

Role of Industrial Relations (IR) in Public Sector Enterprises : The Indian Scenario

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Abstract

The relationship between labour and management became very complex and neither party had any faith or confidence in each other. The big business concerns growing at a fast pace, the labour problems demanded an intelligent solution. Now, we have different labour enactments and judicial decision, which play a major role in regulating industrial relations. For maintaining harmonious labour management relations and for creating a climate of mutual confidence and trust between management and employees, public sector was expected to serve as a model employer and pace maker for rest of the economy.

For long, the Indian industry had enjoyed the parental affection of the government under various pleas of socialism, welfare state, economic and industrial development, etc. Now it had to fight for itself for its very survival against the global giants on its own. Against this backdrop, we can proceed to analyse the significance of the present study. With the winds of change sweeping across the length and breadth of our country, the industrial relations (IR) situation cannot possibly remain a mute spectator to such nation-wide transition. Thus, the author has chosen the topic "Role of Industrial Relations in Public Sector Enterprises : The Indian Scenario." IR in future may move in the direction of comradeship between the two main IR protagonists — management and trade union. With the terms of debate already showing signs of drastic change, IR in future will be governed by a totally new set of parameters. There is gradual realization by both the partners that to survive, both have to surrender their sectional interests at the alter of the superordinate interest of the economy.

1. INTRODUCTION

In the beginning of the modern industrial society, the relationship between labour and management was informal, personal and intimate but with the accelerated development of industry, there are vast changes in composition of working class, in work environment, in social economic status of workers, in their attitudes to work, in management's ideology, in role of the state and in thinking of the community at large. These all have a considerable bearing on the state of relationship between labour and management.

The labour was very submissive and they were not organized to know their rights and duties. As a result, the relationship between the employers and their employees was informal. But, with the passage of time, the worker became organized and started demanding for better working conditions, higher wages, well-

defined working hours and more in terms of welfare activities whereas the employer was only interested in more production with long working hours, unhygienic conditions and lower wages. Such problems led to low production, industrial disputes, strikes, lockouts etc. The relationship between labour and management became very complex and neither party had any faith or confidence in each other. The big business concerns growing at a fast pace, the labour problems demanded an intelligent solution. Now, we have different labour enactments and judicial decision, which play a major role in regulating industrial relations. For maintaining harmonious labour management relations and for creating a climate of mutual confidence and trust between management and employees, public sector was expected to serve as a model employer and pace maker for rest of the economy. But, public sector enterprises since their inception have been a victim of

industrial disputes over the last many years.

Here, it is important to mention that, “All approaches of analysing industrial relations stem from the fact that there are two sections of people having divergent interests working for a common goal” (Chaudhuri, 1995). The interaction of these two sections-management and trade union-is better known as industrial relations. To resolve the conflict between these two parties, the third party-the government-comes on the scene. Essentially, industrial relations is not the study of the presence or absence of conflict or cooperation, but the study of the parameters of conflict and cooperation. If the parameters of conflict and cooperation were towards the ultimate goal of the organization, then the IR situation can be said to be healthy. The first half of the topic addresses itself to the question as to how far the IR partners have read the writings on the wall and how far they are prepared to give up their earlier stand in terms of the parameters of agreeability and disagreeability.

2. THE DETERMINANT OF INDUSTRIAL RELATIONS

It is true that industrial relations can perform a number of functions and their scope and effects can be wide-spread and far-reaching. Good industrial relations, not only maintain cordial atmosphere in the industry, but also facilitate production and industrial growth. They also safeguard the rights of the workers and the prestige and interest of the management. The three parties who are primarily concerned with industrial relations and whose interaction will determine the shape of industrial relations are the employers of the management, the workmen and their trade unions and the Government. Good labour-management relations depend on employers and trade unions being able to deal with their mutual problems freely, independently and responsibly. The trade unions and employers and their organizations are desirous of resolving their problems through collective bargaining though in resolving such problems the assistance of appropriate government agencies might be necessary in public interest. Collective bargaining, therefore, is the corner stone of good relations. Hence, the legislative framework of industrial relation should aid the

maximum use of the process of mutual accommodation. The workers’ and employers’ organizations should be desirous of associating with the government agencies in consideration of general, social and economic measures affecting employers’ and workers’ relation. It cannot be ignored that the governments make certain possible efforts to establish an effective and universal labour management relations in India. An analysis of the roles played by the management, the trade unions and the government may reveal how their interactions influence industrial relations and what are the factors which cause impediments in the maintenance of cordial industrial relations.

3. REVIEW OF LITERATURE

Review of literature identified nine essential industrial relations practices namely, recruitment and selection, training and development, performance appraisal, career planning, job definition, compensation and reward and employee participation. The following literature has been reviewed relating directly or indirectly about the subject matter of the present study:

1. Hassan Dance Fard, Asad Hasiri and Ali Rajabzadeh Ghatari, 2010, “Employees Moral in Public Sector: Is Organisational Trust and important factor”. *European Journal of Scientific Research*, 46(3), 378-390.
2. Dr. Ruchi Gupta in her Ph. D. Thesis entitled “Human Resources Management Policies of Dabur India Limited” has studied the performance of Human Resources Management. The main finding of the study was the role of HRM in Dabur India Limited.
3. Ricardo Peccei (2004), in his Thesis “The impact of Human Resources Practices on Employee work Experiences, Attitudes and Behaviour: An Occupational Group Analysis” has discussed about human resources practices on employee work experiences.
4. Jalil Farid Mohammad Amir (2009), The necessity and role of training in Human Resources Improvement and Development, *University of Tehsan Journal of Management*.
5. HRM practices in India consultancy firms this

study has been made by Pallavi Vadehra and R.C. Lal and has been published in International Journal of Trade and Commerce-II ARTC July-December 2012, Vol. 1 No.2 page 347-358. This research work contributes to understanding of HRM in a consultancy firms specifically a case in naukari.com. The results of the study offered empirical support for the existence of a positive job satisfaction in employees of naukari.com, consultancy. This study of naukari.com employees occurred in Noida, Hyderabad and Chandigarh office offered support for the Hypothesis that the role of human resource in a consultancy firms is not different from the other businesses.

6. A study of employees' perception on quality of work life and job satisfaction in manufacturing organization – an empirical study. This study has been made by D. Chitra, V. Mahalakshmi and has been published in International Journal of Trade and Commerce-II ARTC July-December 2012, Vol. 1 No.2 Page 175-184. This research attempts to find out the influence of employee's perception of work life quality towards job satisfaction. As per findings from the previous research the independent variables which are used to determine the employees' perception toward QWL as a whole are proven to be directly related to job satisfaction the present study indicated that QWL variables only are insufficient to measure employees' job satisfaction.
7. Employees Attitude towards Performance Appraisal-A Case Study on Life Insurance Corporation. This study has been made by Pallavi Vadehra. It is published in Journal of Commerce and Trade on April 2011 Vol.VI No.1 Pages 12-17.
8. Oladele, Akin (2009), Evaluation is increasingly being regarded as a powerful tool to enhance the effectiveness of training. Three major approaches to training evaluation: Quality ascription, quality assessment and

quality control are highlighted. In order to enhance the effectiveness of training, evaluation should be integrated with life of organization.

The above review of literature points out that many studies have been made on industrial relations.

4. SIGNIFICANCE OF THE STUDY

The year 1991 heralded for the entire Indian subcontinent changes that were unprecedented and unheard of in post-independent India. Too many crucial economic decisions were pushed through the government by too few and too fast — decisions that had impact on the social, economic, industrial, political and even on the day-to-day life of the average Indian. There was a paradigm shift as depicted in Figure 1. From a CRP — controlled, regulated, and protected economy, India made a shift to the LPG — liberal, privatized, and global economy. This paradigm shift had its greatest impact on the Indian industry. All of a sudden, it had to face four hard realities of this shift. They were:

- ❖ First generation competition.
- ❖ Second generation systems and procedures.
- ❖ Third generation technologies and technical know-how.
- ❖ Fourth generation mindset.

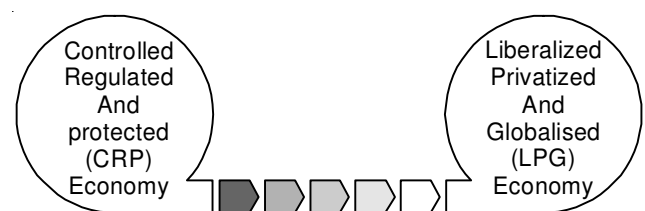


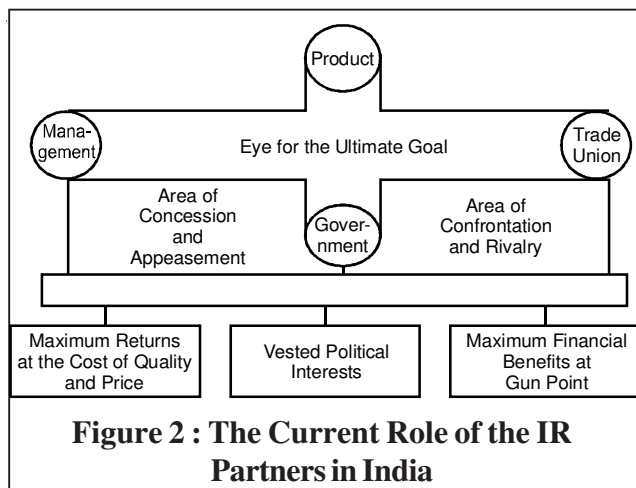
Figure 1 : The Great Paradigm Shift

For long, the Indian industry had enjoyed the parental affection of the government under various pleas of socialism, welfare state, economic and industrial development, etc. Now it had to fight for itself for its very survival against the global giants on its own. Against this backdrop, we can proceed to analyse the significance of the present study. With the winds of change sweeping across the length and breadth of our country, the industrial relations (IR) situation cannot possibly remain a mute spectator to such nation-wide

transition Thus, the author has chosen the topic “Role of Industrial Relations in Public Sector Enterprises : The Indian Scenario.”

5. THE CURRENT ROLE OF THE IR PARTNERS IN INDIA

The IR partners, over the years of the CRP (Controlled Regulated and Protected) economy, had fallen into a vicious trap that had kept their attention focused on things other than the ultimate goal for which a business organization exists i.e., the product. The then economic forces had not exerted pressure on the IR partners to keep their focus on to the product. In the absence of competition, there was almost an assured market for whatever was produced. Figure 2



depicts the goals pursued by the IR partners. The management, as seen in the figure, concentrated on maximum returns on its investment even at the cost of the quality and price of the product. It was a producers’ market and as such the management knew that the customers had no choice. Whatever was produced, irrespective of the price, was bound to get sold. The trade unions, on the other hand, concentrated on securing maximum financial gains by a constant threat of strike, work to rule, go slow, and in many cases militancy. They had no concern, whatsoever, for the product and the production figures. The management on its part kept practically purchasing industrial peace which, more often than not meant bartering away the company’s future. The government, playing the role of a catalyst, expedited this process. With most unions having political affiliations, the vested political interest

of the government made the labour machinery a stooge in the hands of the ruling government. As depicted in Figure 2, the government kept on playing the role of a mediator whenever the area of concession and appeasement fell short of the expectations of the trade unions and whenever the area of confrontation and rivalry exceeded the acceptable limits of management. However, the mediation of the government was tempered with vested political interests because of which statutory support has failed to deliver the goods to the IR situation in India. Some of the glaring examples of irresponsibility on the part of our IR partners can be discussed as under :-

(a) The Role of Management

For peaceful industrial relations, it is primarily essential that a management should have progressive outlook and democratic approach. Autocratic approaches, rigid and prestigious attitude on the part of the management and fragmentation have been the fundamental causes of most of the industrial conflicts. In many cases, the role management has led to serious industrial unrest. Many employers are still reluctant to recognize the role of employees as partners in a common endeavour, rather they have developed a superiority complex and consider it below their dignity to sit around the conference table and discuss to settle the disputes with the people whose hands and clothes are soiled, bearing the mark of their hard labour. Even genuine disputes are not settled in a spirit of accommodation but dilatory tactics are employed to keep settlement in abeyance through the delays in the process of conciliation, adjudication and writes to courts leading to the resentment amongst the workers. Even when collective bargaining is resorted to for settlement of disputes, the representatives of the management are not vested with adequate authority to decide the demands at the bargaining table, making the whole process a farce and causing a credibility gap in the minds of the workers. Most of the management do not institute a regular procedure for redressal of grievances arising out day to day matters with the results that minor irritants continue to pile up the entire work environment. Many management are totally oblivious to the basic human needs to the

workers and their aspirations, their need for security, provision of basic amenities, prospects for career growth, recognition of good work etc, leading to an estrangement between the workers and the employers. Thus, progressive outlook and democratic approach towards workers are needed for cordial relations and this can play vital role in maintaining industrial peace.

(b) The Role of Trade Unions

It has been noted that despite some of its similarities with other organizations, a trade union is different in its own way, in terms of internal organizational dynamics. The uniqueness of trade unions seems to rest on the fact that although they are formed by workers, they themselves pose a threat to their very survival. No other organization seems to suffer from this paradox. The fact that democracy is a key input for union organization and that it finds a ready place in relatively small unions because of active membership participation, need not, however, encourage one to advocate that small unions be operated in industry. Having too many small unions has its obvious limitations. Fragmented trade union movement in the country is an important factor which gives rise to much industrial disputes in the country. The multiplicity of trade unions with different political ideologies and inter and intra union rivalries have vitiated the work environment with each union vying with the other for the predominant place in the industrial establishment. The problems of involvement of unions at both the plant and the industry levels have posed a serious threat to the maintenance of industrial peace and harmony in India. In India, the prevalence of outside leadership, the apathetic and non-committed rank and file the existing loopholes in labour legislation. The mushroom growth and involvement of trade unions are attributable to the provision of the Trade Union Act, 1926, whereby any seven persons in an organization can form a trade union and raise industrial disputes. The above factor is further compounded by the affiliation of the various trade unions of different political parties with each politician trying to carve out an important place for occupying a position of influence for him. Quite often the management becomes the worst victim of these fending trade unions and their vested

interest. Lack of education and leadership among the workmen leads to vesting leadership of trade unions in the hands of persons who are aliens to the industry and the role of such leadership has generally been detrimental to harmonious industrial relations despite the fact that the Government is spending immense amount of money on workers education. It can undoubtedly be realized that trade unionism has a constructive role to play in the industrial relations scene of the world, but the role of trade unions in industrial harmony cannot be ignored.

(c) The Role of Government

The pattern of labour management relations in India has increasingly been structured by the government. In India the Government has been playing, particularly after Independence, a comprehensive and dominant role in shaping the pattern of industrial relations. The difficulties in developing a committed industrial labour force, the rivalries and weaknesses of the Indian trade union movement, the failure of many Indian and foreign employers to deal fairly with workers or constructively with trade unions, and the resultant labour discontent and strife have encouraged government intervention in order to contain, channel and redirect incipient and actual labour protest. Increasingly, planning objectives for rapid economic development have been given priority and the pattern of labour management relations has been expected to conform these objectives. Government was not always so active in guiding labour management relations in India. Before Independence, the role of the government was passive, as it will be seen in a brief examination of labour legislation prior to 1947. But, faced with the problems of a new nation and post-war labor unrest, government became an active intervener with passage of number of new laws, beginning with the Industrial Dispute Act of 1947. In the mixed economy, like India, the state has now emerged as a big employer. One significant aspect of its role is to evolve norms or standards through tripartite forums to act as guidelines for shaping industrial relations. The Government also accepts the responsibility of ensuring conformity to these norms through the administrative and judicial machinery. This is a direct form of intervention, for the

state enacts legislation and also assumes the responsibility of implementing substantive and procedural laws. The Government's industrial relations policy is part of its broader labour policy, which has been stated by the National Commission on Labour in terms of its main postulates. The main features of the policy are:

- (1) Primacy to the maintenance of industrial peace;
- (2) Encouragement of mutual settlement, collective bargaining and voluntary arbitration;
- (3) Recognition of the worker's right to peaceful direct action, i.e. strike; and
- (4) Tripartite consultation.

6. THE FUTURE OF INDUSTRIAL RELATION

The above analysis of the role of the IR partners is certainly alarming when viewed in the context of the new economic environment of India. However, it would be too rash to draw any decisive conclusion of the future of IR in India because the partners can ill-afford to escape the vicious circle of Hobson's choice, which is illustrated in Figure 3. The inevitability of the great

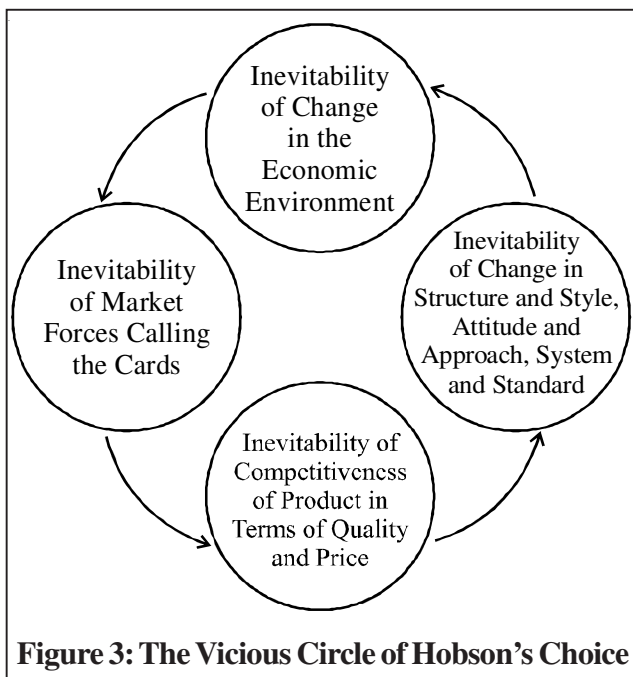


Figure 3: The Vicious Circle of Hobson's Choice

paradigm shift is obvious. There is absolutely no choice for the economic environment other than to change and adapt itself to global standards. Therefore, the

question is — do the IR partners really have a choice other than to change?

Dr Amartya Sen and Dr Jean Dreze in the last line of their recently published book *Indian Economic Development and Social Opportunity* write: “The terms of debate must change.” Now that the IR partners are in the vicious circle of Hobson's Choice, change in the terms of debate is a foregone conclusion. This means that the future of IR in India will necessarily be one of change and not stagnation. If that is so, then what would be the direction towards which IR in India will be heading? Here, it is important to reiterate that when we talk of IR in future, we do not mean the presence or absence of conflict and cooperation. What will be attempted is to identify the change in the terms of debate for the IR partners. What will be the issues that will arrest the attention of the IR partners? This analysis is important because these issues will become the pivots on which the twin pillars of IR—cooperation and conflict—will revolve thus determining the course of IR in future.

Figure 4 tries to do a predictive exercise in this direction. As is evident from the figure, the LPG economy is a global economy wherein the customer has the right to choose between the alternative sources of product right through the globe. The CRP economy in which the producer made the laws of the market no longer exists.

This forms the fundamental premise for the predictive exercise on the changing terms of debate for the IR partners.

At the outset, there will be a marginalization of the role of the government as an IR protagonist. Voluntarism will replace state intervention and control. The government's main role in the IR front will be restricted to legislation and how to police the same. Bipartite talks and agreements will replace tripartite talks and agreement. The role of the government as a mediator will be minimized.

For the management, the focus of attention will shift from quantity of product to quality of product and minimum piling up in the stockyard. For this, the importance of the production target will be replaced by the process of production. Today we are already

hearing a lot about the ISO 9000 series of certifications. Another shift in the terms of debate will be in the price-profit front. Managements will tailor the price of their product to the size of the pockets of their potential customers. The obsession with the concept of abnormal profits and windfall gains will reduce substantially. The habit of pushing the cost of production on to the customers will no longer be profitable for the producer. Rather, the producer will make an all out attempt to cut down on the cost so as to price the products at competitive rates. To properly price the product, the technological maturity of the managements will displace the compromise with technological upgradation. The shyness to invest in technology will be replaced by an aggressive attitude to go high-tech so as to lower the cost of production and gain the competitive edge — both in price and quality. This shift will certainly affect the long-service award syndrome that has its premises on the loyalty of the employee. Managements will prefer a skilled employee rather than a loyal one, who is on the eve of skill obsolescence.

The trade unions on their part will turn their attention from the working conditions at the work place to the terms of employment. They will hammer more on the clauses of the appointment offer and may even advocate part-time concept of employment. With the spectre of obsolescence on the horizon, the attention of the trade unions will be more to secure appropriate training and empowerment techniques from the management than to strive for short-term benefits of wages and welfare. The trade unions will be more concerned with the amount of opportunity available with the workers to upgrade their existing skill together with acquiring new ones. Consequently, the trade unions will find themselves fighting against obsolescence of the industry’s technological base, lest the competitors take away the market from them. The fight against managerial mismanagement will be replaced by the fight against technological obsolescence. Further, the unions will be more concerned with the survival of the business because their own survival will depend on it. This may lead to single union concept and deaffiliation from the Central Trade Unions. This will obviously lead to the

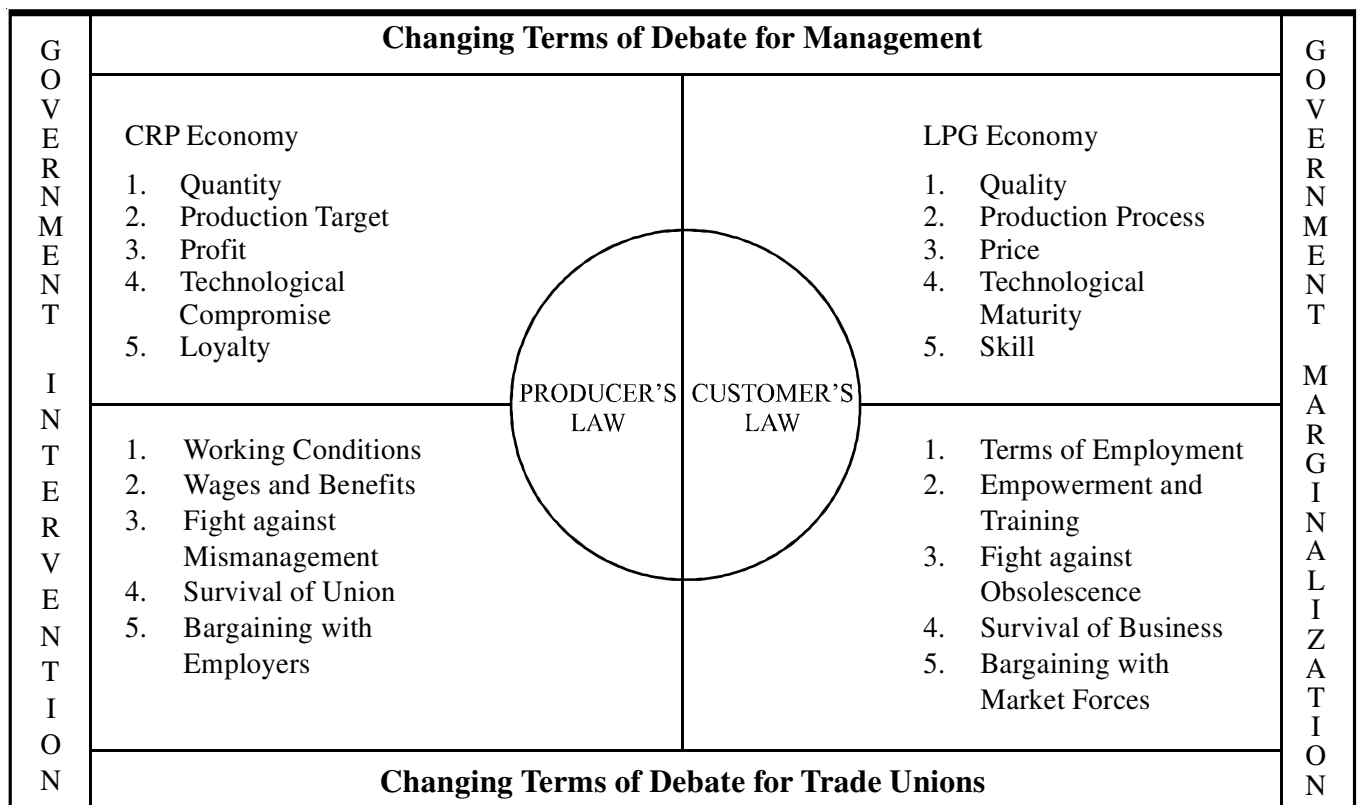


Figure 4 : Change in the Terms of Debate

shift from bargaining with employers to a situation where both the management and the trade unions will jointly have to devise strategies to successfully bargain with the market forces. Efficiency and productivity will become the new and mutually agreed upon parameters in all bargaining between the parties. This may ultimately lead to the pursuit of a common goal by both the parties.

7. CONCLUSION

In conclusion, it needs to be mentioned that *ceteris paribus*, IR in future may move in the direction

of comradeship between the two main IR protagonists — management and trade union. With the terms of debate already showing signs of drastic change, IR in future will be governed by a totally new set of parameters. There is gradual realization by both the partners that to survive, both have to surrender their sectional interests at the alter of the superordinate interest of the economy. Only time will tell if both really join hands to face and fight the phantom of the market forces that have unleashed a terror of insecurity and extinction together with the bright hopes of revival and growth.



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