economic environment that prevails at a particular time. Whatever industrial relations system may be in vogue, it has in its framework the intricate rules and regulations which enforce the workplace and the working community.

The various systems might comprise of different forms of such rules and regulations. There might be laws and awards of different courts, committees or tribunals. There might be agreements written or sanctioned by custom, usage, practice or tradition or there might be the outcome of government policies or intervention.

Industrial Relations – Policies

- i. Monitoring of industrial relations (Man-days lost in strikes and lockouts/ workers affected by closure/retrenchment, reasons for labour unrest and industrial sickness etc.)
- ii. Convening of meetings of Industrial Tripartite Committees and Special Tripartite Committee.
- iii. Decisions on closure, retrenchment and lay-off applications submitted by Central Public Sector Undertakings (CPSUs).
- iv. Policy matters relating to employees in Central Public Sector Undertakings on payment of statutory dues of workers, impact of disinvestments and restructuring of PSUs on employees, improvements in Voluntary Retirement Scheme / Separation Scheme, etc.)

Special Tripartite Committee / Industrial Tripartite Committees:

Seven industrial tripartite committees have been constituted with the view to promote the spirit of tripartism. These tripartite bodies aim at solving the industry specific problems related to workers in the Sugar industry, Cotton, Textile industry, Electricity Generation and Distribution, Jute industry, Road transport, engineering industry and Chemical industry. In addition a Special Tripartite Committee has been constituted to discuss general matters pertaining to Government reforms policies and their impact on workers.

Implementation:

- i. Recognition of unions under the Code of Discipline in respect of industries / undertakings in the Central Sphere.
- ii. Rendering assistance in securing recognition to unions in multi-state establishments which are in the State sphere, as and when such requests are received.
- iii. Verification of membership of unions in Major Ports and Docks for the purpose of allocation of seats in the Port Trusts and Dock Labour Boards.
- iv. Verification of membership of unions operating in nationalized Banks and SBI for the purpose of identifying the representative union for appointment of workmen, Directors on the Boards of Nationalized Banks.
- v. Rendering advice/clarification in matters of withdrawal/derecognition of unions, criteria for recognition of unions, verification procedure rights and privileges of recognized and unrecognized unions etc.
- vi. General verification of membership of trade unions.
- vii. Implementation of the Code of Discipline.

- viii. Implementation of awards under the Industrial Disputes Act.
- ix. Screening of proposals for appeal against industrial awards under the Industrial Dispute Act by Public Sector Undertakings.

Screening Procedure:

According to the screening procedure as approved by the Committee of Economic Secretaries in its meeting held on August 1, 1964, the Public Sector Undertakings are required to consult the Administrative Ministry concerned whenever they have to file an appeal challenging the award of the Tribunal etc.

The Administrative Ministries are invariably required to consult the Ministry of Law and Justice and Ministry of Labour before filing a Writ Petition in the High Court. If the Labour and the concerned Administrative Ministries do not agree with the decision, the matter is to be taken to the Committee of Economic Secretaries.

Industrial Relations – Strategic Issues in Labour Management Relation

With the changing business environment, industrial relations have undergone a sea change. Developing and maintaining good labour relations has become a part of organisational strategy.

In this section, we shall discuss some of the strategic issues involved in labour-management relations which are:

1. Developing Healthy Labour-Management Relations:

The following conditions facilitate healthy labour-management relations:

- i. A well-organised and democratic employee union that can protect employee interests by providing job security and ensuring proper wages and benefits.
- ii. A well-organised employers union that can promote and maintain uniform personnel policies. They should protect the interests of the weaker employers.
- iii. Mutual negotiations and consultations between the employees and the employers. It is important to develop the collective bargaining approach, a process through which employee issues are settled through mutual discussions.

2. Maintaining Industrial Peace:

Industrial peace is essential to increase production and ensure healthy relations between the workers and employers.

The following measures help attain industrial peace:

- i. Industrial disputes can be settled with the help of legislative enactment such as The Trade Unions Act, The Industrial Disputes Act and Work Committees and by Joint Management Councils.

- ii. The Government should be empowered to refer disputes to adjudication, specially when the situation gets out of hand. Government intervention is required during frequent stoppage of production due to long strikes or lockouts.
- iii. Forums based on the code of discipline in industry, the code of conduct, the code of efficiency, etc. can be set up to settle disputes.

3. Developing Industrial Democracy:

Industrial democracy can be established when labour is given the right to be associated with various activities of the industry.

Industrial democracy can be attained by:

- i. Establishing shop councils and joint management councils at the floor and plant level to improve the working and living conditions of the workers, enhance productivity, and encourage feedback from them. These councils serve as channels of communication between the management and the workers.
- ii. Recognising human rights in the industry by viewing employees as human resources, not as commodities.
- iii. Increasing labour productivity by motivating employees to perform better and help them improve their efforts and skills.
- iv. Providing proper work environment to help workers adapt to work.

Changing Trends in Labour Management Relations:

Before industrialisation, one couldn't even dream of cordial labour-management relations. However, organisations realised that employee participation was needed for their survival. From exploiting workers, organisations sought the participation of workers in every activity.

1. From Exploitation to Participation:

In the initial years of industrialisation, most organisations adopted the authoritative style of management. There were no formal communication channels between the management and labour. Labour was considered a commodity. Workers were provided with poor, unsafe working conditions and meager incomes. Workers were not aware of their rights and their activities were strictly monitored.

The enactment of protective legislation, changes in the economic environment, and the growing awareness of human rights led to a change in the management style. Organisations realised the importance of human resources. Many organisations encouraged worker participation to counter the challenges posed by the rapidly changing business environment. The concept of industrial relations began to gain in importance.

Most organisations supported workers' participation in management to serve certain specific purposes such as:

- i. Managing resistance to change among employees
- ii. Encouraging communication between the management and workers who are a part of the decision-making process
- iii. Establishing democratic values in the organisation right from the shop-floor level.

2. Changes in the Economic Environment:

Economic liberalisation and globalisation have had a tremendous impact on labour-management relations.

i. Economic Liberalization:

The Indian economy, which was liberalised in the year 1991, shifted its focus from import substitution to export promotion and domestic competition. Thus, domestic firms had to compete with multinational firms. Firms discovered that to maintain high quality and maximise productivity, it was important to have a committed workforce. To have a committed workforce, it was essential to create a sense of belongingness towards the organisation. This made organisations work towards labour-management relations.

Before liberalisation, trade unions in India played a major role in protecting the interests of the workers by using political tactics such as strikes and gheraos. Some trade unions even threatened the management of dire consequences if their demands were not met. However, with most organisations adopting a participative management style, trade unions began to co-operate with the management. This is because the trade unions realised that market forces and not the strength of the trade union determined workers' interests.

ii. Globalisation:

Globalisation is defined as the growing liberalisation of international trade and investment, due to the integration of national economies. Most workers associate globalisation with loss of jobs. They strongly feel that globalisation has always had a negative impact on labour relations.

The reasons are:

- a. Multinational companies are successful in exporting jobs from the developed countries to developing countries with the help of foreign investments.
- b. Trade liberalisation has boosted the marketing of foreign goods rather than domestic goods.
- c. Multinational companies extensively use technology and are less dependent on labour.

Priority Issues in Labour-Management Relations:

We shall now discuss the priority issues in labour-management relations.

Roles and Responsibilities of the Labour Union and Management:

The roles and responsibilities of unions and management have undergone a significant change in the past few years. Earlier, unions used political pressure to force the management to accept their demands. The management looked at unions as negative forces that did more harm than good.

The changed roles and responsibilities of unions are:

- i. To provide job security to workers
- ii. To safeguard the interests and protect the rights of workers
- iii. To encourage and enable worker participation in management
- iv. To help employees develop their skills
- v. To co-operate with management at times of crises
- vi. To negotiate with management on industrial conflicts

The roles and responsibilities of management are:

- i. To get things done on time
- ii. To co-operate with the unions and satisfy their needs
- iii. To maximise productivity by enabling participation
- iv. To guarantee rights to workers
- v. To treat unions as a strength, not as a liability
- vi. To help workers adapt to changes
- vii. To involve workers in decision-making

3. Building Consensus:

Unions and management can build consensus by listening to each other and getting involved in each other's activities.

Consensus can be built by:

- i. Establishing goals
- ii. Developing strategies and tactics to achieve goals
- iii. Measuring the results
- iv. Identifying the problem

4. Conflict Management:

Conflicts at the workplace affect the physical and mental health of the people. This has a bearing on organisational performance. Therefore, it is important to recognise, understand, and resolve conflicts in labour relations.

Some methods to manage conflicts are:

- i. Find solutions that are acceptable to conflicting parties with the help of bargaining- a negotiation technique used to ensure that the conflicting parties reach an agreement and settle the issue. Involve a neutral third party to resolve the conflict.
- ii. Use the problem-solving approach helps to identify problems and devise ways and means to solve the problem.

5. Effective Negotiations:

Negotiation is a peaceful way of resolving disputes. Management and unions can develop strategies to ensure that the negotiations are effective.

i. Management Strategies:

- a. Determining the compensation package that the company intends to offer the union
- b. Collecting statistical data that is likely to be used during negotiations
- c. Collecting and compiling information on issues that are likely to be discussed during negotiations
- d. Strategic Issues in Employee Safety, Health and Labour Relations
- e. Analysing various trade union acts and their use in other companies

ii. Union Strategies:

Collecting information regarding:

- a. The financial health of the company and its ability to pay employees
- b. Negotiations handled by the company in the past
- c. Negotiation strategies adopted by similar companies
- d. The desires, preferences and interests of employees regarding their work
- e. Preparing a questionnaire to finalise the demands to be discussed during the negotiation
- f. Persuading members of the union not to resort to violence during the process of negotiation

6. Interpersonal Communications:

Communication is essential for unions to convey their grievances to the management, and for the management to convey its opinions to the union. Effective communication helps remove misunderstandings between the conflicting parties.

The different forms of interpersonal communication used in labour relations are:

- i. Oral Communication
- ii. Written communication

The management uses oral communication during negotiations, discussions, and interactions with the union. Management and unions use written communication in the form of memos, letters, and reports.

7. Trust and Co-Operation:

Trust and co-operation are essential in labour relations. They help build a partnership between workers and employers and both groups to work together. Lack of trust and co-operation between the two groups can result in conflicts, disputes and strikes. That slows down the productivity of the organisation.

The Steel Authority of India Limited (SAIL), is well-known for its culture of mutual trust and co-operation between the workers and the management. SAIL has not had a strike after the 1969 negotiations between the management and the trade union. The 1994 collective agreement made by The National Joint Committee for Steel Industry (NJCS) and SAIL identified areas to improve organisational performance.

Some of them are:

- i. Reducing wastage by handling raw materials efficiently
- ii. Reducing operational costs and procuring material at economic prices
- iii. Improving quality in all operations
- iv. Making necessary improvements in the working conditions
- v. Reducing unauthorised absenteeism
- vi. Optimising capacity utilisation in each steel plant
- vii. Improving house-keeping, customer service, and delivery
- viii. Making effective use of all resources, including human resources.

Labour-Management Cooperation:

South west Airlines is known for its labour-management relations. There was only one strike in the company's history. At South west, unions are considered a positive force that contributed to the growth of the company. About 85-90% of the employees are members of the unions. The company does not have a formal labour relations department.

Labour representatives work under the departmental Vice-Presidents. According to union representatives, company managers listen to the problems faced by the employees.

South-West has cultural committees that consist of managers and workers. These committees organise various cultural activities. The company also offers flex-time work arrangements and job sharing programmes, by way of which workers who are under union contract can trade shifts with one another.

The airlines has a Committee which looks after the safety of the employees. This co-operation between labour and management has contributed significantly to the growth of the company.

Labour-management co-operation is essential to:

- i. Reduce conflict

- ii. Develop ownership and commitment
- iii. Boost employee morale
- iv. Encourage contributions from the employees
- v. Reduce costs
- vi. Respond to competition
- vii. Benefits of Labour-management co-operation

Labour-management co-operation benefits both the management as well as the workers.

The benefits for the organisation are:

- i. Increased productivity
- ii. Better working relationships
- iii. Improved quality
- iv. Better employee safety

Benefits for workers are:

- i. Improved safety
- ii. Participation in the decision-making process
- iii. Better working conditions
- iv. Scope and opportunities for skill improvement
- v. Strategies for Successful Labour-Management Co-operation

The different strategies for successful labour relations are as follows:

- i. The labour-management co-operation efforts should involve all employees.
- ii. Union members must be given benefits such as increased membership and additional jobs.
- iii. Authoritative leaders should be replaced by supportive leaders.
- iv. Efforts should be made to involve management and employees in various organisational activities such as goal-setting, planning, problem-solving and decision-making.

Industrial Relations – Prerequisite for Successful Industrial Relations Programme

The system of industrial relations is a multivariate and multidimensional that covers many interrelated issues pertaining to myriad organisational, interpersonal and personal aspects. So at a given point of time, the system of industrial relations is shaped by a blend of these factors.

Further, these factors at larger levels interact with various environmental facets that are highly dynamic; hence, the industrial relations in an enterprise at different times exhibit varying patterns. The

development of happy industrial relations is not an easy task. Therefore, no cookbook guidelines can be suggested for boosting the effectiveness of the programme.

However, a few ones discussed below need consideration while designing the industrial relations programme:

1. Top Management Support:

The Industrial Relations, i.e., the management of people at shop-floor, is basically a “staff function”, so for the said work industrial relations director / officer should derive authority from the line executive, i.e., President / Chairman or Vice- Chairman, as the case may be. To make the industrial relations programme effective, it is the moral duty of the top management to provide the necessary support to the industrial relations staff.

2. Developing Sound HRM and IR Policies:

It goes without saying that the pragmatic policies on various aspects of HRM, including industrial relations, are the cornerstone of happy labour- management relations. As they constitute a definite corporate philosophy which furnishes a base for decision-making on many routine and strategic aspects of man-management relations.

Hence, such policies need to be designed or timely revised for maintaining good industrial relations in an organisation.

3. Development of Effective HRM and IR Practices:

The implementation of various policies pertaining to man-management selection calls for developing effective practices so that various policies could be translated into action.

4. Provision of Adequate Supervisory Training:

To deal with the complex task of putting various policies and programmes into action, the first line management / supervisors need to be imparted training in this context. Besides this, these personnel should be entrusted with the task of communicating the programmes to the desired audience.

5. Follow-Up of Results:

A constant review of the industrial relations programme is essential not only to evaluate the existing practices but also to identify the problems of the system. Besides a regular follow-up of various industrial relations policies, special emphasis need to be placed on gathering information relating to labour turnover, absenteeism, morals, job satisfaction, employee suggestions, accident rate, grievances, disputes, etc.

To make the industrial relations programme effective, a continuous research had to be carried out on its various aspects. This can be brought about by conduct of ‘Exit interview’, studying union demands,

consultation with different organisations, labour consultants and also through empirical or exploratory investigation.

Industrial Relations – Impact of Good Industrial Relations on Production

An economy organised 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 labour.

The impact of good industrial relations on production may be seen from the following facts:

(1) Reduces 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, gheraos 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.

(2) 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 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 a mighty co-operative efforts alone can produce great results.

(3) New Programme:

New programme for workers development are introduced in an atmosphere of peace such as training facilities, labour welfare facilities etc. It increases the efficiency of workers resulting in higher and better production at lower costs.

(4) Mental Revolution:

The main object of industrial relation is a complete mental revolution of workers and employers. 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 democracy.

Both should think themselves as partners of the industry and the role of workers in such a partnership should be recognised. On the other hand, workers must recognise employer's authority. It will naturally have impact on production because they recognise the interest of each other.

(5) *Reduced Wastage:*

Good industrial relations are maintained on the basis of cooperation and recognition of each other. It will help increase production. Wastage of man, material and machines are reduced to the minimum and thus national interest is protected.

Thus from the above discussion it is evident that good industrial relation is the basis of higher production with minimum cost and higher profits. It also results in increased efficiency of workers. New and new projects are introduced for the welfare of the workers and to promote the morale of the people at work.

Industrial Relations – Essential Conditions for Sound Industrial Relations

The establishment of good industrial relations depends on the constructive attitude on the part of both management and union. The constructive attitude in its turn depends, on all the basic policies and procedures laid down in any organisation for the promotion of healthy industrial relations. It depends on the ability of the employers and trade unions, to deal with their mutual problems freely and independently with responsibility.

They should put their faith in collective bargaining rather than in collective action. The existence of strong / independent / responsible / democratic trade unions, the promotion of collective bargaining- a fair and independent machinery, for the peaceful settlement of industrial disputes, the existence of good human relations, and lack of any kind of discrimination, are certainly the essentials for healthy industrial relations situation

For maintaining sound industrial relations, certain conditions should exist for the maintenance of harmonious industrial relations.

They are:

(a) Existence of Democratic Employee is Unions:

Industrial, relations are sound only when the bargaining power of the employees' unions, is equal to that of management

(b) Existence of Organised Employers Unions:

These associations are helpful for the promotion and maintenance of uniform personnel policies, among various organisations and to protect the interest of weak-employers.

(c) Mutual and Voluntary Negotiations:

The relationship between an employee and the employer will be congenial only, where the difference between them are settled through mutual negotiations and consultations. Collective bargaining is a process, through which employee issues are settled, through mutual discussions and negotiations, through a give and take approach.

(d) Maintenance of Industrial Peace:

It is possible through:

- i. Establish machinery for presentation and settlement of industrial disputes. This includes legislative and non-legislative measures. Preventive measures include works committee, standing orders, welfare officers, shop councils, joint management councils. Settlement methods include voluntary arbitration conciliation and adjudication
- ii. Government with requisite authority of settlement of industrial disputes
- iii. Provision for the bipartite and tripartite committee, in order to evolve personnel policies, code of conduct, code of discipline etc.
- iv. Provision for committees to implement and evaluate the collective bargaining agreements court orders and judgement, awards and voluntary arbitration etc.

Industrial Relations – Major Causes

In an organisation there is always the possibilities of conflicts between management and workers on various matters which destroy industrial relation. If industrial relation is not maintained perfectly, it may lead to low production and productivity, creation of tense situation, lower industrial development, loss of industrial peace and harmony etc.

Major causes of industrial disputes are:

- (a) Economic causes- Related to more wages, D.A. bonus, better service conditions etc.
- (b) Non-economic causes

These are further classified as-

- (i) Physical causes- Like better working conditions, supply of essential materials.
- (ii) Psychological causes- Like unlawful lay-off and retrenchment, misbehaviour of managers to workers, defective transfer and promotions.
- (iii) Organisational causes- Like non-recognition of unions.

Industrial Relations – Theoretical Approaches to Industrial Relations by Different Scholars

Industrial relation is an inter-disciplinary field which includes inputs from sociology, psychology, labour economics, and law and personnel management. Any problem in industrial relations has to be approached on a multi-disciplinary basis, by considering the contributions made by various social scientists. Approaches to industrial relations should thus be based on a systematic and comprehensive theories.

Different theoretical models/approaches to industrial relations given by different scholars are:

1. The System Approach:

Industrial relations system is a sub-system of the wider society or the total social system. It is a mixture of traditions, customs, actions, reactions and interactions between the parties. An industrial relations system is an integral and non-separable part of the organization structure. It may be conceived at different levels- workplace, industrial, regional or national. It basically consists of totality of power interactions of participant's management and trade union at a workplace.

There has been comprehensive research made by different sociologists to study industrial relations as a system.

Their contribution is being discussed below:

Robert Cox developed an interesting framework to relate different industrial relations system to their specific environments. He has developed 9 systems in his book, "Robert W. Cox's Approaches to a Futurology of Industrial Relations (1971)."

These were:

- (i) The Primitive Market System.
- (ii) The Peasant-Lord System.
- (iii) The Small Manufactory System.
- (iv) The Life-Time Commitment System.
- (v) The Bipartite System.
- (vi) The Tripartite System.
- (vii) The Corporatist-Bureaucratic System.
- (viii) The Mobilising System.
- (ix) The Socialist System.

Robert Dubin is regarded as the harbinger of the system approach to industrial relations. He observed that collective bargaining is the greatest social invention that has institutionalized industrial conflict. He used

inter-group (union and management) power interaction concept of industrial relations. He found inverse relationship between union militancy and the range of bargaining issues.

Kenneth Walker developed a multi-dimensional model of industrial relations system. He found inadequacy of psychological models of human behaviour at work situation as the biggest barrier in smooth industrial relations system. He suggested a more adequate model to consider human being as –

- (i) Calculating and emotional.
- (ii) Co-operative and conflicting.
- (iii) Expressive and instrumental.

Richard Peterson presented industrial relations model from managerial point of view. He explicitly relied on the system approach for building a system model for industrial relation as a function of the organisation.

Among the various models developed by a number of writers, to study industrial relations as a system, the most outstanding has been the contribution made by Prof. John T. Dunlop of Harvard University. He presented an analytical framework of industrial relations in his book titled 'Industrial Relations System' (1958). He broadened the concept of industrial relations from collective bargaining to the full spectrum of present day industrial relations. He attempted to develop a pioneering model of industrial relations with a set of analytical tools.

According to Prof. Dunlop, "An industrial relations framework is designed to be applicable at once to three broad areas of industrial relations experience, namely-(i) industrial relations within an enterprise, industry or other segment of a country and a comparison among such sectors; (ii) industrial relations within a country as whole and a comparison among countries, and (iii) industrial relations as a totality in the course of economic development."

2. Oxford Approach:

Flanders, the exponent of this approach, considered industrial relations system as a study of the institutions of job regulations. The institution of job regulation was categorised by him as internal and external. Internal regulation being code of work rules, internal procedure of joint consultations, wage structure, grievance handling etc. Trade unions were considered as external regulation.

The rules of the industrial relations system were determined through the rule making process of collective bargaining. Collective bargaining was considered as apex to the industrial relations system. Collective bargaining as per this approach is considered as a political institution involving power relationships between the employer and the employees.

3. The Industrial Sociology Approach:

Industrial sociologists, G. Margerison, holds the view that the core of industrial relations is the nature and development of the conflict itself. Margerison developed two conceptual levels of industrial relation-one at intra-plant level and the other outside the firm.

At Intra-plant level, there could be three types of conflicts- distributive, structural and human relations. The major causes of such conflicts are related to job contentment, work task and technology. To resolve the conflicts, Margerison suggested collective bargaining, human-relations management analysis and structural analysis of socio-technical systems. At the second level i.e., outside the firm, the main concern is with the conflicts not resolved at intra-organisational level.

Beside this in an industry consists of a group of employees coming from different caste, colour, culture and family backgrounds having different attributes, such as – personality, educational background, emotions, sentiments, likes dislikes, ideologies, attitudes and behaviour. These all traits of a human personality creates problems of conflicts and competition among members of the industrial society. The concept of inter-personal and inter-group relations posing a problems of industrial relations.

The impact of industrial relations by these social factors cannot be ignored. Social factors like workers attitude, perceptions of the society, value system, customs, traditions, status symbols, acceptance or resistance to change and one's degree of tolerance have got a direct impact on industrial relations.

Industrial Relations are being affected by social factors or consequences like:

- (i) Urbanisation.
- (ii) Social mobility.
- (iii) Housing and Transport Problems.
- (iv) Disintegration of family structure.
- (v) Stress and strain.
- (vi) Gambling, drinking, prostitutions and other social evils. Industrial relations have changed with the change in society.

The industrial worker which had migratory character has now stabilized in industrial centres and has got an urban taste.

4. The Social Action Model:

The social action model has its origin in Weberian sociology. The social approach stresses the way in which an individual influences the social structure and makes the society. This approach attempts to study the behavioural influences. Behaviour at work gets influenced by the quality of human relations management and the nature of technology. As industries develop, a new industrial cum social pattern emerge which provides new behavioural pattern and new techniques of handling human resources.

Industrial peace, itself, may not ensure healthy industrial relations. There may not be strikes for a long time in an industrial unit, but there may be internal tensions that affects the social actions of the employees and may corrode the essence of industrial relations. New values have been added about the role of industry and unions in modern society. The role of the State and political parties have also been redefined in the light of these changes. These social actions changes the inter-relationship between the interest groups. These actions are the basis for conflicts or consensus.

5. The Psychological Approach:

“Mason Haire” has given the psychological approach to industrial relations. According to him, the problems in industrial relations arise due to perceptions of the management, unions and the workers. These perceptions may be about the person, the situation or the issues involved in the conflict. The perceptions of management and the trade union may differ because the same position may appear entirely different to the other party. Some aspects of the situation may be magnified or suppressed or distorted by either party. Hence conflicts and clashes may arise.

The amount of satisfaction the workers get from this job depends upon many factors like the nature of his work, his attitude towards work, working conditions, wages, job security relationship with the union and the co-workers and the behaviour of the boss etc.

If the worker is not satisfied with the prevailing conditions, he may be dragged to dissatisfaction and frustrations. Frustrations get expressed in aggressive actions like strikes, arson, looting, destruction of property etc. Hence as per the psychological approach, industrial peace is the result of correct perceptions and attitudes of both the parties i.e., the management and the workers.

The quality of Industrial Relations as per psychologists, depends upon the perceptions, attitudes and philosophy of the management and trade unions. The reasons of strained industrial relations may be due to inhuman approach of management and the rigid stand of the Trade Unions. The National Planning Association of U.S.A. conducted a survey of several industrial concerns to find out factors affecting industrial relations.

Their findings are:

- (i) The management must accept the concept of collective bargaining in the organisation.
- (ii) The management must ensure that there is mutual trust and confidence between management and the trade union.
- (iii) Even the unions must fully accept the organisations as their private ownership and should do all possible things to enhance the goodwill and prosperity of the organisation.
- (iv) Neither the management nor the trade unions should adopt legalistic and highly rigid approach while doing collective bargaining.
- (v) There must be constant consultation and information sharing between the management and the worker's union.
- (vi) It must be ensured that the grievances are promptly settled at the level of plant/workshop.
- (vii) It would be highly beneficial if the grievances handling procedure could be flexible, simple and informal.
- (viii) Management should not interfere in the internal matters of the union.
- (ix) The environmental factors do not by themselves bring peace but they create conditions to develop it, so it must never be ignored.
- (x) It must be understood that Industrial peace is the result mainly of attitudes of the two parties rather than any other external factors/forces. So all attempts should be made to keep the attitude highly positive and accommodative.

6. Human Relation Approach:

The most important part of any organization is human being. Machine, material and money are secondary. "Take care of your employees. They automatically take care of your organisations". Every human being wants freedom of speech, self-respect, and to enjoy all those facilities for which he is entitled for.

But when an employee is not provided a handsome package of financial and non-financial incentives and is not properly treated during his stay at the organisation it leads to tension, conflicts and ill-will. The problem of industrial relation in an industry arises out of tension which is created because of employer's pressure and worker's reactions and protests.

Tension among the employees affects their work culture and output which gradually affects the entire industry and ultimately it may lead to spoilage of work culture at national level. Therefore management should avoid these situations and expert services of other behavioural scientists should be taken if necessary to deal with such situations.

To avoid disputes, it is very essential to understand human behaviour which is pre-requisite for industrial peace. Management must learn and know the basic needs of the man and should always try to win the people. Because these are the employees who can run or ruin the business, They Can Make You Or Can Break You.

There are broadly two types of human needs:

- (i) Economic Needs – Which include basic needs for food, shelter and clothing for oneself and his dependent. These needs can be satisfied by increasing his wages.
- (ii) Psychological Needs – Needs for security from life hazards and uncertainties created by new challenges and new relationships. These are deep rooted and psychological in nature which disturb an employee's peace of mind.

The human relations approach highlights certain policies and techniques to improve the morale, efficiency and job satisfaction of employees. The key to industrial peace lies with the quality of human relations in the industry. Human relations approach has its origin in the Hawthorne experiments and the research of ELTON Mayo. According to him, industrial conflicts are due to inadequate communications and lack of understanding of inter-personal factors like personality differences and irrational behaviour.

An informal social climate should be created to provide workers with outlets for their emotions and sentiments. Further, effective communication can help both the parties to develop accurate perceptions and understand each other's social, safety and psychological needs.

In the words of Keith Davies, human relations are, “The integration of people into a work situation that motivates them to work together productively, co-operatively and with economic, psychological and social satisfactions.”

7. Giri's Approach:

Mr. V.V. Giri who was Labour Minister and later became the President of India was strong supporter of collective bargaining and mutual negotiations for the settlement of industrial disputes. He was of this

opinion that” Voluntary efforts on the part of management and the trade union for winding up their differences is a tonic to the industry and any compulsion from outside is bitter medicine. He was of this firm opinion that “there should be bipartite machinery in every industry and every unit of the industry to settle differences from time to time with active encouragement of government but outside interference should not encroach the industrial peace.”

Giri Approach gave emphasis that industrial peace might be secured through machinery of collective bargaining. The trade unions should grow strong and self-reliant without the assistance of any outsider. There must be mutual settlement of disputes through collective bargaining and voluntary arbitration and not the compulsory adjudication.

This approach gave emphasis that internal settlement should be preferred and compulsory adjudication should be taken up as the last resort and only in exceptional circumstances. In fact Giri’s approach was appreciated by some employers but trade unions and State Ministries opposed it due to different reasons like weak trade unions, irrational industrial strikes and unnecessary stoppage of work.

8. The Gandhian Approach:

Gandhiji has been one of the greatest labour leader of modern India. He approached labour in completely new and refreshing manner. Gandhiji advocated peaceful co-existence of capital and labour. He believed in trust, non-violence and non-possession. He had immense faith in the goodness of man and believed that many of the evils of the modern world have been brought about by wrong systems and not by wrong individuals.

He insisted on recognising each individual worker as human being. Further, he realised that labour-management relations can be either a powerful stimulus to economic and social progress or an important factor in economic and social stagnation. The industrial peace is an essential condition not only for the growth and development of the industry itself, but also for the improvement in the conditions of work and wages.

Gandhian Rules to Resolve Industrial Disputes:

Gandhiji advocated following rules to resolve industrial disputes:

- (i) Workers should seek redressal of reasonable demands only through collective bargaining.
- (ii) Workers should avoid strikes, as far as possible, in industries of essential services.
- (iii) Strikes to be avoided and only resorted to as last measure, only non-violent methods should be used.

- (iv) Workers should take recourse to voluntary arbitration where direct settlement fails.
- (v) Trade unions should seek authority from all workers before organising a strike and remain peaceful and nonviolent during strikes.
- (vi) Formation of trade unions should be avoided in philanthropical organisations
- (vii) He pleaded mutual respect, recognition of equality and strong labour unions as the pre-requisites for healthy industrial relations.

Industrial Relations – Changing Role of the Three Participants in Establishing Industrial Relation

In an industry, industrial relationship is the designation of a whole field of relationship that exists because of the necessary collaboration of men and women in the employment process. Industrial relations are inter-relations among workers, employers and the government.

Consequently there are three actors (participants or agents) of industrial relations viz. the workers and their organisations, the management and the government. Their roles have changed from time to time depending upon the economic systems of the country and their philosophies. In the following lines, we shall discuss their changing roles in the industrial society in establishing industrial relations.

1. The Workers and their Organisations:

In an industry, workers work in the organisation according to the policies laid down and decisions taken by the management. The interests of the workers are represented by their organisations trade unions.

These unions have assumed different roles in different socio-economic and political systems as follows:

(a) Sectional Bargainers:

This is most widely accepted role of the trade unions. Under this role, trade unions represent the interests of their fellow workers before the management and bargain on their behalf with the management at all levels—particularly at the plant level, industry-wise or in some small countries (such as Sweden, Norway, Austria etc.) at the national level. They also represent their members in public or private sector. As sectional bargainers, the unions may combine into larger national federations like the Trade Union Congress in the UK or the AFL-C.I.O. in the U.S.A or the L.O. in Norway and Sweden.

In India, there are more than ten Federations of trade unions or Central Organisations of trade unions representing a large number of workers affiliated to them. Besides, there are number of unions representing a small group of workers on the basis of their job such as officers' union, clerks' union or union for technical personnel (generally known as associations).

The behaviour of such associations is to represent and protect the interest of their members through collective bargaining on all important issues, by the use of pressure tactics such as threat of strikes and gheraos. Sometimes, they turn violent. The unions believe that right to strike i.e., the flexing of muscles, is essential, not always as a last resort for effective collective bargaining.

(b) Class Bargainers:

In some countries like France, Norway, Sweden etc. The central made unions or Federations bargain for their members on national level in determining the share in the gross national product. The Federations enter into collective agreements usually for 2-3 years. The wages in individual plant are adjusted accordingly. In India, the trade unions in some industries like steel and coal, (mainly in public sector) have assumed this role in bargaining.

(c) Agents of the State:

The trade unions particularly in Socialist Countries like the U.S.S.R., play the role of state agents. They propagate the State policy in raising the productivity and act as State apparatus. Sometimes, the trade unions act as a kind of controlling group, working together with the management to raise productivity.

They play their more important role outside the workplace, assuming the responsibility for social welfare work, social insurance schemes and administration of all other labour social security schemes. One will not get any benefit unless he is member of a union, this type of role is not played in any other country.

(d) Partners in Social Control:

The unions in some countries like West Germany, France, Italy, Yugoslavia etc. play the role of a partner in social control of industries, where the representatives of workers sit on the Board of Management and participate in all kinds of decision-making. In India too, the beginning has been made in this regard Indian industries in public and private sectors, Works Committees, Joint Management Councils, have been formed at plant level. In some cases, the representatives has been put on the Board of Directors (in banking industry).

(e) Enemy of the System:

In most democratic countries, trade unions hold certain well defined political views. Some even go to the extent of anarchist view of overthrowing the whole economic system with a view to bringing about a

wholesale change in the system. Sometimes, they resort even to violence or disruption of industrial production. Such unions aspire much more than what they deserve.

They demand higher and higher wages, higher and higher bonus, without any justification and even when the industry's capacity to pay is not commensurate with their demands. It leads to labour unrest, disintegration of the social order. In this sense, the unions act as the enemies of the economic system.

2. The Management:

The different styles of management which have been in vogue in different countries from time to time to meet different situations in the field of industrial relations, are found.

Rensis Likert has discussed 'Four Systems of Management' in the field of industrial relations, namely:

(i) The Exploitative Authoritative System:

This system was in vogue in the initial years of industrialization. Under this system, the labour was ruthlessly exploited and was treated as 'commodity' and not as human being. Labour was paid very low with long working hours under strict supervision. Any indiscipline was severely penalized.

Working conditions were quite unhealthy and unhygienic and welfare amenities were extremely poor. Security of job was unknown to the workers and they work only on the whims of the employer. The management was authoritarian even to the genuine demand of the workers. This style of management was survived under the Laissez Faire policy.

(ii) Benevolent Authoritative System:

Under this system, the concept of labour in the minds of employers has changed a little, because of the pressure of social workers and the enactment of certain protective legislations: Certain elite employers the small number of family concerns were prone to this style of management. They look after the workers' interest if production and profits were to be maintained at a high level.

The workers were considered as mere 'child' who needed careful guidance and protection against all odds. The welfare amenities were provided for their well-being. Employers hardly conceded to labour the adult privileges of having been consulted in matters concerning them. They usually believed in paternalistic attitude towards labour needs. This style has survived up till today. In Indian industries,

firms of managing agent's private limited companies, partnerships etc. followed this style of management in the initial years.

(iii) The Participative Style:

The style recognises the workers' participation in decision making process. The labour, under this style, is treated as an ally and a friend even a partner in the joint endeavour to improve the efficiency and productivity of the enterprise. In India, this style is rare exception. Even in countries where labour participation has been adopted successfully, the acceptance of this style is not very wide.

(iv) The Consultative Management Style:

This style of management began to take root due to the growth of trade unions and labour legislations. Under this style of management, workers are consulted on matters relating to them and which are of their interest. However, decisions on matters not directly related to them are taken by the management without having any consultation with them. The worker is regarded as an 'adult' employee (and not as a child) with rights and view of his own. This style of management also tries to conform to the requirements of various labour laws for the benefit of labour.

This style of management is presently prevailing in the public limited companies, foreign concerns and multinationals in India and also in public sector enterprises. Generally, the management does not believe in the good intentions of the trade unions and they also set up their company unions yet they believe in having a well-developed communication channel between the workers and the management, in a system of feedback from the floor upward, in collective bargaining and in sharing information, whenever necessary with the workers and middle management.

3. The Government:

The government has also been an active agent in maintaining and establishing industrial relations. Its role has been changing from time to time.

(i) Laissez Faire Philosophy:

The Laissez Faire Philosophy i.e., a philosophy sans intervention was followed by the governments almost everywhere and in India, too, by the British Government in the 19th century. The Government was not willing to intervene between the labour and management in settling a dispute unless it led to a serious law and order problem. Both parties' management and labour were left to settle their disputes as they liked. The Government remained silent spectator. The unconcerned attitude of The Government and

the high handedness of the employers towards labour compelled labour to combine for a common cause may be for protest against inhuman conditions of work, meagre wages or harsh treatment of the foreman.

(ii) The Protective or Paternalistic Approach:

Towards the end of 19th century, the attitude of the Government showed a change towards labour because of the agitation by social philanthropists like Robert Owen, Ruskin and others to U.K. and Lokhandey, Bengali and Nadia in India. So, gradually the Government assumed a protective or paternalistic attitude towards labour.

A series of labour laws were passed regulating payment of wages, working conditions to factories, mines and plantations, compensation in case of injury on work and also enabling them to form unions of their own. Before Independence, the British Government had initiated quite a few progressive pieces of legislation and set up a Royal Commission on Labour (1929-31) to make a detailed study of working conditions of labour in India. After Independence, a large number of protective laws have been passed. The approach of the Government is still that labour is a weaker party and needs support.

(iii) Voluntarism:

The Gandhian influence on the thinking of a number of eminent trade union leaders, some of whom were Ministers of Central or State Government, led to the adoption of a series of codes to regulate labour management relations on a voluntary basis. Certain Codes like the Codes of Discipline, the Codes of Conduct and the abortive Code of Efficiency and Welfare were evolved. Voluntary arbitration was encouraged to resolve the dispute as a part of the Code of Discipline, as advocated by Mahatma Gandhi.

(iv) Tripartite:

In the 40s and later period, the Government also emphasized on the system of consultation between representatives of labour, management and the Central or State Government on tripartite and bipartite forums, following the models of I.L.O. recommendations. With Independence gradually, such institutions as the Indian Labour Conference (ILC), the Standing Labour Committee (SLC), the Industrial Committees for particular industries etc. were set up. The Government encourages all interested groups before taking any policy decision in the field of labour or taking up any legislation.

(v) Intervention:

Along with this, the Government has adopted a policy of intervention in labour disputes, through process of conciliation and adjudication. This role of the Government has not found favor with the labour unions and the management everywhere.

(vi) The Model Employer:

Today, the Central Government is the largest employer in India because of the growth of public sector in India. It influences the Government's labour policy in a significant way. The Government is now in the role of model employer which is much talked about but cannot always be practiced. Industrial relations even in government sector cannot be said to be satisfactory.

Thus, the Government tries to regulate the labour management relations and keeps an eye on both groups. This relationship is maintained through the appointment of labour courts, industrial tribunals, wage boards, investigation and enquiry committees, etc. which lay down principles, norms, rules, regulations, awards. Which are placed in the statute books and are to be observed by both groups.

Industrial Relations – Future

Good industrial relations increase the morale of the workers and motivate the workers to work more. When both parties think of mutual interests, it gives more chances of development. Any problem is solved by mutual consent which develops many incentive schemes, such as – worker participation in management, profit sharing, suggestion schemes and so on.

These all bring job satisfaction to the workers and they all put positive effects on the production. From all this we can conclude that good industrial relation, certainly boost up the production and improves the quality and quantity both. They increase labour efficiency also. An increase in the morale of workers reduces per unit cost of production too. Thus we can say that industrial relations have a far-reaching impact on production.

The future of industrial relation in can be reviewed from reports of the commissions constituted by the government for this purpose. From these certain issues are emerging which are posing challenges to the three actors in the system.

The first is the issue of strengthening collective bargaining by trying to determine a sole bargaining agent for negotiations. The state of Maharashtra has already passed a law for the creation of a sole bargaining agency in every unit and industry. Collective bargaining is advocated where the parties involves have a fuller understanding. This will help to arrive at a speedier settlement of dispute, between them.

The second issue relates to the gaps that are occurring as a result of the various that occur in central and state legislations as far as labour matters are concerned. In India, labour fall under the concerned. In India, labour fall under the concurrent list though NCL has made a recommendation for forming a

common labour code which is yet to be adopted. Adoption of this recommendation will go a long way in solving some of the problems that Indians legislation process is facing.

Another issue is that of workers participation in management. India has already experienced the working of many forms of workers-participation schemes but none of them seems to have made any headway. The reasons for the failure of these schemes need to be probed into.

The three actors in the system need to take into account the effect of their actions on the consumer s and society in general, owing to the growing inter-linkages between industry and its environment. They have to evaluate and decide on the appropriate alternatives in terms of the strategy they are going to adopt in managing the personnel and industrial relations functions.

The environment is fast changing and the pressure from various groups involves are starting to get more vocal and intense. The strategy chosen for the attainment of the goals will have to depend on the objectives, values structures available and the environment in which they have to operate.

Industrial Relations – Recent Trends in Industrial Relations System

The demands of the employers have necessitated a grand shift from the ‘State Intervention’ to ‘Liberalization’ in the IRS. There have been many emerging trends in industrial relations ranging from labour reform to judicial trends and managerial strategies. Let us have a look on all these varying trends in today’s industrial relations system.

1. Labour Reforms:

The State Intervention policy of the government has mostly worked in favour of the labour to give them protection and collective bargaining. The industrial policies were designed to regulate the actions of the labour and capital and providing judicial solutions to industrial disputes. Now with the product market and capital market reforms, which has increased the beginning power of the capital vis-a-vis labour, capital has become more mobile and less regulated.

While the product market and capital market reforms may go unnoticed by majority of the people, the labour reforms come under the political and economic consideration of the nation. Labour reforms exert more political pressures as the government has to ensure the welfare of the millions of workers employed in the organized sector. The economic pressures do restrain certain welfare schemes of the industrial enterprises.

The government of India has resorted to ‘soft’ labour reforms in the form of:

- i. Disinvesting instead of privatization.
- ii. Liberalizing labour inspection systems.
- iii. Amending trade union laws.

- iv. Reducing interest rates on provident fund.
- v. Special concessions to units in Special Economic Zones (SEZs).
- vi. Different inspection authorities for units in SEZs.
- vii. Simplify procedures with respect to annual returns, maintenance of registers and so on.
- viii. Declaring units in SEZs as 'public utility services' to make strikes more difficult.

2. Judicial Trends:

From the era of 'social justice', 'distributive justice' and 'discriminative justice', where the judiciary was busy in giving many landmark judgments for protecting the interest of workers. The trend has been reversed with the advent of liberalization and globalization, where our industries have to compete with the multinationals.

Judiciary has realized that our labour and trade unions have been over protected. They have started taking more realistic stand on the issues relating to industries, keeping in view the existing social norms and international practices. For example- closure and shifting of factories in Agra to prevent pollution to Taj and closure of polluting industries and prohibition of moving activities in forest areas have been strongly opposed by the workers and trade unions. The courts have upheld the privatization of public sectors (BALCO case), despite the protests by public sector workers. There are number of examples of judicial judgments in which employers and workers have been happy or unhappy.

These are:

Examples of Judgments which Make Employers Happy:

- i. Strike is not a fundamental right.
- ii. Ruling that a strike has not only to be legal, but also justified; application of the norm of no work on pay in the case of strikes and for those who do union work as against company work.
- iii. Imposition of fine on trade union leaders for indulging in arson, loss of company property etc.
- iv. Restrictions on protest demonstration, political bandhs, etc.
- v. Decision that in the case of accidents by a bus or lorry, the compensation payable to the victims should be recovered from the earning of drivers.

Examples of Judgments which Make Workers Happy:

- i. Striking off of the contents of service conditions and standing orders in matters like treating unauthorized absence for over a week as abandonment of employment.
- ii. Requirement of a notice of change when the Voluntary Retirement Scheme is introduced because work done by more people will now be required to be done by fewer people.

- iii. Regularisation of casual/contract labour. Absorption organisation labour as regular when the system of contract labour is abolished.
- iv. Ruling of the Supreme Court that the service of employees in an organisation cannot be terminated arbitrarily and abruptly by giving notice of one or three months or pay in lieu of notice.
- v. Abolition of child labour in hazardous industries.

3. Trade Unions Nexus:

The bargaining power of trade unions has been weakened earlier. IRS was mainly concerned with trade unions, management and the government. But now the consumers and community are also a part of dynamic Industrial Relations System (IRS). When the rights of consumers and community are affected, the rights of workers and trade unions and even managers/employers get a back seat. This is evidenced by ban on bandh and restriction on protests and dharnas. Now-a-days, trade unions can see their future by aligning themselves with the interests of the wider society. Unions have to make alliances with the society, consumers and community, otherwise they will find themselves dwindling.

In government and public sectors, workforce is shrinking due to non-filling of regular posts and introduction of Voluntary Retirement Scheme (VRS). New employment opportunities are declining in organized public sector industries. In the private sector, particularly in service and software sector, the new, young and female workers do not generally align to any trade unions.

Further, trade unions have become quite defensive also. This is evident from the fact that there is radical shift from strikes to law suits. Instead of demanding higher wages and improved working conditions, trade unions are now-a-days pressing for maintenance of existing benefits and claims for non-payment of agreed wages and amenities.

4. Collective Bargaining:

In IRS, collective bargaining constitute one of the most important mechanism of rule-making acceptable to both the employers as well as the workers.

Few emerging trends in the collective bargaining process are:

- i. Level of collective bargaining is shrinking day by day.
- ii. In public enterprises, the government has withdrawn the budgetary support for expenditure arising out of collective bargaining. Further, the government prefers long-term settlement and brings to link pay with performance of both the workers as well as the public enterprises.
- iii. In private enterprises, there has been decentralizing tendencies. The enterprise-level bargaining has become the dominant even in industries like cotton, silk, plantations in the regions of Mumbai, Coimbatore etc.

- iv. The managerial objectives expected to be achieved through collective bargaining have also shown dominance in terms of reduction in labour costs, increased productivity, increase in work time, reduction of regular staff strength through VRS, stress on high quality and so on.
- v. Trade unions have also shown cooperation especially in crisis situations caused by external environment. They do agree on introduction of new work measurement systems, flexi working, changes in work practices, introduction of technological changes etc. Trade unions have cooperated in finding solutions to even financial problems of the industries in various ways.

5. Labour-Management Conflicts:

The globalization has brought significant changes in the labour market and the industrial relations system. Both the actors (management and workers) have exerted respective pressures on the government to introduce concrete actions favouring their interests. The government has responded to protect the dominant political interests while announcing labour reforms.

The government adopted the strategies that sought to placate capital without hurting the fundamental interests of the labour like employment security etc. Thus the role of the government has been complex while solving labour management conflicts, and cannot be fitted clearly as favouring either the capital or labour.

However, the conducive and peaceful industrial environment supported the employers to introduce both 'hard' (like lockouts, closure, antiunion measures) and 'soft' (like idleness pay, VRS) measures to achieve dynamism and weaken union power. The trade unions have also re-directed their attention to the hitherto neglected workers in the unorganized sector to create a 'more inclusive' union movement.

Few more emerging trends in this issue are:

- i. There have been less strikes, lockouts and less man days lost due to strikes.
- ii. Workers are more educated and do not believe in violent activities.
- iii. Workers have shown responsibilities in cut-throat competition and are aware of their rights, thus leading to decline in strikes.
- iv. Employees also avoid lockouts because decline in production even for hours lead to heavy losses to them.

6. Managerial Strategies:

The economic reforms have toned down industrial conflicts, due to shift in the relative bargaining power in favour of capital. The employers devised various managerial strategies to achieve labour flexibility, weaken labour power, more control over production process, reduction in regular workers via VRS,

transfers, multi-tasking, freeze in employment, increased use of contract labour, subcontracting etc., on both public as well as private enterprises.

As a result of such deliberate strategies, the employment of contract workers have shown manifold increase in the organized manufacturing sector of Indian industry. The management look upon such strategies as a weapon to gain control over production process and weaken their collective bargaining.

7. Government Strategies:

In the positive direction, to boost the industrial harmony and economic activity, the government has adopted two strategies namely disinvestment and deregulation, which are expected to be mutually beneficial for the workers as well as the management.

Disinvestments:

It refers to the action of an organisation (or the government) selling or liquidating an asset or subsidy.

It affects IRS in the following ways:

- i. It changes ownership, which bring changes in the work organization and employment and also in the trade union dynamics.
- ii. It changes the work organization by necessitating retaining and redeployment.
- iii. It affects the rights of workers and trade unions by providing job security, income security and social security.
- iv. Disinvestment makes workers the owners by issue of shares.
- v. It safeguards existing benefits and negotiate higher compensation for voluntary separations.
- vi. It also set up further employment generation programmers.

Deregulation:

It is the process of removing or reducing state regulations. The reduction or elimination of state regulation in a particular industry, is usually enacted to create more competition in the industry. Deregulation is resorted to ensure similar protection to public/government employees.

Here the worst affected are the pension provisions, which imply usually reduction in pension benefits, absence of government guarantees, falling interest rates and investment of pension funds in stock markets etc.

MODULE III: INDUSTRIAL DISPUTE

An industrial dispute is defined as a conflict or a difference in opinion between management and workers regarding employment. It is a disagreement between an employer and employees representative i.e. trade union. The issue of disagreement is usually pay or other working conditions.

During an industrial dispute, both the parties try to pressurize each other to agree to their terms and conditions. The industrial unrest manifests itself as strikes, lock-outs, picketing, gheraos and indiscipline on the part of workers.

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”.

An industrial dispute can never be said to be a good choice. Consequences of industrial disputes are very far reaching, for they disturb the economic, social and political life of a country. They are no less than a war. In a war, casualties and sufferings are not confined to soldiers fighting on the front, so stoppage of work due to strike or any other mode resulting in stoppage of work does not affect the employees or the employers of the struck plant, but it affect the whole society or country.

Learn about:- 1. Introduction and Meaning of Industrial Dispute 2. Definition of Industrial Dispute 3. Concept 4. Characteristics 5. Different Types 6. What are the Causes of Industrial Disputes 7. Impact 8. Measures for Prevention 9. How do you Settle Industrial Disputes.

Industrial Dispute – Introduction and Meaning

For industrial progress and prosperity, maintenance of peaceful relations between labour and capital is of the first importance. Industrial dispute means a loss, both to the employers and the employees even when the latter scores a victory. It is also harmful to the community in general.

Therefore, every effort is made in advanced countries to maintain industrial peace. “The employer-worker relationship”, according to the Planning Commission, “has to be conceived of as a partnership in a constructive endeavour to promote the satisfaction of the economic needs of the community in the best possible manner.”

For a long time in India there was no industrial unrest. Although modern industry began to grow in India in about the middle of the last century, yet for nearly half a century no dispute of importance took place. The First World War had made the workers conscious of their rights, and they were prepared to fight for them, if necessary.

During the second war, Defence of India Rules was enforced in order to check strikes and disputes. According to them the Government armed itself with power to prohibit strikes and lock-outs and to refer to it any disputes for conciliation or adjudication and to enforce the awards.

Industrial unrest became very serious during the years immediately after World War II and to a lesser extent in recent years. During the last few years there has been appreciable improvement in industrial relations, the number of industrial disputes going down from 1,630 in 1957 to 1,491 in 1962.

An industrial dispute as a conflict or a difference in opinion between management and workers regarding employment. It is a disagreement between an employer and employee's representative i.e., trade union. The issue of disagreement is usually pay or other working conditions. During an industrial dispute, both the parties try to pressurize each other to agree to their terms and conditions. The industrial unrest manifests itself as strikes, lock-outs, picketing, gheraos and indiscipline on the part of workers. The causes of this unrest are either specific organizational problems such as insufficient pay, lack of benefit and assistance schemes, or the causes may be wider socio-economic problems such as poverty and unemployment etc.

Industrial Dispute – Definition

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”.

Does this sound very confusing? Let me simplify this for you. Let us understand that the definition identifies three parties to disputes.

They are:

1. Employers
2. Employees
3. Workmen.

Workmen Industrial dispute is 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.

Let us now understand the severity of industrial disputes. It is self-evident that industrial disputes and industrial unrest are symptoms of a lack of co- operative spirit and of harmonious relations in industry. It is agreed that the manifestation of these symptoms causes stoppage of work or disruption of production and all consequential evils. The continued and prolonged industrial unrest also 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 stoppage of work means a stoppage of production. Please understand that this results in the 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 arises. 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, even starvation or near-starvation. 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. Don't you think that the psychological effects can be more dangerous than the physical consequences? Prolonged stoppages of work have also an adverse effect on the national productivity, national income. They cause wastage of national resources. Class hatred may be generated resulting in political unrest and disrupting amicable social relations or community attitudes.

Industrial Dispute – Concept

In narrow sense industrial dispute means conflict between parties in industrial establishments. Dictionary meaning of 'dispute' is 'disagreement', 'mutual antagonism as of ideas, interests etc.' So, industrial dispute is disagreement/mutual antagonism as of ideas, interests etc. between parties in industry. In industrial setting parties are invariably workers and management.

In the process of working, workers express their need, expectation, desire for fulfilment and satisfaction. They want more money i.e., attractive wages, allowances, monetary incentive which the management may not be agreeable to pay. Workers demand of better fringe benefits, health benefits but management may provide less than that of their requirement.

They want recognition, status, power, advancement, higher quality of work life but management may be reluctant to give. Under such situation, a state of disagreement/mutual antagonism between workers and management develops which gives birth to industrial conflict.

So, industrial dispute is a general concept, and this conflict gets the shape of industrial dispute in a specific dimensional situation. Basically, there is no difference between 'industrial conflict' and 'industrial dispute', variation lies only in scope and coverage.

Analysis of the provision of the Act reveals the following:

1. Industrial dispute is a dispute or difference –

- (i) Between employers and employers, or
- (ii) Between employers and workmen or
- (iii) Between workmen and workmen.

2. Industrial dispute is connected with –

- (i) Employment or
- (ii) Non-employment or
- (iii) Terms of employment or
- (iv) Conditions of labour of any person.

Industrial Dispute – Top 9 Characteristics: Parties, Relation, Forms, Oral or Written, Real, Substantial Interest, Related to Industry, Clarification and Origin

Industrial Disputes have the following characteristics or essentials:

(1) Parties:

Industrial disputes may be among different parties.

Ordinarily, it is among the following parties:

- (i) Employers and employers,
- (ii) Employers and workmen and
- (iii) Workmen and Workmen.

(2) Relation:

Matter of dispute may relate to worker or to employer or to both. Normally, it relates to an appointment or termination of a person; conditions of employment or conditions of work.

(3) Forms:

Industrial disputes may manifest themselves in different forms, such as strikes, lock-outs, Gheraos, go slow tactics, pens down strike, etc.

(4) Oral or Written:

Industrial dispute need not be written. It may be oral.

(5) Real:

It should be real. It should relate to employment of the worker, termination of employment, terms of employment, conditions of employment, etc. Matters relating to the personal life of the worker do not constitute industrial dispute.

(6) Substantial Interest:

In matter relating to industrial dispute interest either of the employer or the worker must be involved.

(7) Related to Industry:

A dispute can be included in industrial dispute when it concerns with industry. Usually, disputes must belong to an industry which is functioning. Disputes belonging to an industry that has since been closed down should not be included in it.

(8) Clarification:

Industrial disputes should relate to matters which are clear. Unless, it is a transparent case its settlement is not possible. Matters which are clear find settlement easily. Concerned party can protect its interest when the issue is crystal clear.

(9) Origin:

Ordinarily, dispute arises when the workers or trade unions put up their demands before the employer and the latter refuses to consider them.

In short, it can be said that industrial dispute means lack of peace in industry. When in an industry, requirements of the two parties contradict each other industrial dispute raises its ugly head.

Industrial Dispute – 4 Different Types:

1. Interest Disputes
2. Disputes over Unfair Labour Practices
3. Grievance or Rights Disputes
4. Recognition Disputes

Industrial disputes can be classified on the following grounds:

Type # 1. Interest Disputes:

These conflicts are also called ‘conflicts of interest’ or ‘economic disputes’. Such disputes relate to the establishment of new terms and conditions of employment for the general body workers i.e., that affect the masses. Generally, such type of disputes originate from trade union demands or proposals for increase in wages or other emoluments, fringe benefits, job security or other terms of employment. These demands are put forth by the trade unions with a view to negotiate through collective bargaining and disputes when the parties fail in their negotiations to reach an agreement.

The terms ‘conflicts of interest’ and ‘economic disputes’ refer to the nature of issues involved. There are no set principles to arrive at a settlement of interest disputes, and recourse must be had to bargaining power, compromise, and sometimes a test of economic strength for the parties to arrive at an agreed solution. Such disputes are solved generally on ‘give and take’ basis.

Type # 2. Disputes over Unfair Labour Practices:

Such disputes arise over the malpractices adopted by the management against a worker or trade union. The examples of such malpractices may be discrimination against workers for their being members of the trade union or their involvement in union activities; interference, restraint or coercion of employees from exercising their right to organise, join or assist a union; establishment of employer sponsored union and coerce the workers to join such union; refusal to bargain with the recognized union; recruiting new employees during a strike which is not declared illegal; failure to implement an award, settlement or agreement; indulging in acts of violence. These practices are also known as ‘trade union victimization’. In some countries a procedure is given to settle such disputes. In the absence of any such procedure, the disputes are settled in accordance with the provisions of the Act relating to industrial disputes.

Type # 3. Grievance or Rights Disputes:

These disputes are also known as ‘conflicts of rights’ or ‘legal disputes’. They involve individual workers or a group of workers in the same group. In some countries, such disputes are called ‘individual disputes’. Such disputes arise from the day to day working relations of the workers and management, usually, as a protest by the workers or workers against an act of management that is considered to violate his or their legitimate right.

Grievances typically arise on such questions as discipline, promotion, transfer or dismissal of a worker, payment of wages, fringe benefits, overtime, retirement benefits, seniority work-rules, leave rules etc.,

which are against the practice and affect their rights adversely. In some cases, disputes arise especially over the interpretation and application of collective agreements.

Such grievances, if not dealt with according to the practice, may embitter the industrial relations and may result in industrial strife, 'conflict of rights' refer to the disputes based on alleged violation of an existing right or an alleged unfair treatment by the management. There are, more or less definite standard for resolving a dispute i.e., the relevant provision of the Act or collective agreement, employment contract, works rules or law, or customs or usage.

Type # 4. Recognition Disputes:

Such type of disputes arises when the management refused to recognise a trade union for purposes of collective bargaining. Issues under this category differ according to the cause that led the management to refuse recognition. Here the problem is that of attitude.

However the management refusal may be on the ground that the union requesting for recognition does not represent a specific number of Workers. In such case, resolution of issue depends upon whether the rules for recognition of a trade union exist or not. Such rules may be laid down by law, for they may be Conventional or derived from prevailing practices in the country.

Industrial Dispute – What are the Causes of Industrial Disputes: Economic Causes, Managerial Causes, Political Causes and More...

There has always been contradiction between the interests of employers and workers. Employer class has always adopted an indifferent attitude towards workers. Their tendency has always been to exploit the workers. Lack of human behaviour with workers, lack of proper working conditions, low wages and over-looking the interests of the workers are the things not new for the employers. It is the constant endeavour of the employers to keep the lion's share of the profit with them.

On the other hand, worker class wants good working conditions, more opportunities of development, participation in management and profit sharing. When employers do not adopt just and co-operative attitude towards labourers, there spreads discontentment among the latter. What follows is industrial conflict? When employers are more concerned with their vested interests and pay no attention to the reasonable and just demands of the workers then the latter indulge in such activities as aggravate industrial disputes.

Causes of industrial disputes can be divided into four major parts i.e., economic causes, managerial causes political causes and other causes.

The same are discussed in detail as under:

1. Economic Causes:

Most of the Industrial Disputes are due to economic causes. Directly or indirectly economic causes are at the back of industrial disputes.

Main economic causes are as under:

(1) Low Wages:

In industries wages are low. As a result, it becomes awfully difficult for the labourers to meet their minimum necessities. Labourers demand that wages should commensurate with the amount of work. Such a demand leads to industrial disputes. Demand for higher wage-rate is the most dominant cause leading to industrial disputes.

(2) Dearness Allowance:

Increasing cost of living is another factor responsible for industrial disputes. In order to neutralise it, workers demand additional remuneration in the form of dearness allowance. Rising prices are at the root of demand for dearness allowance and non-acceptance of this demand leads to industrial dispute.

(3) Industrial Profits:

Workers are an important part of production. Profits of the employers multiply because of the untiring labour of the workers. That they should not be treated as a part of machine is the persistent demand of the workers, rather they be considered as partner in production. On the basis of this concept, they demand share out of the increasing profit. When this profit-sharing demand is rejected by the employers, industrial dispute crops up.

(4) Bonus:

Demand for bonus is also a cause of industrial dispute. Workers consider bonus as deferred wage. Demand for payment of bonus constitutes cause of industrial dispute.

(5) Working Conditions:

In India working conditions of the workers are not satisfactory. Obsolescence of machines, lack of safety provisions, inadequate light arrangement, less moving space, lack of other necessary facilities, are the normal features of industrial units. Demand for better working conditions on the part of the workers also contributes to industrial disputes.

(6) Working Hours:

Hours of work is another matter of controversy between employers and workers. Despite legislation to this effect, it is always the intention of the employers to keep the workers engaged for long hours at low wages. It is opposed tooth and nail by the workers. Result is industrial dispute.

Other Causes:

- (i) Safety of work,
- (ii) Modernisation of machines,
- (iii) Pension, Gratuity, Provident Fund and other Beneficiary Schemes,
- (iv) Medical and accommodation facilities,
- (v) Leaves and Leaves with pay,
- (vi) Share in Profits.

2. Managerial Causes:

Success of an organisation depends largely on its managerial capacity. Growth of the organisation is based on the policies of the management. If the management pursues appropriate policies, development of the industrial unit will be automatic. But many a time, due to wrong policies of the management, disputes get accentuated.

Managerial causes of industrial dispute are as under:

(1) Non Recognition of Unions:

Employers' attitude towards trade unions has been antagonistic from the very beginning. They do not want that labourers should organise themselves. Hence, to prevent the workers from uniting, they refuse to recognise their unions. It leads to conflict between the employers and the workers. In order to create rift among the workers they deliberately recognise the rival union.

(2) Violation of Agreements:

Employers and workers do enter into agreements on various issues. On many occasions, the employers do not enforce these agreements nor do they strictly adhere to them. It also accounts for dispute between the two parties.

(3) Ill-Treatment by Managers and Supervisors:

Managers and supervisors consider themselves to be superior. It is under the influence of this superiority complex that they ill-treat the workers. The same is vehemently opposed by the trade unions.

(4) Defective Recruitment Procedure and Employees Development Policies:

Defective Recruitment system also gives rise to industrial disputes. Many a time, workers are recruited by the middlemen who get bribe from them. They take undue advantage of the helplessness of the workers.

Defective development policies like favoritisms in promotion, unnecessary and biased transfer, casual approach towards training facilities, on the part of employers also contribute to industrial disputes.

(5) Wrongful Retrenchment, Demotion and Termination:

Sometimes on account of fall in production labourers are retrenched. Those workers who take active part in trade union activities are demoted. Sometimes employers terminate the services of the workers without assigning any reason. All these provocative acts of the employers are not only strongly opposed by the trade unions but also serve as good cause for industrial disputes.

(6) Selfish Leadership:

Lack of right and effective leadership weakens the trade unions and the employer class takes advantage of it. In order to serve their selfish ends, these leaders enter into unholy alliance with the employers against the interests of the workers. Often this also becomes cause of dispute.

(7) Violation of Accepted Code of Conduct:

Code of conduct refers to the terms accepted by both the parties and both the parties are required to abide by it. Employers agree to all the codes on paper but fail to carry them out in practice. As a result, workers oppose it.

(8) Collective Bargaining and Workers' Participation in Management:

In the modern industrial world, labour class is seized with new awakening and is influenced by new concept of management. Trade unions, therefore, insist on workers' participation in management. By collective management they try to protect their interests to the maximum. The employers oppose it. The inevitable result is industrial dispute.

3. Political Causes:

Political causes are no less significant than economic and managerial causes in accounting for industrial disputes.

Chief among them are as under:

(1) Influence of Politics:

In a country like India, influence of politics on trade unions is clearly visible. Political parties have been using their influence on trade unions for their selfish ends. Parties mislead the unions and instigate industrial unrest.

(2) Trade Union Movement:

Ever since trade union movement got recognition, industrial disputes have multiplied. Many a time trade unions take undue advantage of their position and this results into industrial dispute.

(3) Strikes against the Government:

During the struggle for independence labour-class had taken leading part in it. Now this class directs its struggle against the government thereby adding fuel to industrial disputes.

Other Causes:

- (1) Government's inclination to support management.
- (2) Internal conflicts in Trade Unions.
- (3) Resistance to automation.
- (4) Influence of Communist thinking on labourers.
- (5) Effect of non-acceptance of Human Relations.

Percentage distribution of Industrial Disputes by causes between the period 2011 and 2012. In the recent years, indiscipline is major reason for industrial disputes. In 2011, the percentage of industrial disputes due to indiscipline was 41.6 while this percentage was reduced to 24.2 in 2013. Even that this is the only reason for industrial disputes.

After indiscipline, wages and allowances are the major factor of causing industrial disputes. In 2011 and 2012, the percentage of industrial disputes due to wages and allowances was 24.9 and 16.3 respectively. Beside this charter of demand, personnel, bonus etc. are important reasons of industrial disputes.

Industrial Dispute – 5 Negative Impacts:

1. Disruption in Production and Services
2. Impact on Employers
3. Impact on Workers
4. Impact on Society
5. Impact on National Economy

An industrial dispute can never be said to be a good choice. Consequences of industrial disputes are very far reaching, for they disturb the economic, social and political life of a country. They are no less than a war. In a war, casualties and sufferings are not confined to soldiers fighting on the front, so stoppage of work due to strike or any other mode resulting in stoppage of work does not affect the employees or the employers of the struck plant, but it affects the whole society or country.

Though it initially starts locally, a war has every possibility to engulf the entire humanity, so, industrial disputes may and do occasionally assume proportion affecting the entire economy. Strikes etc., in basic industries are more harmful engulfing the whole economy. It is like a big stone thrown into a pond causing ever widening waves till the entire pond is engulfed.

Some of the impacts of industrial disputes are:

Impact # 1. Disruption in Production and Services:

The industrial disputes result in huge wastage of man-days and dislocation of production work. A strike in public utility concerns like water and electric supply units, posts and telegraph or telephone's services, railways or roadways, any system of public conservancy or sanitation, hospitals, defence establishments etc., disturbs the whole public life and throws the economy out of gear. Consumers are subjected to untold hardships. If the struck commodity happens to be used in other production operations, then other producers also suffer.

When industrial dispute results in stoppage of work, supply position of the struck commodity becomes grim and prices of that commodity shoot up. The position becomes severe if the product is consumer goods of daily use.

Impact # 2. On Employers:

The employers also suffer heavy losses, not only through stoppage of work, reduction in sale and loss of market due to none or short supply of the product, but also in the form of huge expenditure on crushing down the strikes. They have to undertake publicity and propaganda to put their view point before the public.

Impact # 3. On Workers:

The workers are also badly affected in more than one ways. They lose their wages for the strike period. Sometimes, they lose their employment. They have to incur debts to meet their day-to-day expenses. Future prospects become dim. Disruption in family life, person hardship, mental agonies, tortures, and tensions develop and persist.

The workers are prosecuted, often intimidated, even victimised or beaten mercilessly by goondas, repressed by police. If strikes etc., fail, the workers, besides inflicting financial loss, are demoralised, disappointed and shake their confidence in trade unions.

Impact # 4. On Society/Public:

The public/society too, is not spared. Industrial unrest creates law and order problem, ceasing a huge additional expenditures out of public exchequer. Further, even when the disputes are settled, strife and bitterness continue to linger endangering happy social and industrial relations.

Impact # 5. On National Economy:

The industrial disputes also affect the national economy adversely when labour and equipment in the whole or any- part of the industry are rendered idle by strike or lock-out, national dividend (income) suffers a lot. It may happen in two ways on the one hand, by impoverishing the workers indulging in the stoppage of work, it lessens the demand of goods produced by other industries on the other hand, if the struck industry is such that supply goods and services to other industries, it lessens the supply of them of raw material or equipment to work. The result is loss in production, ultimately reducing the national income. Consequently, public expenditure on welfare of public is reduced. Development activities cannot be undertaken for want of finances.

In nutshell, the impact of industrial disputes is not good irrespective of the fact that succeeds—employer or employees. Each group employers, employees, consumers, society and the economy—suffers in one way or the other. So, industrial disputes should be avoided, by the interested parties, threshing out their differences through collective bargaining and voluntary arbitration.

Industrial Dispute – Measures Taken by Government for Prevention of Disputes

Prevention is always better than cure, is the principle for the establishment of machinery for prevention of industrial disputes before they arise. Various measures have been taken by the Government for the prevention of industrial disputes.

They are as under:

(I) Payment of Bonus Act:

As payment of bonus is one of the major cause of industrial disputes, the Government of India on the recommendation of Mehar Committee, appointed to study the entire issue of bonus, enacted the Payment of Bonus Act 1965 which is applicable to workers earning wages upto Rs. 1,600 p.m. (Basic + D.A.).

The Act is applicable to factories employing at least 20 or more workers. At present, the rate of bonus payable to industrial workers is minimum 8.33% and maximum 20% of their wages. Bonus Amendment Act 1980 also covers all banks and public sector undertakings not working for profits.

(II) Code of Discipline:

The Indian Labour Conference in 1958 evolved a Code of Discipline which was ratified by the central organizations of employers and workers. To ensure better discipline in industry, both the parties voluntarily agree to maintain and create an atmosphere of mutual trust and cooperation in the industrial

unit/ industry and to settle all the disputes and grievances by negotiations, conciliation and voluntary arbitration. Both parties will try to avoid direct action.

The Code, inter alia, lays down that:

- (a) There shall be no strike or lock-out without giving proper notice to other party.
- (b) No unilateral action shall be taken in connection with any industrial matter.
- (c) No deliberate damage shall be done to plant and machinery.
- (d) Awards and agreements should be speedily implemented.
- (e) Any action which disturbs cordial relations should be avoided.

(III) Industrial Truce Resolution:

A joint meeting of the central organisations of employers and employees was convened on November 3, 1962, in the wake of Chinese aggression. The meeting adopted an Industrial Truce Resolution agreeing that there should be maximum recourse to voluntary arbitration and envisages that all complaints pertaining to dismissal, discharge, victimisation and retrenchment of individual workman, not settled mutually should be settled through arbitration.

The Truce Resolution was aimed at the total elimination of work-stoppage, improvement in production and productivity, cost reduction etc., In accordance with the recommendation of the Indian Labour Conference held on July 1, 1963, a high level Standing Committee on Industrial Truce Resolution was set up under the chairmanship of the Labour Minister to review the implementation of Truce Resolution in all its aspects. The Standing Committee has since been amalgamated with the Central Implementation and Evaluation Committee in the Ministry of Labour.

(IV) Tripartite Machinery:

A number of tripartite bodies have been set up for the promotion of industrial peace. The Tripartite Machinery refers to various bodies composed of representatives of employers, employees and the Government.

The important tripartite bodies are the following:

(a) The Indian Labour Conference:

It is concerned with matters like promoting uniformity in labour legislations, procedures for the settlement of industrial disputes etc.

(b) The Industrial Committees:

These committees discuss the specific problems of industries for which they have been set up and submit their reports to the Indian Labour Conference (ILC), which coordinates their activities.

(c) The Central Implementation and Evaluation Committees:

These Committees are concerned with effective implementation of labour laws, awards, settlements etc.

(d) The Standing Labour Committee:

It considers all matters referred to it by the Indian Labour Conference or by the Central Government including the suggestions, by the employers, employees and State Governments concerning labour.

(e) The Committee on Conventions:

The Committee examines the ILO conventions and recommendations and explores the possibility or advisability of ratifying them to Indian conditions.

Industrial Dispute – How do you Settle Industrial Disputes (Machinery for Settlement of Disputes)

When a dispute has arisen i.e., it could not be prevented on voluntary basis, the Industrial Disputes Act 1947 provides several provisions for settling the disputes. A dispute settlement machinery has been evolved under the Act.

The machinery for settlement of disputes consists of several bodies which are:

1. Establishment of Works Committees:

In every industrial establishment employing 100 or more workers, it is compulsory to establish a works committee at the plant level to promote the measures for securing and preserving unity and good relations between the parties. There are equal number of representatives of workers and employer on the committee.

The main function of the works of committee is to remove causes of friction between the two parties which concern the factory life of workers. No mention of functions of works committee have been made in the Act but however in 1960 a tripartite committee of Indian Labour Conference prepared two lists of functions one for works to be dealt with and the other for works not to be dealt with by the works committees.

The works committee is to discuss such problems relating to grievances, complaints, matter of discipline, welfare problems such as health, safety, training, education and other personal problems which vitally affect the interests of the workers in general. The functions of these committees are purely of advisory character and no legal obligation is imposed upon employers to carry out the decisions arrived at in the meeting of works committee. This body has not played any conspicuous role in the past.

2. Grievance Settlement Authority:

The Industrial Disputes (Amendment) Act 1982 has provided for the setting up of a Grievance Settlement Authority and for reference of certain individual disputes to such authorities. Any employer employing one hundred or more workers on any day in the preceding twelve months, is required to provide for a Grievance Settlement Authority for settlement of industrial dispute relating to an individual. Where such dispute arises, the concerned worker or the trade union of which he is a member, may refer the dispute to the Authority for settlement. Any such reference shall not be referred to Board or Tribunal.

3. Conciliation Officer:

The appointment of conciliation officer is made by the Central or State Government for a particular region or industries in the state. The main duty of these officers is to bring the two parties together and help them resolve their differences. They can do everything to settle the dispute between the two parties amicably. He is bound to take decision within 14 days or such period as extended by the State Government from the date of registration of dispute.

If the dispute is settled through his good offices and an agreement is reached, he should send a report to the appropriate Government along with a memorandum of settlement signed by the parties to the dispute. In case, the dispute is not settled he should inform the appropriate Government about his failure, steps taken and the reasons for not being successful.

4. Court of Inquiry:

Where an industrial dispute remains unresolved by the efforts conciliation officer and the board of conciliation, the matter is referred to a court of inquiry. The court may consist of one or more independent persons. It will investigate the whole dispute and submit its report to the Government on the matters referred to it ordinarily within 6 months from the date of commencement of inquiry.

If settlement is not arrived at by the efforts of the above machinery, a three-tier machinery for compulsory adjudication is provided under the act. There are three types of semi-judicial bodies, i.e., labour courts, industrial tribunals and national tribunals.

5. Conciliation Board:

In case, the conciliation officer fails to resolve the dispute, the Government appoints a board of conciliation on adhoc basis for a particular dispute consisting of a Chairman and two to four persons representing the employer and the employees to bring the parties of disputes to sit together and thrash out their differences as referred to by the Government. The board reports the Government about the success or failure of its efforts, steps taken and reasons for its failure to bring about a settlement within 2 months from the date of reference of the dispute.

6. Labour Courts:

Such courts have been set up by the State Governments to go into the disputed orders of the employers dismissal, discharge and suspensions of employees by the management, legality or otherwise of any order passed by an employer under the standing orders, withdrawal of any concession or privilege, legality or otherwise or any strike or lock-out etc. These courts will award decision and send report to the Government.

7. Industrial Tribunals:

The State Government has been empowered to appoint as many industrial tribunals as it thinks proper, for the adjudication of disputes relating to wages, hours of work and rest, intervals, leave with pay, holidays, compensatory and other allowances, bonus, profit sharing, provident fund, gratuity, discipline, retrenchments closure of establishment etc. The tribunal will consist of a person of the rank of a high court judge. The adjudication of these tribunals is binding on both the parties.

8. National Tribunal:

Such tribunals are set up by the Central Government for the adjudication of industrial dispute which involve questions of national importance or which affect industrial establishments situated in more than one state. It gives decisions on matters referred to it by the Central Government. If any matter is referred to the National Tribunal by the Central Government the labour courts and industrial courts are barred from entertaining such disputes and if any such dispute, is pending before labour courts or tribunals, shall be deemed to be quashed.

Other Important Provisions:

a. Restrictions on Strikes and Lock-Outs:

The Act prohibits strikes and lock-outs in public utilities without sufficient notice as specified in the Act. The Act also prohibits strikes and lock-outs during pendency of proceedings relating to the dispute before the concerned authority and certain specified period after that. Further prohibition will also apply during the period in which a settlement or award is in operation in respect of any of the matters covered by the settlement or award.

b. Restriction of Layoff and Retrenchment:

The Industrial Disputes (Amendment) Act 1984 has provided that no industrial establishment employing 300 or more workers can lay off or retrench a worker without the prior permission of the Government at least three months before such layoff or retrenchment.

The Act also lays down the conditions of layoff and retrenchment, the right of laid off workmen for compensation, procedure for closing down an undertaking, compensation to workmen in case of closing down of undertaking.

c. Essential Services Maintenance (Ordinance) 1981:

The President of India has promulgated an ordinance on 26th July 1981, declaring a ban on strikes in essential services. These essential services are Railways, Post and Telegraph, Telephone, Ports, Air ports, Banks, units producing or refining petroleum products public conservancy services, defense establishments and hospitals etc. The Government has power to declare a service as essential by notification.

Thus, the Government has provided machinery for prevention and settlement of industrial disputes and also made certain other provisions to maintain industrial harmony.

MODULE-IV: INTERNATIONAL HRM

Introduction

International human resource management bears both functional and strategic resemblance to human resource management. Functionally it performs almost the same set of activities as human resource management – recruitment, selection, performance management, compensation, training, industrial relations, career management etc. Strategically international HRM is closely linked to the business strategy of the organization.

Hence international human resource management can be defined as the set of activities involved in hiring, managing performance, compensation, training and relations with employees hired to manage internal operations of a company, with a view to ensure the success of their international business and strategies.

International human resource management differs from domestic human resource management primarily in terms of the complexity associated with managing people across national boundaries.

International human resource management deals with at least three types of employees based on their country of origin:

1. Parent-Country Nationals (PCNs) – Employees belonging to the country where a company's headquarters are located are called as parent-country nationals or home country nationals.

2. Host-Country Nationals (HCNs) – Employees belonging to country where the company has set up a subsidiary or a manufacturing facility are called host- country nationals.

3. Third-Country Nationals (TCNs) – Employees who work in the home or host country facility of the company but are not nationals of either are called third- country nationals.

International HRM also means dealing with issues related to different countries, expatriation, repatriation, cross-cultural issues etc.

Dowling (1999) attributed to six factors that differentiate international from domestic HRM:

1. Wide range of HR activities.
2. Need for a broader perspective.
3. More Involvement in personal life of the employee.
4. Responsiveness to changes in staffing requirements as international strategy changes.
5. Higher risk exposure.
6. More external influences.

International human resource management (IHRM) is the process of procuring, allocating, and effectively utilizing human resources in a multinational corporation. If the MNC is simply exporting its products, with only a few small offices in foreign locations, then the task of the international HR manager is relatively simple.

However, in global firms human resource managers must achieve two somewhat conflicting strategic objectives. First, they must integrate human resource policies and practices across a number of subsidiaries in different countries so that overall corporate objectives can be achieved.

Pulapa Subba Rao defines international human resource management as, performing HRM and its related activities and arranging for related and necessary immigration facilities for prospective and current expatriate employees, by organizations operating in domestic and/or foreign countries.

At the same time, the approach to HRM must be sufficiently flexible to allow for significant differences in the type of HR policies and practices that are most effective in different business and cultural settings.

Organizations like Procter & Gamble, IBM, Pepsi and Coca Cola have had extensive International experience and their success can only be attributed to their capability of constantly deploying the right people at the right place, facilitating knowledge and innovation dissemination and constantly identifying and developing talents on a global basis.

Thus, for Ford which has a global HR perspective “The company requires understanding different cultures, what motivates people from different societies, and how they are reflected in the structure of international assignments”.

International Human Resource Management – Concept

International HRM is the process of acquiring, allocating, and utilizing human resources in a global business to achieve the stated objectives. Because of global context, international HRM is the interplay of three dimensions- HR activities, type of employees, and countries of operations.

The three dimensions of international HRM are described here briefly:

1. There are three broad activities in international HRM — procuring, allocating, and utilizing employees for international operations. These three broad activities cover all HR functions which are relevant for domestic operations and discussed in different parts of the text.
2. There are three types of employees in a multinational firm based on their place of origin — parent country nationals, host country nationals, and third country nationals. Parent country nationals (PCNs) are those whose origin is the country where the firm’s headquarters are located. Host country nationals (HCNs) are those whose origin is the country where the firm’s operations are located. Third country nationals (TCNs) are those whose origin is a country which is neither the home country nor the host country.
3. There are three types of countries involved in international HRM activities — home country, host country, and third country. Home country is the country of origin of the firm. Host country is the country in which operations of the firm are carried on. For a single firm, there may be many host countries. Third country is a country from where resources — human and other resources — are procured. There may be many third countries.

International Human Resource Management – Need

HRM activities are performed in a particular context. It implies that either different HRM activities may be required in a global firm as compared to the domestic firm or even if the HRM activities remain the same, there may be difference in the way of performing these activities.

There are four major contextual variables because of which HRM activities in a global firm differ from a domestic firm, hence the need for international HRM. These are cultural diversity, workforce diversity, language diversity, and economic diversity. Let us go through these variables and see how they affect HRM practices.

1. Cultural Diversity:

Culture of a country is one of the key factors which affect people-oriented processes, and HRM is a people-oriented process. Therefore, culture of a country has very significant impact on HRM practices. When we consider global perspective of HRM, we find cultural diversity along the globe, that is, cultures of two countries are not alike.

Cultural diversity exists on five dimensions- individualism versus collectivism, power orientation, uncertainty avoidance, masculinity versus femininity, and time orientation. Let us see how these dimensions affect human behaviour and, consequently, work practices.

1. Individualism versus Collectivism:

People differ in terms of individualism and collectivism. Individualism is the extent to which people place value on themselves; they define themselves by referring themselves as singular persons rather than as part of a group or organization. For them, individual tasks are more important than relationships. Collectivism is the extent to which people emphasize the good of the group or society.

They tend to base their identity on the group or organization to which they belong. Countries that value individualism are USA, Great Britain, Australia, Canada, Netherlands, and New Zealand. Countries that value collectivism are Japan, Columbia, Pakistan, Singapore, Venezuela, and Philippines.' India may be placed near to collectivism.

2. Power Orientation:

Power orientation, also known as orientation to authority, is the extent to which less powerful people accept the unequal distribution of power; people prefer to be in a situation where the authority is clearly understood and lines of authority are never bypassed. On the other hand, in a culture with less orientation to power, authority is not as highly respected and employees are quite comfortable circumventing lines of authority to accomplish jobs.

3. Uncertainty Avoidance:

Uncertainty avoidance, also known as preference for stability, is the extent to which people feel threatened by unknown situations and prefer to be in clear and unambiguous situations. In many countries, people prefer unambiguity while in many other countries, people can tolerate ambiguity.

4. Masculinity versus Femininity:

Masculinity or femininity, also known as degree of assertiveness or materialism, is the extent to which the dominant values in a society emphasize aggressiveness and the acquisition of money and material goods, rather than concern for people and overall quality of life.

In societies having masculinity characteristics, more emphasis is placed on ego goals such as career, money, etc., while in societies having femininity characteristics, more emphasis is placed on social goals such as relationships, helping others, etc.

5. Time Orientation:

Time orientation dimension divides people into two categories- long- term orientation and short-term orientation. People having long-term orientation focus on future, prefer to work on projects having a distant payoff, and have persistence and thrift. People having short-term orientation are more oriented towards past and present and have respect for traditions and social obligations.

The basic implication of cultural diversity is that same set of HRM practices is not suitable for all cultures; consideration has to be given about matching HRM practices with cultural characteristics of the countries concerned.

II. Workforce Diversity:

Workforce diversity is increasingly becoming common for large organizations even for domestic ones. However, in a global firm, additional workforce diversity emerges because of hiring personnel from different countries.

A typical global firm may draw its employees from three types of countries — home country (PCNs), host country (HCNs), and third country (TCNs). In a global firm, workforce diversity can also be seen in the context of employee mobility from one country to another country for performing jobs.

On this basis, an employee can be put in one of the following categories:

1. Expatriate — a parent country national sent on a long-term assignment to the host country operations.
2. Inpatriate — a host country national or third country national assigned to the home country of the company where it is headquartered.
3. Repatriate — an expatriate coming back to the home country at the end of a foreign assignment.

Workforce diversity implies that various categories of employees not only bring their skills and expertise but also their attitudes, motivation to work or not to work, feelings, and other personal characteristics. Managing such employees with pre-determined HRM practices may not be effective but contingency approach has to be adopted so that HRM practices become tailor-made.

III. Language Diversity:

Language is a medium of expression but employees coming from different countries have different languages. Though English is a very common language, it does not serve the purpose adequately as it does not cover the entire world. While employees coming from different countries may be encouraged to

learn the language of the host country for better dissemination of the information, it does not become feasible in many cases.

An alternative to this is to send multilingual communications. It implies that anything transmitted to employees should appear in more than one language to help the message get through. While there are no hard- and-fast rules in sending such messages, it appears safe to say that such a message should be transmitted in the languages the employees understand to ensure adequate coverage.

IV. Economic Diversity:

Economic diversity is expressed in terms of per capita income of different countries where a global company operates. Economic diversity is directly related to compensation management, that is, paying wages/salaries and other financial compensation to employees located in different countries.

One of the basic principles of paying to employees is that “there should be equity in paying to employees.” However, putting this principle in practice is difficult for a global company because its operations are located in different countries having different economic status. In such a situation, some kind of parity should be established based on the cost of living of host countries.

Diversity of various types in a global firm suggests that HRM practices have to be tailor- made to suit the local conditions.

International Human Resource Management – Various Roles Suggested by Researchers

The HR strategy and the degree of internalization determine the role or roles that HR assumes upon itself.

Various international human resource management roles suggested by various researchers are:

1. Champions of Processes:

This roles encompasses:

- a. Building commitment of the senior leadership.
- b. Training managers.
- c. Monitoring HR processes.

2. Guardian of Culture:

This includes:

- a. Supervision and management of implementation of global values and systems.
- b. Ensuring future leaders are sensitive and equipped to deal with global challenges.

3. Effective Political Influencer:

It means:

- a. Understanding internal labour market where a subsidiary is located.

- b. Managing the internal labour market for the global managers.

4. Network Leadership:

It includes:

- a. Building strong internal and external networks.
- b. Keeping abreast with latest trends and developments.
- c. Mobilizing resources to staff project teams effectively.

5. Builder:

This includes:

- a. Articulating various International HR management basics.
- b. Developing basic internal HR management practices at the beginning of internalization.

6. Change Partner:

This means:

- a. Continuously calibrating human resource management practices as the external environment changes.
- b. To enable the MNC to be agile in terms of its HR practices to meet the challenges of the environment and cash-on the business opportunities.

7. Navigator:

It encompasses:

- a. Competency development of the people and developing a competent organization.
- b. Balancing between long-term and short-term plans and goals.
- c. Balancing between global integration and local responsiveness.
- d. Balancing between change and status quo in an global environment

International Human Resource Management –Activities

Although the major activities of human resource management as practiced in international organizations, their scope, responsibilities, and authority may vary according to the size of the subsidiary. The policy making section may study the local situation and generate a report which will then submitted to the top management for approval. They themselves may not have the authority to formulate such policies.

Let us look at the major areas generally looked after by the human resource department:

1. Establishing or Reviewing Employment Policies:

Check their relevancy and applicability to International operations. For instance, Equal Employment Opportunity Policies relevant to the United States may not be applicable to the subsidiaries in overseas operations. Some countries allow only certain percentage of expatriates to be appointed in their subsidiaries.

Decisions regarding policies also must be made whether to fill all key positions with parent country nationals; appointment of home country nationals; appoint the best qualified irrespective of their nationality and so on.

The employment policies must be approved by the headquarters before they are being circulated to respective HR managers in various subsidiaries. Such policies also must be reviewed periodically to check for their workability and validity and proper changes must be incorporated.

Generally, a survey of American companies indicates the following steps used in finding the right people for jobs and placing them on the jobs after taking them through various steps of the selection process:

- a. Preliminary Screening at campus or company locations
- b. Issuing Application Forms to be completed
- c. Testing—Psychological or job-related
- d. Structured job interviews
- e. Reference checks
- f. Meeting with Department heads
- g. Physical examination
- h. Induction
- i. Placement on jobs
- j. Probations

Most of the above selection methods are transferable to the subsidiaries from the headquarters of the companies with the exception of a few items. Let us look at the items in somewhat detailed manner and see how the transferability takes place. If the subsidiary is not large, the human resource function will be placed under production head who will be in charge of the selection process and take care of most of the human resource functions and activities, with the help of one or two clerical personnel.

If the subsidiary is fairly big, then there will be a full-fledged human resource department with variety of responsibilities, each looking after one section and reporting to the subsidiary human resource manager. The manager will directly report to the Managing director of the company. At times, the manager will be a member of the executive committee and participates in policy making bodies.

2. Recruitment:

Recruitment and selection policies must be established taking local regulations and rules. Human resource plans must be drawn for the local operations annually and such information must be passed on to the headquarters for compilation of a cumulative plan for the whole corporation. Checks and verifications

must be made for the accuracy and relevancy for scheduled production and service operations of the subsidiary.

Such information must be updated annually or when and where changes have been made due to expansion of operations or retrenchment exercises due to economic slowdown or other human resource problems.

Since human resource policy issues are already covered, the decisions must be made as to whether recruit human resources from outside or look for them internally. If the focus is going to be from outside, then, identify the sources and established contacts with such sources. Such contacts would help public relations purposes also. Some multinational companies have a good rapport with schools and colleges in the community and make annual visits to such institutions for recruitment exercises.

Placing advertisements in the news media also serves as a good exercise not only for getting potential employees but also gets publicity to the company.

3. Selection Process:

The steps involved in the selection process must be examined to see their relevancy and applicability to the subsidiaries. For instance, the content and the information secured through application forms must be relevant and applicable to the local situation. Care must be exercised in importing such forms from parent company and using them in the subsidiary without incorporating the local content.

It may be easier to use imported application forms, but they may secure the right kind of information or the items in such forms may be understood by the applicant. Local laws must be taken into consideration rather than asking questions pertaining to laws and regulations in the country of parent organization.

The use of psychological tests is not that common in many Asian and African countries. The validity and reliability of these tests are not checked for accuracy and applicability. Although there are no laws pertaining to the use of these tests in India, they may pose language problems. The academic institutions started to use objective-centered tests for the entrance exams and as a result of these experiences, students and employees is slowly getting used to such tests.

The interviews are common features of selection program in many companies and there should not be any problem in this area of selection process. Students who apply for admissions into the educational institutions or for employment, appear for admission interviews or job interviews. They get used to preparing for these interviews and adequate training must be given to the interviewers to conduct such interviews and develop the capability to interpret the information obtained through the interview process.

In many companies using reference checks for obtaining the recommendations from the candidates previous employers or from the academic institutions has become a routine matter. The human resource

specialists must learn to use such information more productively for choosing the right candidate. The ability to interpret the most valuable information is not gained to an extent in the subsidiaries of international companies.

The interviews conducted by the technical supervisors, foremen, and managers are carried out in an informal manner. Some of the international companies, particularly, the global companies use structured approaches to carry out these interviews. At times, the senior people also sit in these interviews either as observers or to quiz the candidates. Some companies with good HR practices give practical tests to test the skill level of the candidates.

Once the interviewers have firmed up their mind to the acceptability of the candidate, they may send the potential employee for a physical examination to check the general health of the candidate. In some multinational companies, the candidates may be asked to go for some specialized tests, depending on the nature of work environment and the job.

If the individual is allergic to certain aspects of job, such as, chemicals, it is better to check that aspect in the early stages itself. This way some legal implications can be avoided. In one of the American companies, while an employee was asked to carry a heavy load, he suffered heart attack and ended up suing the company. If the company would have known the condition of the employee, this incident could have been avoided.

The human resource specialists in some international companies administer highly structured induction and orientation programs to those selected for jobs after the final interviews and checking of all records, including the reference checks. In recent years, most of the International companies seem to have well-structured selection programs.

Once the employees are placed on the jobs and their probationary period is completed, they are placed on regular jobs and their performance is observed and monitored. Proper guidance and counseling are offered to those who encounter difficulties whether in adjustments to the environment or in the learning process. Of course such things do not happen in all international companies. Generally, some employee turnover takes place during this period. But with proper built-in safeguards, such turnover can be minimized or eliminated.

International companies must be aware of and knowledgeable in laws pertaining to recruitment and selection of employees in a particular country. For instance, the Indian Government has laid down some laws pertaining to the recruitment and selection. As per these laws, reservations for Scheduled Caste, Tribes Backward Classes exist and certain percentage of jobs must be allocated for these groups.

As of now, such reservation does not apply to private sector companies. Child labor Protection Acts do apply to the Private sector companies also. The human resource department must be familiar with the Factories Act, Environmental Regulation Act (Anti- Pollution), and there are several legislative measures regarding purchase of land and constructing Factories.

The Equal Employment Opportunity Act implemented in the U.S may not apply to Indian subsidiaries. The immigration act in the U.S. has direct implication for hiring Indian employees for jobs in Indian companies in the U.S. Wherever Federal Government funding is secured, Federal Laws apply.

4. Performance Assessment:

Performance assessment is an essential part of the Human resource Management in many of the international companies. They may range from simple to complex assessment systems, such as Competency based systems. The employee's performance is evaluated periodically with a formalized assessment system.

Whatever approaches are chosen, the following seem to be the common objectives of a performance appraisal used in international companies:

1. To help the employees improve their current job performance.
2. To stimulate their interest in self-development
3. To provide an adequate supply of well-prepared employees for promotional exercises
4. To provide a tool for comparing employee s performance with salary for sound salary administration.
5. To provide opportunity to express his feelings about job related matters.
6. To foster good personal relations.
7. To encourage high standards of performance
8. To let each employee know where he or she stands.

In recent years, quite a number of international companies have imported Management By Objectives approach to the assessment system in their subsidiaries. With proper training, the system has become routine and accepted by the employees.

Such a system includes the following steps:

1. Agreement on duties and responsibilities of the subordinate's job between the boss and the subordinate.
2. Setting objectives in all areas of major responsibility
3. After setting the objectives, the subordinate submits them to his or her boss.
4. Reporting of progress to the boss.

5. At the end of the given period, the subordinate prepares an accomplishment report comparing performance to the set objectives.

6. The next important step is the appraisal interview where reasons for not accomplishing objectives are explored and corrective actions are suggested.

MBO is accepted as a way of life in many international companies and the human resource department gets the responsibility to make sure the system is in place and carried out effectively. According to Morrissey, the dynamism that can make MBO a potential force in organizations occurs only with the recognition that it is a human and not a mechanical process.

In many international organizations, performance assessment occupies an important place due its impact on providing feedback on the performance to the corporate headquarters or to the subsidiary heads. Due to its importance, this process is also known as Performance Improvement Management. The department heads and their subordinates are trained into conducting the appraisals and providing feedback to their subordinates.

The employee potentials are assessed for upgrading them and grooming them for higher level positions. Employee career strategies are linked to the feedback obtained from the performance appraisal outcomes. Setting up of career plans and strategies are not that common in many international companies.

This may be because of the availability of all types of employees when and where needed. Of course this attitude is changing and more and more subsidiaries are instituting career plans in their organizations. Although there are different approaches to career plans and career development, it is considered as a process of developing a personal strategy that is conceptually similar to a corporate strategy.

5. Training and Development:

Through Training and Development, international companies have contributed a great deal of education to the employees of their subsidiaries. In many organizations, a separate department is set up to look after this responsibility. Training improves the ability and knowledge of operative employees and development, improves the ability and knowledge of managerial personnel.

While training prepares the individual to meet the requirements of the job by upgrading their skills, development involves improving a manager's general knowledge to perform managerial responsibilities. Managers learn skills to make good decisions during class lectures and when get back to work, they apply such skills.

The international companies are known for imparting knowledge, skills, and techniques for new employees and skills need to upgrade for existing employees. The Japanese multinationals spend quite a bit of money, time, and effort for training employees at the shop-floor not only in Japan but also

wherever their subsidiaries are located. The quality consciousness is put into every employee. Small group activities are very common in Japanese companies. The Koreans also follow the Japanese example.

Some of the commonly used training programs in the subsidiaries of international companies are:

- a. Job instruction using models or prototypes
- b. Apprenticeship training or understudy
- c. Job rotation
- d. Lectures to provide theoretical aspects of job
- e. Coaching, especially low performers

Very systematically and objectively, the training needs are determined in the subsidiaries using the techniques learnt from the parent company. Through questionnaires, psychological assessments, and the feedback from performance assessment, the training needs are determined. Once the needs are determined, appropriate training and development methods are chosen and the trainees are selected. For managerial personnel, the feedback from performance assessment system comes as input for selecting the developmental methods.

The developmental methods cannot be simply taken from the headquarters and planted into the subsidiaries. Such efforts may not yield good results. What constitutes the success criteria in the local context must be examined systematically and then the relevant programs must be planned. The subsidiaries must analyze their own situations and try to isolate executive characteristics necessary to make their executives successful in those situations.

Once these factors are assessed, the developmental programs can be designed and program sessions can be planned. At times, managers are sent to the headquarters of the parent organization for gaining insights and education. The Japanese companies are very aggressive in this aspect. Executives get exposed to things as practiced in the corporate headquarters, especially the world's best run companies either in Japan, America or Europe. Visiting such places gives the managers firsthand knowledge and exposure. They are also indoctrinated into the philosophies and culture of the parent company.

Subsidiaries in many developing countries have set up institutes for providing vocational training. Some of them were funded by the agencies under the United Nations. The apprentice programs are still common in these countries. These are well-structured programs which provide classroom training as well as job training to the people who are coming out of vocational institutions which provide basic education.

Some of the commonly used developmental programs for executive level in subsidiaries are:

- a. Interviewing Skills
- b. Negotiation Skills

- c. Motivational methods
- d. Leadership styles
- e. Grievance handling skills
- f. Middle management development programs
- g. Executive development programs
- h. MBA level courses on a part-time basis.
- i. Use of local educational institutions

Multinationals use most of the above developmental programs. Moulton and Fickel stress that all development whether it takes place on or off the job is self-development individual has the ultimate responsibility for continuing growth as a person and as a professional manager on a defined career path.

Newer types of developmental methods and techniques are generally imported from the corporate headquarters and in some cases they are adapted to the local conditions. The local facilitators and trainers are used to deliver the message. The program content is also adapted to the local environment and situational conditions. At times, the trainers and consultants are brought in to deliver the programs with the assistance of subsidiary trainers.

6. Employee Compensation:

Compensation is a complex subject when it comes to International area of management. Conditions, systems, and legal aspects vary from country to country. If two or more countries are involved in determining salaries and benefits to their employees in world-wide locations, the complexity is further increased.

The parent organization may have to work out several policies, procedures, and methods acceptable to the employees in various subsidiaries. This particular area of business also involves governmental rules and regulations, economic conditions, pressures from the unions and things alike. The currency exchange rate will further complicate the issue. When people are moved from one country to another, the internationally accepted standards and norms have to be followed.

The expatriate managers may have to be compensated at a much higher level than the local managers. Their housing, travel, maintaining cars, special clothing allowances, maintenance expenses have to be added to their salaries. Their compensation package will take varying income tax rates in different countries. The tax reporting system to their respective governments is also too complex.

The same types of problems are experienced by the expatriates working for Subsidiaries of Indian companies. Bharat Forge, Tata's, Birla's, Ranbaxy, Infosys Technologies, and Oberoi are some

examples. They have to work out compensation packages to employees in different countries as per the local conditions and regulations caused by economic, political, and regulatory backgrounds.

In the compensation practices of multinational companies, variations occur. Different countries have different systems and policies to determine the salaries and reporting systems. The impact of national cultures on compensation determination was studied by Schuler and Rogovsky. Development of culture specific compensation practices based on status, performance, social benefits, and employee ownership plans were examined by the authors.

They tried to correlate these four factors with Hofstede's four dimensions of culture and found to be associated with comparative practices.

Generally, there are two common approaches to the determination of compensation in International companies. These are balance sheet approach and the Going rate approach. In this approach, the amount paid for income tax, expenses met for house rents and related expenses, goods and services payments, and discretionary expenses.

The differences between home country and the country of residence are figured out and if there is a difference, that difference will be compensated. Going rate approach refers to the market rate. In this approach, the salary structure of the host country is connected to the base salary. Some supplements are given consideration.

The National Employers' Federations or some consulting companies put out annual surveys which are used for determining salaries. Due to some complexities in figuring out the base salary, this approach is not favored. Only problem is figuring out the taxes and living expenses. The services of accounting firms and consulting companies are utilized in handling the compensation matters.

Besides salaries, the benefits offered by the company vary depending on the nationality of the company. While some are generous, others take a stringent approach. Some countries are generous in offering maternity benefits for their female employees. The mothers can get nearly ten month's salary for their pregnancy related expenses and given a few months of paid leave. Some countries go to the extent of granting four weeks of paternity leave.

Singapore has developed a very interesting system for compensating employees. This system is known as Flexible wage system. In recent years the single most important task facing international and local companies is handing wages and salaries according to changing environmental conditions. When the panic button is pressed, the human resource people look for short-term solutions which sometimes may get them into trouble.

There is a great deal of rigidity to traditional compensation systems based on collective bargaining agreements. Generally these agreements are for two or three years. The increments are predetermined at the time of collective negotiations and the employers are bound to go by the agreements irrespective of the prevailing economic conditions. Traditional wage systems also favor seniority rather than individual performance. Granting across the board increases without any consideration for individual performance leads to inequity.

A flexible wage system is one that gives discretionary power to the employer in determining compensation. Such power is essential when deteriorating and unfavorable economic conditions prevail. Without such power or flexibility, the employer may not be able to adjust to changing business conditions.

The power to manipulate wages and salaries does not mean that the employer can do anything at the will. In fact, such power places a greater degree of responsibility on the employer. This responsibility includes coming out with an equitable compensation system for a given economic situation.

The flexible wage system has certain principles in common. The basic wage and salary component of the system reflects the worth of the job. Usually, a job evaluation exercise is used to assess the relative worth of jobs in a company. Thus inequities in the existing compensation system must be removed, if the flexible wage system is going to be successful. The company's performance and productivity measures are considered in setting aside funds for the distribution of wages and salaries to increase, payments. Individual's performance is assessed through performance appraisal as a criterion for distributing payments to individual employees.

An important and critical element in the flexible wage system is the assessment of the individual's performance. Along with this is the need to convince the individual that the assessment is fair and objective. Without an effective appraisal system, a flexible wage system will not be a flexible wage system.

The flexible wage system and its accompanying appraisal system should not be used as a tool to justify one's actions. Rather, it should be used to demonstrate fairness. Now days, new models are being developed for more fair distribution of wages and salaries across the globe, taking Globalization into consideration. It is worth keeping an eye on the models and strategies for Wage and Salary Administration.

International Human Resource Management – Morgan's Model of International Human Resource Management

Morgan (1986) had developed a unique model to depict how IHRM works. He asserted that IHRM basically is comprised of three components, namely-

1. The wide spectrum of HR activities particularly with reference to the added responsibilities of the international HR managers in terms of managing cultural diversity and developing international executives.
2. The National/Country specific people and cultural categories involved in IHR activities and lastly
3. Types of international employees deployed in various international organizations.

1. HR Activities:

The HR activities on an International perspective can be broadly depicted as those of procurement, allocation and utilization of human resources in the organization. These activities include international human resource planning, staffing (recruitment, selection, induction and placement), performance management, training and development, compensation and reward management and managing international employee relations and industrial relations.

These HR activities with respect to an international scenario have a broad spectrum mainly in terms of the complexity created by country differences, level of control, cultural differences and so many factors influencing the international business environment.

2. Country Categories Involved in IHRM:

The model further depicts that in an international perspective three types of country categories may be involved, namely-

- a. The host country where the subsidiary could be located or be operating.
- b. The home country where the MNC/International firm could be headquartered.
- c. The “third-country” from where employees, capital and other resources like technology or logistics could be availed or procured by the organization.

3. Employee Categories Involved in IHRM:

Depending on the above country categories, the employees in an international perspective could be broadly classified as under:

- a. Host Country Nationals (HCNs) representing the employees hired from the host country.
- b. Parent Country Nationals (PCNs) representing the employees expatriated to the foreign subsidiary from the home country of the MNC.
- c. Third Country Nationals (TCNs) representing the employees deployed from third/other countries other than that of the home country of the MNC.

International Human Resource Management – Recruitment Policy

Companies operating outside their home countries, essentially, follow three ways of hiring executives:

1. Ethnocentrism:

It is a cultural attitude marked by the tendency to regard one's own culture as superior to others. Sending home country executives abroad – thinking that they will be able to deliver the goods – may be an appropriate strategy in the initial stages of expanding company operations worldwide as these officials know what to do immediately. At Royal Dutch Shell, for instance virtually all financial controllers around the world are Dutch nationals.

Often the other reasons advanced for ethnocentric staffing policies include- lack of qualified host country managerial talent, a desire to have a unified corporate culture, tight control and the keenness to transfer the parent company's core competencies (say, a specialised design skill) to a foreign subsidiary more expeditiously.

However, a policy of ethnocentrism is too narrow in its focus and may evoke strong negative reactions from local executives whose upward mobility is blocked.

There is also no guarantee that the expats will win over the hearts of local employees and offer positive contributions. In fact, failures of US expats range from 10% to 15%. European and Japanese expat failures are equally alarming, the costs of each such failure running to several thousands of dollars.

Too often expats are selected on the strength of their domestic track record. They are posted abroad without requisite cross-cultural training. The family factors stand completely discounted in the selection process. The rate of failures could be drastically reduced if these issues are properly addressed.

2. Polycentrism:

In the polycentric corporation, there is a conscious belief that only host country managers can ever really understand the culture and behaviour of the host country market; therefore, the foreign subsidiary should be managed by local people. The home-office headquarters, of course, is staffed by parent-country nationals.

Hiring nationals has many advantages. It eliminates language barriers, expensive training periods, cross-cultural adjustment problems of managers and their families. It also permits the firms to attract talented locals by offering an attractive compensation package. Many western MNCs have found that the key to success on foreign soil is to employ local people.

Analog Devices Inc. has achieved global success in a highly technical field by picking up local managers, training them extensively and then empowering them to hire and manage more local talent. Likewise,

global sales of Bausch & Lomb improved dramatically after putting the local managerial talent to good use.

3. Geocentrism:

Geocentrism assumes that management candidates must be searched on a global basis, without favouring anyone. The best manager for any specific position anywhere on the globe may be found in any of the countries in which the firm operates. Such a staffing policy seeks the best people for important jobs throughout the organisation, regardless of nationality. It helps to build a stronger and more consistent culture and set of values among the entire global management team.

‘Team members here are always interacting, networking and building bonds with each other, as they move from assignment to assignment, around the globe and participate in global development activities’. Colgate-Palmolive is an example of a company that hires the best person for the job regardless of nationality. It has been operating globally for more than 55 years, and its products are household names in more than 175 countries.

Fully 60 per cent of the company’s expatriates are from countries other than the United States and two of its last four CEOs were not US nationals. Moreover, all the top executives speak at least two languages and important meetings routinely take place all over the globe.

International Human Resource Management – Challenges

According to P. V. Morgan, International HRM is the result of an interplay among the three dimensions — human resource activities, types of employees and countries of operation. The complexities of operating in various countries and employing different national categories of workers is an important variable that differentiates domestic and international HRM, rather than any major differences between HRM activities performed.

Broadly stated, IHRM is “the process of procuring, allocating and effectively utilising human resources in a multinational corporation “. When compared to domestic human resources management, the scope of IHRM is very wide.

For example, while compensating people in India, the American MNC must keep in mind the expectations of locals, the competitor’s compensation structure, taxation problems of repatriates, TCN’s aspirations and a host of other issues that have a bearing on the psyche of employees possessing different skills and having different cultural backgrounds (both within and outside the country).

IHRM, thus, requires a much broader perspective, encompasses a greater scope of activities and is subject to much greater challenges than is domestic HRM.

International HRM can be a challenging exercise because of fairly obvious reasons:

I. Integration Issues:

It is difficult to push the right button at the right time, especially when managers operate from headquarters separated by distance. Controlling operations of subsidiary companies in different parts of the globe through remote control can be really taxing — especially in coordinating effort and put the same on track in sync with the established policies of a company.

II. Heterogeneous Functions:

International HRM can be very challenging when one takes a look at what international HR managers are supposed to handle in terms of variety and complexity — including issues relating to international hiring, placement, culture-specific training, compensation relating problems, administrative services to expatriates, carrying out appraisals from time to time, offering growth opportunities to the talented ones, putting out fires with labour, resolving conflicts and maintaining health labour-management relations, etc. The employees sent abroad on an assignment need to be taken care of in a special way. Their families too need to be taken care of including medical, educational, insurance, transportation benefits, etc. HR issues relating to the above are going to be impacted by a variety of factors which demand a closer examination.

International Human Resource Management – Issues

Some of the more basic issues involved in pertinent areas of global human resource management are explained below:

1. Staffing, Recruitment and Selection:

There are basically three ways to meet the requirements of manpower in foreign ventures. First, a foreign company may send persons of its home country to manage its affairs in the host country. Second, it can hire people of the host countries to meet its human resource requirements there. Third, it can also utilise the services of third country nationals. International HRM is now accepted as the key source of competitive advantage for international business.

In all cases, there have emerged certain norms regarding basic characteristics in international staffing. These are as follows – (i) cultural adaptability, (ii) strong communication skills, (iii) technical competence, (iv) professional expertise, (v) global experience, (vi) inter-personal skills, (vii) family flexibility and (viii) country or region specific considerations. Most of the multinational companies vie with each other to recruit candidates for technical and managerial positions from highly reputed technical

and management institutes offering them lucrative compensation packages and try to retain the services of the most talented ones.

Some of the advantages of staffing from the home country nationals are as follows – (i) greater control over activities of the organisation, (ii) acquisition of experience in local markets; (iii) greater efficiency in implementing business strategy and (iv) adequate understanding of culture of the host country. The disadvantages include the following – (i) difficulty in adoption to the foreign environment, (ii) problems of family adjustability and (iii) friction resulting from language barriers.

The major advantages of staffing from amongst the host country nationals are as follows – (i) elimination or reduction of language barriers; (ii) better understanding of host country's laws and regulations; (iii) reduction of hiring cost and (iv) reduced compensation package. The disadvantages include- (i) poor understanding of business objectives of host-country organisation and (ii) possibility of biases and favouritism in appointments.

The advantages of third country nationals in staffing are as follows – (i) better equipped with the use of international perspectives and (ii) possibility of low cost of hiring. Disadvantages are as follows – (i) poor understanding of political situations and national hostilities and (ii) resistance from the government and local people and functionaries in the organisation.

In India, major requirements of various categories of manpower needed by foreign companies are met by the people of the country itself. India has a bountiful of software engineers and analysts, technical and managerial personnel with adequate expertise and specialisation, skilled and unskilled workers. Most of the foreign MNCs operating in India utilise the services of the local people to manage their businesses in the country.

The use of information technology, Internet and the services of specialised and professional organisations have considerably made the task of hiring easy and convenient. Only in the case of top positions, the foreign companies generally prefer to fill them by personnel of their home countries.

Foreign companies having their business in India also have the advantage of not facing the rigours of laws related to management of human resources such as the Civil Rights Act of the USA, compulsions of co-determination of Germany and a few European countries and compulsory collective bargaining as in existence in the USA and a few European countries. Besides, they do not have to face the problems of visa restrictions, rigid immigration laws and regulation of supplies.

There are, however, legal constraints on dismissing, discharging, retrenching or otherwise separating specified categories of employees under the Industrial Disputes Act, 1947. Besides, most of these countries do not have to face problems of language and skill and expertise of personnel needed for

manning positions at various levels. These companies also have the advantage of outsourcing of specific operations, the facilities of which are in abundance in the country.

The Indian companies having their businesses abroad do not have to face many problems in recruitment and selection of suitable candidates for their enterprises as a sufficient number of qualified and competent people with managerial and technical skills and specialisation are available in the country for foreign assignments.

They can conveniently be sent to countries having English as the major language. Many of the Indian students acquire efficiency in different foreign languages, which do not only enhance their career prospects, but also contribute to the success of the enterprises in the host countries.

Only in a few cases, both the Indian and foreign companies avail of the services of third-country nationals.

2. Training and Development (T&D):

Training and Development is an important area which calls for special attention in international human resource management. Although a sufficient number of qualified people with requisite academic background is available in India, they need suitable training to develop skills and capabilities commensurate with requirements of jobs assigned to them.

Different foreign and Indian companies have their own specific areas of operations, and their needs for equipping employees with essential capabilities vary. In the situation of fierce competition among firms, it becomes imperative for them to keep their employees at the level of maximum efficiency.

It is the task of training and development programmes to ensure that employees at all levels of organisational hierarchy are effectively trained and developed keeping organisation's objective at the forefront. Some more notable areas of T&D programmes in international businesses comprise the following – (i) language efficiency, (ii) understanding of the social and political environment of the host countries; (iii) awareness of the cultural and social environment; (iv) adaptability to changing situations; (v) efficiency in the use of the computers, Internet and other electronic devices and (vi) the needs of employees' career development.

As the extent and dimension of competition, technology job requirements, market conditions and government policies change, so also it is necessary to arrange for suitable training programmes on a continuing basis. Some of the methods used for training of managers and executives in international perspective comprise job rotation training, simulation, conferences, case study and Internet-based training.

Many reputed companies have started laying increasing emphasis on professional development in order to enable employees to achieve their carrier-related goals. T&D programmes must also cover proper understanding of legal framework of the host countries including labour and social security laws and those related to compensation and personnel matters.

3. Compensation:

In international human resource management, compensation issues are of vital importance. Companies engaged in foreign businesses must offer lucrative compensation packages to all categories of employees in order to attract and retain talented and competent personnel.

It must also be emphasised that labour cost has increasingly become an important component of the total cost of business operations. Although the use of improved technology in various areas of business activities has tended to replace manpower by electronic and other devices, the total expenditure on wages and salaries has continued to rise.

While formulating compensation policies and determining compensation packages, it is necessary to give due consideration to the standard of living, prevailing rates of remuneration, statutory regulation of wages and fringes benefits, cost of medical care and income tax laws of the host countries. People of various countries prefer to work in gulf countries as their emoluments are income-tax free.

Labour laws of many countries also lay down minimum standards related to paid holidays, vacation time pay, maximum daily and weekly hours, minimum rates of wages statutorily fixed, liability of the employers in regard to social security benefits and payment of gratuity and bonus. As there are wide variations in practices in different countries of the world, international human resource management must take into account the implications of these variations.

Other pertinent aspects that deserve particular attention in international compensation management, especially in regard to higher positions, include the following – remuneration paid by competing firms; consistency with international standards; need for career development of employees; simplicity in administration; and stability in the retention of talents with a view to maintain the services of talented and indispensable executives. Many MNCs have started offering stock ownership and equity-based compensation, long-term incentives, profit-sharing and team-based remuneration to them.

4. Performance Appraisal:

Regular performance appraisal of various categories of functionaries in foreign business is also important in international human resource management. It is rather very difficult for the home- country management to evaluate performance of employees working abroad. The task of performance appraisal of such employees may be entrusted to competent appraisers of the host country.

However, the home-country management may formulate guidelines and lay down the standards for key jobs. Certain guidelines for appraisal may be related to objectives of assignment, emphasis on quantifiable measurement for the assignment, converting qualitative behaviour into quantifiable measurements, evaluating employees' performance on these measurements and making calculations of return on investment (ROI).

It is always desirable to provide feedback which can be helpful in making appraisal objective and transparent. Foreign companies sometimes have to face the problem of biases and prejudices by host-country appraisers, impact of unforeseen situations and also group-pressures. Many foreign companies have started increasing adoption of 360° appraisal. Email has generally been helpful in making both the appraiser and appraisee aware of the relevant issues in performance appraisal.

Certain Other Areas in International Human Resource Management:

A specific area deserving attention in international human resource management is the standards set by international and regional organisations in regard to the use of human resources. A particular mention may be made of the role of the ILO, European Union, (EU), South Asian Association for Regional Cooperation (SAARC), Association of South East Cooperation (APEC) and BRICS (Brazil, Russia, India, China and South Africa).

The ILO creates international standards of labour in the forms of Convention and Recommendation. Conventions are obligation-creating instruments. The member states ratifying a Convention are under the obligation to give effect to its provisions by enacting labour law or under collective agreement or in other ways. The MNCs operating in foreign countries must abide by the provisions of ratified Conventions as embodied in labour law, collective agreement or other instruments.

Similarly, the European Union also creates norms in various areas related to the use of human resources in the member countries. Some of these norms are related to industrial relations, workers' participation in management and rights and obligations of employers and unions. Some of the norms adopted by organisations in the Asian countries also have direct or indirect relevance to the use of human resources.

The areas of activities in domestic and international human resource management are not dissimilar, but the international HRM requires revamping and modifying them taking into account the dissimilarities in the cultural, political, economic and legal environment of the countries in which they operate.