



# UNIT-3

## Employee Relations

### Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Describe the Functions and Objectives of Industrial Relations
- ✓ Describe the Role of HR in Employee Relations

## Unit 3

### Employee Relations

Manpower and labour are connected fields. Satisfied labour is a basis for the development and prosperity of people. Correct development of human resources through objective-oriented training and relations is necessary for manpower management. With it, the internal and external labour markets are supplied with qualified and trained labour which provides for the needs of the industry. Thus, it also has sustained productive capacity to continuously contribute to industrial and economic growth.

Labour relations must be viewed as a vital part of management systems and techniques. They should not be viewed as something apart from management. Management practices are often the cause of changes in labour relations within organisations. For this reason, approaches to industrial relations must be understood against the background of theories and practices which relate to the management of enterprises and organisational behaviour. At present, the trend in human resources management and human relations is to give more emphasis to employee involvement, to amicable employer-employee relations and processes, and to practices that encourage them.

#### Concept and Scope of Industrial Relations

Industrial relations are quite a complex and delicate problem of modern society. They embody rapid changes, unrest, and disputes and disagreements across a national and international range. They are a concept that changes with societal patterns and social order, and the economic and political system of a country. They are about living together in order to produce efficiently, and they concern human wellbeing and industrial growth. This encompasses the network of employee and employer relations and the participation of the State. 'Industrial relations' is a term that refers to all relationships between all parties concerned with industry. These parties are the workers and the management representing the owners. Industrial relations comprise a wide and complex set of relationships between management and employees, management and unions, unions and employees, between employees themselves, and between all employees, employers and the government, all of whom are involved in industrial activities.

Defining Industrial Relations, we can accept the concepts of:

- rules for employment management;
- methods defining those rules;

- typology of those involved (employers and workers' organisations and representatives);
- state and institutional bodies;
- processes of interaction between these entities.

Industrial Relations can be defined as a way in which interests involved in the labour market are accommodated, mainly for the purpose of regulating employment relationships. The government and its agencies, through policies, laws, programmes and institutions, have an influence on these relationships and processes. Broader political, economic, technological, social and cultural characteristics of each country also influence those relationships.

Four main parties are actively associated with industrial relations systems. These are management, workers, organisations of workers and management, and of course, the state.

When using the term 'Industrial Relations', which refers to the relationship between two organised parties, workers can better represent employees and employers regarding matters of collective interests. The main aim of industrial relations is to secure the highest level of mutual understanding and goodwill between several interests that contribute to production and service activities. This relies especially on fair dealings and good working conditions, a friendly atmosphere, a high standard of living and the spirit of working together for a common cause; hence, all of these must be developed. Industrial relations can be looked at as an art form, the art of living together for the purpose of services and/or production. Therefore, it is not just about 'peace'; a lot more is involved.

### **Functions and Objectives of Industrial Relations**

An industrial relations system that ensures harmonious relationships and creates an environment that generates employee loyalty and mutual trust must be thorough and complete. Good industrial relations are often difficult to define because a good system of industrial relations entails complex relationships between:

- a) Workers (and their formal and informal groups, such as trade unions, organisations, and their representatives)
- b) Employers (and their managers and formal organisations like trade and professional associations)
- c) The government and legislation, government agencies, and 'independent' agencies like the Advisory, Conciliation and Arbitration Service.

Industrial Relations relate to the duties and obligations established by the employment relationship and the chief functions of the Industrial Relations Department and include the following:

- Creating Industrial Relations strategies and systems that support corporate priorities and planned direction.

Advising on the application and interpretation of industrial awards, agreements and the legislation that regulates aspects of employment.

- Liaising and negotiating with central agencies and unions.
- The provision of a framework for the conduct of industrial relations that is fair and just.
- The promotion of efficiency and productivity in the economy of the State.
- The promotion of participation in industrial relations by employers and employees at an enterprise or workplace level.
- Encouragement of participation in industrial relations by representative bodies of employees and employers and encouragement of responsible management and democratic control of those bodies.
- Facilitation of appropriate regulation of employment through awards, enterprise agreements, and other industrial means.
- The prevention and elimination of discrimination in the workplace and, in particular, the establishment of equal remuneration for men and women doing work of equal or comparable value.
- To provide for the resolution of industrial disputes by conciliation and, where necessary, by arbitration in a fair and swift manner and with a minimum of legal technicality.
- To encourage and facilitate co-operation.

Apart from the main aim of securing sound and healthy relations between employers and employees, industrial relations' other purposes are:

- The facilitation of production and productivity.
- The safeguarding of rights and interests of both labour and management by enlisting their cooperation.
- The achievement of sound, harmonious and mutually beneficial labour management relations.
- The avoidance of unhealthy atmospheres in the industry, especially work stoppages, strikes and lockouts.
- The establishment and maintenance of industrial democracy.

## The HRM Approach to Employee Relations

### The HRM Model

HRM philosophy has been translated into the following recommendations, which constitute the HRM model for employee relations:

- a desire for commitment – winning the 'hearts and minds' of employees to get them to identify with the organisation, to apply themselves more on its behalf and to remain in it, thus ensuring a return on their training and development;

- highlighting mutuality – this is important, as it is a way of trying to convey the message that ‘we are all in this together’ and that the interests of management and employees are one;
- the organisation of complementary forms of communication, such as team briefings, alongside traditional collective bargaining such as approaching employees directly as individuals or in groups rather than through their representatives;
- a change from collective bargaining to individual contracts;
- using employee involvement techniques such as quality circles or improvement groups;
- continuous pressure on quality – total quality management;
- more flexibility in working arrangements, including multi-skilling, to provide for the more effective use of human resources, sometimes accompanied by an agreement to provide secure employment for the ‘core’ workers;
- emphasis on teamwork;
- agreeable terms and conditions for all employees.

### **Role of the HR Function in Employee Relations**

Guidance and training, development and introduction to and maintenance of formal processes are all functions of HR. It does not do managers’ jobs for them; however, in their role as industrial relations specialists, HR consultants can deal with trade unions and their representatives directly. They also usually have some responsibility for maintaining involvement and participation processes and managing employee communications. HR specialists should play a major part in developing employee relations strategies and policies. These should aim to:

- achieve satisfactory employment relationships, taking particular account of the importance of psychological contracts;
- build stable and co-operative relationships with employees which recognise that they are stakeholders in the organisation;
- minimise any conflict;
- achieve commitment through employee involvement and communications processes;
- develop mutuality – a common interest in achieving the organisation’s goals through the development of organisational cultures based upon the shared values between management and employees;
- clarify industrial relations processes with trade unions and build harmonious relationships with them on a partnership basis.

## The Elements of Employee Relations

The elements of employee relations consist of the following:

- The formal and informal employment policies and practices of an organisation.
- The development, negotiation and application of formal systems, rules and procedures for collective bargaining, the handling of disputes and the regulation of employment. These help to determine the reward for effort and other conditions of employment, to protect the interests of both employees and their employers, and to regulate the ways in which employers treat their employees and how the employees are expected to behave at work.
- Policies and practices for the employees' voice and communications.
- The formal and informal processes that occur in the way of continuous interactions between managers and team leaders or supervisors on the one hand, and employee representatives and individuals on the other. These may occur within the framework of formal agreements but are often regulated by custom and practice and the climate of relationships that has been built up over the years.
- The philosophies and policies of the main players in the industrial relations scene, which are the government of the day, trade unions and management.
- A number of parties each with different roles, i.e. the state, management, employers' organisations, trade unions, individual managers and supervisors, HR managers, employee representatives or shop stewards, and employees.
- The legal structures.
- Institutions such as the Advisory, Conciliation and Arbitration Service (ACAS) and the employment tribunals.
- The bargaining structures, recognition, and procedural agreements and practices which have progressed to enable the formal system to operate.

## Employee Relations Processes

These processes consist of the approaches and methods approved by employers to deal with employees either individually or collectively through their trade unions.

The aspects of employee relations that deal with relations between employers and trade unions, or in other words, industrial relations processes, consist of:

- methods to recognise or de-recognise trade unions
- formal methods of collective bargaining
- partnership as an approach to employee relations
- informal day-to-day contacts on employment issues that occur in the workplace between management and trade union representatives or officials

- elements of the industrial relations scene, such as union membership in the workplace, check-offs and strikes.

## Employee Relations Policies

### Approaches to Employee Relations

Industrial Relations Services (1994) have identified four approaches to employee relations:

- *Adversarial*: the organisation decides what it wants to do and employees are expected to fit in. Employees' power can only be exercised by refusal to co-operate.
- *Traditional*: day-to-day working relationship is good but management proposes and the workforce reacts through its elected representatives.
- *Partnership*: the organisation involves employees in the identification and execution of organisational policies, but retains the right to manage.
- *Power-sharing*: employees are involved in both day-to-day and strategic decision-making.

### Policy Areas

Employee relations policies cover areas such as:

- *trade union recognition* – whether trade unions should be recognised or de-recognised, which union or unions the organisation prefers to deal with, and whether or not it is desirable to recognise only one union for collective bargaining and/or employee representational purposes;
- *collective bargaining* – the extent to which it should be centralised or decentralised and the range of areas to be covered by collective bargaining;
- *employee relations procedures* – the nature and scope of procedures for redundancy, grievance-handling and discipline;
- *participation and involvement* – the degree to which the organisation is willing to give employees a voice on matters that concern them;
- *partnership* – the degree to which a partnership approach is thought to be desirable;
- *the employment relationship* – the degree to which terms and conditions of employment should be governed by collective agreements or centred on individual contracts of employment (i.e. collectivism versus individualism);
- *harmonisation* - of terms and conditions of employment for staff and manual workers;
- *working arrangements* – the degree to which management has the right to control working arrangements without reference to trade unions or employees (this includes job-based or functional flexibility). When framing policies in these areas, organisations may be consciously or

unconsciously deciding on the extent to which they want to adopt the HRM approach to employee relations.

Circumstances of the organisation will determine how the employee relations policies evolve, depending upon the circumstances of the company, the management's values, traditional practices, and the power of trade unions.

Employee relations policies usually evolve in the light of the circumstances of the firm, traditional practices, the values of the management team and style, and the power of trade unions to wield influence.

## Employee Relations Strategies

### Nature and Purpose

Employee relations strategies specify how objectives are to be realised. These strategies must be distinguished from employee relations policies. Strategies are dynamic and deliver a sense of direction. They answer the question, 'how do we get from A to B?' Employee relations policies, in contrast, are focused on the here and now. Therefore, if the policies are intended to increase commitment, the strategy might consider how this could be achieved by a process of involvement and participation.

### Strategic Directions

Intentions conveyed by employee relations strategies can direct the company towards:

- changes in forms of recognition, including single-union recognition, or de-recognition
- changing forms and contents of procedural agreements; new bargaining structures including decentralisation or single-table bargaining
- the achievement of improved levels of commitment through participation or involvement
- intentionally bypassing trade union representatives to communicate directly with employees
- increasing the extent to which management controls operations in areas such as flexibility
- improving the employee relations environment in order to produce more co-operative and harmonious relationships
- developing a 'partnership' with trade unions, accepting that employees are stakeholders and that both parties will gain advantages when they work together. This could be described as a unitarist strategy aimed at increasing mutual commitment.

### Employee Relations Climate

Employee relations climates are representative of an organisation's management, its employees and their representatives, of the manner in which employee relations are handled, and how the different parties behave when dealing with one another. In this case, 'parties' refers to managers, employees and

trade unions. Employee relations climates can be seen as good, bad or indifferent. This depends on the perceptions about the extent to which:

- employees and management trust each other
- management treats employees in a fair and considerate manner
- management is open about its actions and intentions – employee relations policies and procedures are clear and transparent
- harmonious relationships are generally maintained on a day-to-day basis and result in willing co-operation rather than reluctant or resentful submission
- when any conflict arises, it is resolved without resorting to industrial action
- resolution is accomplished by integrative processes that result in a 'win-win' solution
- employees are generally committed to the interests of the organisation and management treats them as stakeholders whose interests should be protected as far as possible.

### **Improving the Climate**

Climate improvements can be achieved through the development of fair employee relations policies and procedures. They must be applied consistently. Team leaders and/or line managers should be trained and educated properly on suitable approaches as these are the people who are mostly responsible for the day-to-day handling of employee relations. Transparency is important and can be achieved through communication of policies to employees and a commitment improved by participation and involvement processes. Simply talking to employees, their trade unions or employee representatives can often identify any problems which need to be resolved. It is also important for organisations to address their obligations to their employees as stakeholders and take action to build trust.

### **Informal Employee Relations Processes**

When a team leader or line manager is dealing with an issue and is in contact with an employee representative, an employee him/herself, a group of employees or a shop steward, informal employee relationships are taking place. The issues may be about allocation, overtime, conditions, working methods, health and safety, achievement of output and quality standards, discipline and pay (in particular when a payment-by-results scheme is operating as this can be the cause of continuous arguments regarding standards, times, payments for waiting time, carrying out new tasks and any changes in earnings due to alleged managerial inefficiency).

Any grievances arising from any of the above issues should be handled by line managers and supervisors. They are expected to resolve them in a way that satisfies all parties without matters escalating to a formal grievance procedure. As line managers have been given responsibility for some personnel matters, the onus is on them to handle the issues as effectively as possible. An effective team leader is one who establishes a working relationship with the shop steward representing the staff. This

will enable any issues that come up on the shop floor, or with individual employees, to be handled and resolved amicably before they actually become a problem.

Establishing and maintaining a good employee relations environment is one of the major responsibilities of top management. They will have advice from personnel specialists, of course, but the environment is also influenced strongly by line manager and team leader behaviour. HR can assist in improving the effectiveness of the behaviour. This is done by identifying and clearly defining the required competencies, advising on the selection of supervisors, making sure supervisors are correctly trained, supporting the development of performance management processes which provide for the assessment level of competence achieved by line managers and team leaders in handling employee relations, or by delivering low-profile assistance and guidance when necessary.

### **Dealing with Unions and Associations**

The Trade Unions have grown to become one of the most powerful socio-economic institutions of the modern era. They emerged as a force to fill a vacuum and reconcile social and economic irregularities created by the Industrial Revolution. The basic principle in the formation of trade unions was the fact that individuals were becoming dispensable while employees collectively were indispensable. The philosophy was one of 'united we stand, divided we fall.' Governments were content to see employees at the mercy of mighty employers. Ordinary employees had no bargaining power and were no match for large employers. The supply of labour was higher and demand was lower. Employers hired people on their own terms and these were exploitative. The exploitation of labour reached a peak. The terms of contracts were regulated under the Breach of Contract Act, 1860, which was the general law of the land. Employees were extremely dissatisfied. Liberal democratic and revolutionary ideas which came from the American War of Independence, the French Revolution and thinkers such as Rousseau & Marx etc. fuelled the discontent, eventually paving the way for the 'trade union'.

### **Definition of Trade Union**

Trade union is defined as 'a continuous association of wage earners for the purpose of maintaining and improving the conditions of their working lives'. The Trade Union Act of 1926 describes trade unions as 'any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workers and employers, or for imposing restrictive conditions on the condition of any trade or business and includes any federation of two or more unions'.

Below the definition is examined in parts.

- A trade union is an association of employees or employers or independent workers.
- It is a relatively permanent formation of workers. It is not a temporary or casual combination of workers.

- It is formed in order to secure certain economic (such as better wages, better working and living conditions) and social (such as educational, recreational, medical, respect for individuals) benefits for members. Collective strength offers a sort of insurance cover enabling members to fight irrational, arbitrary and illegal actions of employers. Members can share their feelings, exchange notes and fight employers quite effectively whenever necessary.

A non-legislative and more recent definition of a union is 'an organisation of workers acting collectively who seek to protect and promote their mutual interests through collective bargaining' (De Cenzo & Robbins, 1993).

### Forms of Trade Unions

There are three forms of trade unions:

- 1) **Classical:** The main objective of a trade union is to collectively protect the interests of its members in the socio-economic-political system. Trade Unions express the needs, aspirations and wishes of the working class.
- 2) **Neo-classical:** This goes beyond classical objectives and attempts to improve on other wider issues such as tax relief and raising saving rates, etc.
- 3) **Revolutionary:** This is where a change in the system is brought about. It establishes the rule of the working class and can be achieved through means such as violence or the use of force.

### Functions of Trade Unions

The functions of trade unions are:

- a) **Militant or protective or intra-mutual functions:** These include protecting the workers' interests in matters such as securing higher wages, receiving more benefits, and job security, etc., through collective bargaining and direct action, such as strikes etc.
- b) **Fraternal or extramural functions:** These functions work to provide financial and non-financial assistance to workers during the periods of strikes and lock-outs, extension of medical facilities in case of sickness and accidents, provision of education, recreation, recreational and housing facilities, and provision of social and religious benefits, etc.
- c) **Political functions:** These functions include affiliating the union with a political party, assisting the political party to enrol members, donation collections and seeking the help of political parties during the periods of strikes and lock-outs.
- d) **Social functions:** These functions include carrying out social service activities, encouraging social responsibilities through different sections of society, such as educating the customers.

## Objectives of Trade Unions

Unions' main focus is to achieve the following objectives:

- a) **Wages and Salaries:** This is the most important subject in which trade unions are interested. Of course, this may be related to policy matters. Differences may arise in the process of their implementation. Within non-organised sectors, trade unions play a vital role in bargaining for better wages.
- b) **Working Conditions:** Trade unions are also concerned with safeguarding the health of workers and demand that management provide all the basic facilities such as proper lighting and ventilation, rest rooms, sanitation, safety equipment for the discharge of hazardous chemicals, drinking water, refreshment, minimum working hours, leave and rest, holidays with pay, job satisfaction, social security benefits and other welfare measures.
- c) **Discipline:** Trade unions conduct negotiations regarding the items with which employees' working conditions may be improved and also aim to protect the workers from management whenever workers become the victims of management's unilateral acts and disciplinary policies. This is seen as victimisation and may take the form of penal transfers, suspensions, dismissals, etc. The affected worker who is in such a situation is able to approach his/her trade union for help. The issue may be brought to the attention of management by the union which will clearly explain the injustice that is occurring; the union will then fight the management for justice on behalf of the employee. The victimised worker will be protected by the trade union.
- d) **Personnel Policies:** Trade unions will rally against improper implementation of personnel policies regarding recruitment, selection, promotions, transfers, training, etc.
- e) **Welfare:** As stated above, trade unions aim to promote the welfare of workers. Trade unions work as a guide, consulting authority and co-operating in overcoming workers' personnel problems. Unions may bring issues to the notice of management through collective bargaining meetings, negotiating over workers' problems regarding sanitation, quarters, hospitals and schools and colleges for their children's cultural and social advancement.
- f) **Employee-employer relations:** Amicable relations between employees and employers are absolutely essential for industrial peace. Trade unions always endeavour to achieve this. However, if the management of an organisation is mired in a bureaucratic attitude and unilateral thinking, this may lead to conflicts which can and usually do disrupt relations between workers and management. Trade unions, which represent all workers, may continually negotiate with management with the aim of promoting industrial peace.
- g) **Negotiating machinery:** Negotiations involve proposals made by one party and the counter proposals of the other party. The negotiation process will continue until all parties reach an agreement. Negotiations are based on the principle of 'give and take.' Trade unions protect the interests of workers through collective bargaining. Thus, the trade union works as the negotiating machinery.

#### h) **Safeguarding organisational health and the interests of the industry:**

Organisational health can be identified by the evolution of the grievance redressal and an examination of the methods that have been adopted to reduce absenteeism, labour turnover and the development of employee relations. The effective workings of trade unions may well achieve employee satisfaction. In this way trade unions help to reduce the levels of absenteeism and labour turnover and aid the development of suitable grievance settlement procedures. All these lead to harmonious industrial relations. As such, trade unions contribute to increases in productivity and production, discipline, and the quality of working environments.

### Role of Trade Unions

Adopting the model of Professor Clark Kerr, unions undertake the following roles:

- a) **Sectional Bargainer:** Interests of the workers at plant, industry, national-level multiplicity of unions, Crafts Unions, and White Collar Unions, etc.
- b) **Class Bargainer:** Unions, which represent the interest of the class as a whole, are known as “Class Bargainers”. Here are some examples of these types of Unions: France Agricultural Unions, Federations of Unions, and Civil Servants Union.
- c) **Agents of State:** As in the Russian Federation ensuring targets of production at a fixed price. In the 1974 Railway strike, INTUC stood behind the Government and its agent.
- d) **Partners in Social Control:** Co-determinator as in Germany. Examples are also found in Holland, France, Italy, and Sweden; some half-hearted attempts are also being made in India.
- e) **Unions’ role which can be termed as enemies of economic systems:** Driven by political ideologies rather than business compulsions. Leftist unions want to change the basic structure of the economy and gain control over it. Therefore, they encourage high wages, high bonuses etc. without much concern for the health of the economy.
- f) **Business-Oriented Role:** Here, unions consider the interests of the organisation along with the workers. They believe that their members’ fate is intricately linked with that of an organisation and they will either succeed or fail together.
- g) **Unions as Change Agents:** Leading the changes rather than being led by them, thus performing the pioneering role.

#### Further Reading:

- ✓ Nick Wilton (2011), *An Introduction to Human Resource Management*
- ✓ Michael Armstrong (2012), *Armstrong's Handbook of Human Resource Management Practice*
- ✓ Laurie Dicker (2003), *Employee Relations: How to Build Strong Relationships with Your Employees*