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## WHAT INFLUENCES HARMONIOUS EMPLOYEE RELATIONS?

# RAHUL SETH STUDENT XAVIER LABOUR RELATIONS INSTITUTE JAMSHEDPUR

## **ABSTRACT**

Harmony in employee relations is influenced by the presence or absence of human values in the employment relationship which can be explained by the social exchange theory in an institutional context. Human values such as fairness, equity, trust, individualism and collectivism are experienced by the employees through elements of organizational design, such as job design, organizational structure, culture, etc. In a broader context that exists beyond individual consideration, employee relations are influenced by regulations of the State, collective bargaining scenario, changing workforce demographics, communication, employee's participation and management practices. The actual influence of these factors is shaped by the overall context of the environment that they operate in. Thus, the nature of influence is not constant but needs to be managed properly to ensure harmony in employee relations. Organizations today need to operate according to the systems approach where multiple processes and actors interact and influence employee relations.

## **KEYWORDS**

Collective Bargaining, Employee Relations, Participation, Trust.

## INTRODUCTION

mployee relations is the study of relationship between an organization and its employees. This covers the full range of interactions and communications between employers and employees, and also the processes by which they adjust to the needs and wants of each other.

There are a number of factors that influence harmonious employee relations, and they arise largely because the relationship is of social exchange.

The first among them is fairness. Social exchange theory says that the basic motivation for individuals to enter into a relationship is the rewards that they expect to obtain. However, an exchange relationship not only brings benefits to the parties; they also incur costs. Indeed, it is because both parties incur costs that they feel that the other person is under some obligation to provide benefits. In addition, because people are usually realistic enough to recognize that their benefits are the other person's costs, they feel obliged to provide some benefits in return. This means that each participant has a ratio of costs to benefits. For the relationship to come into existence both parties must see their own exchange as fair. They are likely to expect that if their own costs rise, benefits will go up to keep the balance the same. If this does not happen, the relationship becomes rather one-sided. For example, in a harsh recessionary climate, where profits are under pressure and there is a surplus of people looking for jobs, management may have a very modest idea of a 'fair' wage rise. Employees, in the absence of a rise that compensates the increase in their living costs, see the management's offer as unfair and respond accordingly.

However, because there are no absolute standards of a fair exchange, fairness is evaluated in comparison with some other individuals, i.e. equity. If employer or employee feels a sense of 'relative deprivation', it often leads to disharmony.

No employee relations can exist without trust. However, while trust is an interpersonal process, it is important that the organizational design makes a trusting relationship more likely to occur. This is called institutionalized trust. The way that jobs, and the rules that regulate jobs, are designed in organizations tends to express management's degree of faith in the workforce (Qianhong, 2004). For example, if jobs are designed to give employees very little discretion, and work rules imply supervision, the situation is often interpreted by people concerned as a signal that they are not trusted. Trust tends to beget trust in return, and mistrust begets mistrust.

The final issue is individualism versus collectivism. Our whole conception of democracy hinges on the freedom of individuals to express their feelings and thoughts in action, the idea that the individual is paramount is almost a sacred tenet of our society. However, society itself has laws which it devises for the collective well-being of all its members, and requires that individuals observe them. The very idea of a 'wider society' contains a strong recognition of collective interests. In organizations, although the contract of employment views the relationship to be an individual one, organizations are not designed in this way. They are structured into departments that have their own rules, that is, organizations are divided into collectivit-ies. It is therefore hardly surprising that employees will act collectively to improve their lot, or defend themselves individually against unfair practices.

Such values are affected by elements of organizational design such as performance management systems, job design, reporting relationships and organizational culture, among others. These themes are broadly manifested through various factors and institutions that influence harmony in employee relations. This paper discusses such factors particularly in the Indian context.

## THE STATE

India is a democracy in a developing economy. Industrial harmony is essential for economic prosperity and maintaining the social fabric of the society. State plays the dual role of containing industrial disputes and providing benefits to the workers. Post-independence, there was a large proportion of workforce that was socially and economically very weak and the constitution also, in Articles 39 to 43, inspires regulation of employee relations. The State thus enacted several regulations furthering the Directive Principles that:

- Provide benefits (e.g. Factories Act, Minimum Wages Act)
- Regulate & Resolve disputes (e.g. Industrial Disputes Act)
- Foster goodwill (e.g. Works Committee)

This resulted in a tripartite system of employee relations with the State becoming a key player in promoting industrial harmony. Decades up to liberalisation in 1990s witnessed deeply active interventions of State in employee relations. However, with the changing economic and demographic realities, the State's role has transformed from that of an interventionist to the role of developer of capabilities of employers and employees to work collaboratively (Jason Heyes, 2011). In fact, some important policies are now reformed because they are doing more bad than good in the changed context. An example is of the West Bengal and Karnataka governments bringing IT and BPO establishments under essential utilities (ICC, 2003); a move that would discourage strikes. Similarly, it has exempted such establishments from Industrial Employment (Standing Orders) Act with the objective of promoting overall progress and thus harmonious employee relations (Trilegal, 2013).

## INVOLVEMENT AND PARTICIPATION

The statute provides for Worker Directors, Joint Management Councils, and worker committees. But these have remained more an object of compliance and have somewhat failed due to conflicts of interests. However, organizations are now proactively engaging the employees through quality circles, TQM, joint consultation, profits sharing and other task related methods. Not only does it increases harmony in employee relations but it also improves business effectiveness.

#### **COLLECTIVE BARGAINING**

The essence of any collective organization is that, as individuals, its employees are relatively powerless vis-à-vis the employer. Thus it marshals their collective strength to redress the power disadvantage. Through collective bargaining employees relate with each other and are represented as a strong 'one voice'.

This resulted in Trade Unions. Contrary to their reasons origin, the class struggle, trade unions have gone a long way and are key influencers in promotion of industrial harmony. Trade Unions use collective bargaining to reach agreement on the rules that regulate employment relationship. Employees in earlier days, had pluralistic commitment to the union and the employer.

However, with the changing values and context on the workforce, employees now are moving to a unitary commitment, i.e., commitment and allegiance to the employer over the union.

#### COMMUNICATION

The "Union-Management" relationship has been through several phases ever since the emergence of the trade unionism movement in the country. This relationship has not only shaped the nature of communication, but also the "hierarchy" of communication in organizations. As such, organisational communication in general tends to shape the power structure in organisations.

Until a few years back the Union was seen as the primary interface between the employees and the management, as shown in fig. 1. This relationship, being the basis for industrial democracy, key industrial decisions ranging from long term settlements to other change management processes in the factories, were taken on the foundation of this relationship. The shop floor employees of the older generation, were also very comfortable in this relationship, where after having elected their representatives, key decisions ranging from their welfare, to benefits, to their working conditions, etc. were left in the trust worthy hands of the elected union representatives.

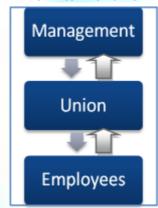
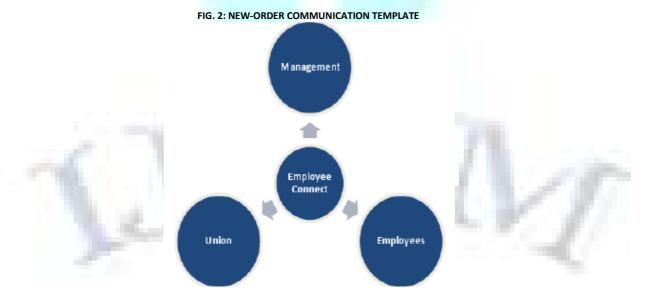


FIG. 1: TRADITIONAL COMMUNICATION HIERARCHY

This also made the task of management easier, having to deal with a fewer set of representatives, on behalf of the entire workforce. This shaped up the traditional communication hierarchy and also formed the basis of the power structure for the union representatives.

Over the last few years, the demographics of the work force in the Indian manufacturing sector, have seen a major shift (Twelfth Planning Commission). There has been an emergence of the new age workforce, a product of the demographic dividend, and a trend which will only increase with time. With rapid urbanisation, penetration of the social media and mobile telephony, this new age workforce is well educated, well informed, much younger and with high aspirations.

This shift in the communication framework and the need to establish direct connect (as shown in fig. 2) with the work force may create a potential conflict in the traditional union-management relationship. The unions could see this as a potential shift in the "power "centre and a step towards shifting the traditional bargaining process from the collective to the individual.



**MANAGEMENT INITIATIVES** 

The employer has traditionally been the stronger party in an employment contract. Therefore, it has a strong influence on employee relations. From a reactive approach to managing employee relations, managers today are turning to a proactive approach where they continuously manage employee relations with the dual objective of promoting industrial harmony and improving business effectiveness through committed employees (Lauge B.R.).

Employers are tirelessly striving to create a motivated workforce through fairness in workplace, rewards and recognition, learning and development opportunities and workers participation and involvement in the workplace. All this is inspired by the need to maintain external equity and get the best talent so that employers get a fair share of their bargain.

### OTHER MACRO-ENVIRONMENTAL FACTORS

In addition to the above factors, some external factors outside the scope of employment relationship also influence harmony in employee relations. They are:

#### POLITICAL ENVIRONMENT

The ideology and governance mechanism of the State influences the nature of employee relations. For example, a Communist State shall promote the welfare of all the citizens and public ownership. It prevents concentration of capital and hence equality. On the contrary, a Capitalistic economy promotes the growth of wealth, even though its concentration as well (Johan N., 2013). The actual influence of the two systems on industrial harmony depends very much on its society's social fabric: the culture and values of its people.

#### MACRO-ECONOMIC ENVIRONMENT

Changes in variables such as inflation increase the cost of living. Pay, which forms the sine-qua-non for an employee to enter into the employment contract, must be fair enough to reflect such changes in economic environment. If this does not happen, employee feels he is disadvantaged in the bargain and this disrupts harmony in employee relations.

#### COMPETITION

Increase in consumerism and liberalization has increased the competition in between organizations. This has had two pronged effects.

On the one hand, employer can now fairly ask for employees to drive greater efficiencies, thereby largely benefitting the employer. This has also resulted in headcount 'rationalization' and lay-offs of regular workers and increase in **contract workers**. However, the disadvantaging conditions of a 'contract for employment' has resulted in much disharmony, as happened in the case of Maruti incident (Anuradaha Shukla, 2012).

On the other hand, this has also created a war for talent, where employers are now competing for talent acquisition and retention. They are offering great Employee Value Propositions to employees in order to engage them. This has provided the employees an opportunity of a fair bargain.

#### CONCLUSION

It is understood that the human values such as fairness, equity, collectivism versus individualism, etc. influence employee relations. In addition to these factors, there are other factors such as the State, collective bargaining, employee involvement, communication and management practices that influence harmony in employee relations. There needs to be a balance between the benefits and costs of the two parties that enter into an employment contract. However, the nature of influence of all factors is influenced by the changing socio-economic context in which they operate. As such, there is no one stop solution for maintaining employee relations harmony. It has to be managed in the context of its environment. Organizations need to take a systems approach and manage the influence of a variety of factors on employee relations. Only then a balance between the influencers can be achieved and a harmonious industrial environment can be guaranteed.

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