



UNIT-11

Employee Relations

Learning Outcomes

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

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

Unit 11

Employee Relations

Manpower and labour are connected fields. Satisfied labour is a basis for the development and prosperity for 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 qualified and trained labour which provides for the needs of the industry. In this way, it also has sustained productive capacity to continually contribute to the 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 often affect any changes in labour relations within organisations. For this reason, approaches to industrial relations must be understood through the background of theories and practices which relate to the management of enterprises and organisational behaviour. At present, the trend in human resource management and human relations is to give more emphasis to employee involvement, agreeable employer-employee relations and processes and also on practices that encourage them.

Concept and Scope of Industrial Relations

Industrial relations is quite a complex and delicate problem of modern society. It embodies rapid changes, unrests and disputes and disagreements on a national and international range. It is a concept that changes with societal patterns and social order, and the economic and political system of a country. It is about living together in order to produce efficiently, and is also about human well-being and industrial growth. This encompasses the network of employee and employer relations and also the participation of the State. 'Industrial relations' is a term that refers to all relationships between all parties concerned with industry. These parties that are related to the industry are workers and management representing the owners. Industrial relations indicates a wide and complex set of relationships between management and employees, management and union, unions and employees, between employees themselves and also all employees, employers and government which come out of industrial activities.

As an Industrial Relations definition we can accept the concept of:

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

- typology of those involved (employers and workers' organisations and representatives;
- state and institutional bodies; and
- 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.

There are four main parties that 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. Securing the highest level of mutual understanding and goodwill between several interests that contribute to production and service activities is the main aim of industrial relations. It relies especially on fair dealings and good working conditions, a friendly atmosphere, high standard of living and the spirit of working together for a common cause, so all 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.' It is about a lot more.

Functions and Objectives of Industrial Relations

An industrial relations system in which relationships are harmonious and create an environment that generates employee loyalty and mutual trust is one that is a thorough and complete one. 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 Industrial Relations Department and include:

- 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, which 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 to ensure 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 bringing 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, lockouts, and,
- 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 to try to get the message across 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 briefing, 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; and
- 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, however, do managers’ jobs for them but, 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 also managing employee communications. HR specialists should have 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; and
- 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 formal and informal employment policies and practices of an organisation.
- The development, negotiation and application of formal systems, rules and procedures for collective bargaining, and dispute handling and regulating 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 employee 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 happen 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 which are 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, the check-offs, and strikes.

Employee Relations Policies

Approaches to Employee Relations

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

- *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 derecognised, which union or unions the organisation favours dealing 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 (ie collectivism versus individualism);
- *harmonization* - 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 of 'how do we get from A to B?' Employee relations policies, in contrast, are focussed on right here and right now. Therefore, if the policies are there to increase commitment then 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 content 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 like 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 aiming 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 also 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 one another
- 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 resort to industrial action, and
- 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 is 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 done 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, then 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 and all grievances which arise from any of the above issues are the responsibility of line managers and supervisors to handle. They are expected to resolve them in a way that satisfies all parties without it escalating to a formal grievance procedure. Because line managers have been handed responsibility for some personnel matters, the onus is on them to handle the issues as effectively as possible. A team leader who is effective is one who establishes a working relationship with the shop steward who represents his/her staff. This

will enable any issues that come up on the shop floor, or with individual employees, to be handled and resolved agreeably 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 identification and clear definition of what competencies are required, 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 line managers and team leaders achieve 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 originated to fill a vacuum that was created by the industrial revolution. They emerged as a force to reconcile social and economic irregularities created by the Industrial Revolution. Because individuals were becoming dispensable but collectively employees were indispensable, this was the basic principle for the trade union formation. The philosophy was one of 'united we stand, divided we fall.' Governments allowed employees to be at the mercy of mighty employers. Ordinary employees had no bargaining power and were no match for big time employers. The supply of labour was higher and demand was lower. Employers hired people on their own terms and these were exploitative. Exploiting labour came to 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 like Rousseau & Marks etc. fuelled the discontentment and eventually the way for the 'trade union' was paved.

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.

- Trade union is an association either of employees or employers or of 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 (like better wages, better working and living conditions), social (such as educational, recreational, medical, respect for individual) benefits to members. Collective strength offers a sort of insurance cover to members to fight against irrational, arbitrary and illegal actions of employers. Members can share their feelings, exchange notes and fight employers quite effectively whenever employers go off the track.

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 like 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 done 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 things like getting more wages, providing 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 during sickness and casualties, 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 freeing social responsibilities through different sections of society like 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 that trade unions are interested in. Of course, this may be related to policy matters. Differences may arise in the process of their implementation. Within unorganised 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 provides all the basic facilities like proper lighting and ventilation, rest rooms, sanitation, safety equipment for the discharge of hazardous chemicals, drinking, 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 come in the form of penal transfers, suspensions, dismissals, etc. The affected worker who is in such a situation is able to go to his/her trade union. The issue may be brought to the attention of management by the union and it will give a clear explanation of what injustice is occurring, then the union will fight 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 are there for the welfare of workers. Trade unions work as a guide, consulting authority and co-operating in overcoming the personnel problems of workers. Unions may bring issues to the notice of management and they may do this through collective bargaining meetings, negotiating re the difficulties of workers regarding sanitation, quarters, hospitals and schools and colleges for their children's cultural and social issues.
- f) **Employee-employer relations:** Agreeable 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 interest of the industry:**

Organisational health can be identified by the evolution of the grievance redressal and a look at what methods 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 assist in reducing the levels of absenteeism, labour turnover and 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 Union, 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 Government and its agent.
- d) **Partners in Social Control:** Co-determinator as in Germany. Also, some examples are 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 want to have 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 workers. They think 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 be led by them and 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*