CHAPTER - 1

INTRODUCTION

1.1 Industrial Relations

Industrial Relations (IR) is the relationship between Management and Workers and the role of regulatory mechanism in resolving any Industrial dispute. Relationships between Employers and employees also fall into the realm of Industrial Relations. Employer’s organizations / forums and platforms also discuss and study the Management – Workers relations in any one or many industries. It is concerned with the systems, rules and procedures used by Unions and Employers to determine the reward for effort and other conditions of employment, to protect the interests of the employed and their employers, and to regulate the ways in which employers treat their employees.

The term “Industrial Relations” came into common usage in 1910s particularly in 1912 upon the appointment of a Commission on IR by the US President William Taft. The Commission was to investigate causes of widespread, often violent labour conflict and make recommendations on methods to promote greater harmony among employers and employees. Post World War-I with the demand for industrial democracy, in early 1920s universities began to teach IR to understand the dynamics of employer - employee relations. Progressive business firms established Personnel Departments.

Traditionally Industrial Relations is construed as a disputing situation. It deals with conflicts and disagreements. On many occasions it sounds like a war amongst the Rich and the Poor. There is absence or little concern for understanding, appreciation, mutual benefit and respect. Despite 65 years of Indian Independence there still remain signs of class conflicts. It was there earlier also, perhaps its context and gravity has taken a new turn now. We have more education and awareness and the interchanging dynamics of the involved parties continue to make situations worrisome and retarding at times.

There are still few major factors which affect the relationships. A matured and forward looking attitude is a true wagon for the good of both Employers and Workers.
Malpractices, corruption and individual interests of either party result into distorted and imbalanced situations. Many times inefficient and corrupt Government machinery is used to pressurize either party. Exhibition of muscle power and intimidating tactics by both Management and Workers is quite commonly resorted to.

In an all inclusive sense, the term Industrial Relations (IR) refers to all aspects of employment relations. Venkata, CS, Ratnam (2007)\(^1\). IR focuses on the relationship between employers, managers and workers and their groups in running of an enterprise. The aim of the workers is generally to seek improvement in wages, working conditions, say in what work they do and seek redressal of their grievances. In few instances there are political motives also. In this relationship, the government also strives to foster solid labour management relations so that its programme of economic and social development is well supported.

Industrial Relations is an art, the art of living together for purposes of production (and/or services) Richardson (1959)\(^2\). Industrial Relations in its wider meaning is a set of functional interdependence involving historical, economical, social, psychological, demographic, technological, occupational, political and legal variables. Singh (1968)\(^3\)

In present day context IR has become a complex process since it is guided by a legal framework and institutions. IR is based primarily on individual perceptions of what is right in respect of fairness and the exercise of power and authority Salamon (1987)\(^4\).

The attitude of the workers and the employers is responsible for the quality of relations between them. The attitudes could be of contempt, adversarial, acceptance, cooperation, dictatorial, paternal, business like, participative. Fahlbeck (1996)\(^5\)

Fahlbeck has mentioned about 4 approaches to IR:

a. My Boat Attitude: Get off, If you do not like it
b. Shared Boat Attitude: We sail together. Do not rock the boat

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c. Our Boat Attitude: It is our common enterprise. Let us combine our efforts to better it
d. Your Boat Attitude: With a sense of ownership and pride. The purpose is to let employees whole heartedly contribute to the cause of the enterprise.

The International Labour Organization (ILO) has propagated the values of freedom of association and right to collective bargaining, among other which are now constitutional and legal obligations in many parts of the world. A landmark event in this regard is the 1998 ILO Declaration on Fundamental Principles and Rights at Work which is one of the components of “Decent Work”.

Mahatma Gandhi proposed the trusteeship approach which is a solid principle to deal with Industrial Relations. This principle expresses the inherent responsibility of the employer to its customers, workers, shareholders and the community at large. Goyder (1980)⁶

The basic concepts which result into sound Industrial Relations are equity and fairness, power and authority, individualism and collectivism and integrity, trust and transparency. Venkata, CS, Ratnam (2007)⁷

Industrial Relations would broadly cover following processes:

- Collective Bargaining
- Role of Unions, Management and the Governments
- Government Machinery for Resolution of Industrial Conflicts
- Individual and Collective Grievances
- Discipline and Working Practices
- Compliance of Labour Laws
- Managing Industrial Relations through Forums / Unions / Specific Interventions

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The above processes are both independent and dependent in managing IR in any organization. It is a web of relationships which define the quality of strength and the same is put to test in case of disagreements. In such situations more than the actions of either party it is their “perceptions” on fairness in dealing with the situation, which affect the outcome of issues of disagreements. As per a paper published by Haden, Caruth and Oyler (2011)\(^8\) a survey was conducted of 224 workers in order to assess their levels of perceived fairness, commitment, organizational citizenship behavior (OCB), and intent to stay with the organization. Fair treatment was positively related to commitment, OCB and intent to stay. In the post liberalized period there is an impending issue of “perceptions” of fairness and commitment amongst the Managers and the Workers.

In the pre liberalization period industrial relations were controlled through excessive labour legislation. The sole purpose for such legislation was to protect the workers. This protectionism resulted in creating an environment that led the way towards inefficiencies, over employment and inability of companies to introduce efficacy. During this period the Judiciary also displayed unprecedented judicial activism by announcing pro labour judgments. This resulted in a tremendous impact on the industrial relations scenario in the country. It resulted in stagnated, protected, passive, regulated and controlled industrial relations. The traditional IR was reactive, negative, ad-hoc and highly legalistic. Industrial Relations during these times confined itself to its members only who had no concern for business organization and the society at large. There were 3 principle actors who would guide the Industrial Relations-Workers and their Unions, Managers/ Employers and the Government. In the post Liberalization period the consumers and the community play an important role in the Industrial Relations process. One of the major reasons for the trade unions marginalized today is because they are not aligning themselves with the interests of the wider society. Venkata, CS, Ratnam(2007)\(^9\)

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Problems of relations in industries existed in the past and continue to exist in every economic system Richardson (1959)\textsuperscript{10}. It is said that discontent is a pre condition for progress while unrest needs to be tackled rather than suppressed. In this context the behavior, values and underlying assumptions become important in the industrial relations process. Good Industrial Relations will always aim to secure the best possible level of mutual understanding and goodwill. The process is participative. The concern for fair dealing and good working conditions should always prevail.

IR is a sum total of employment relations, addressing the overall socio-political, legal, economic, psychological, technological and corporate dimensions in the industrial set-up involving the mutual participation of employer and employees in an environment regulated by the state, the cumulative output of which determines the collective human factor involved in industrial production. Ghosh and Ray (2012)\textsuperscript{11}

1.2 Industrial Relations (IR) / Human Resource Management (HRM) – Identity and Linkages

Any organization which has a competent and trouble free workforce, the credit for this must go partly to HRM department. In case there is trouble the claim has to go to the HRM department again. By better recruitment, hiring, induction, training and development, safety and health, wages, welfare, communication and other practices the HRM department can contribute to the quality of work life of employees. A motivated and satisfied workforce can have no reason to raise industrial disputes.

Where the words Industrial Relations are capable of initiating scheming, anticipating, evaluating strength of employee relations, goose-bumps and jitters to an Industrial Relations Manager, the term Human Resource Management can actually put him into a positive mindset, smilingly collating his efforts to make the Workplace A Great Place to Work for its employees. Although a diversity of perceptions and debates continue about the definition, intellectual boundaries, and major premises of the fields of HRM and IR, the practitioners of both have achieved undefined consensus about

\textsuperscript{10} Richardson, J Henry (1959) “An Introduction to the Study of Industrial Relations” George Allen & Unwin, London, p 11-18

the commonalities and differences between them. From the letter to spirit, the gamut of HRM has enveloped in it all good of IR and cast away the bad and the ugly. The issues, policies, practices, outcomes and challenges related to human resources are well encapsulated in the broader term HRM and IR now gradually is writing its will leaving retainable legacy to HRM.

For HRM function there is a double challenge - one to meet the aspirations of people and the other to validate the success and effectiveness of HRM policies of the company. Different kinds of institutions help the employees and employers to build and maintain satisfactory relations between them. These institutions include employee’s associations, employer’s associations, collective bargaining and government machinery and mediating agencies. Thus industrial relations are collective relations of individual workers with their management. There can be multiple linkages between HRM and IR. (Both Proactive and Reactive)

HRM and IR are about how people are treated and their relevance increases where an enterprise takes a long-term view, rather than a short term. The increasingly significant role of IR in achieving management objectives is reflected in the transformation of the personnel management function. Over the last two decades this function was often marginalized in terms of its importance in management activities and hierarchy. It has evolved from a concentration on employee welfare to one of managing people in a way so as to obtain the best and highest productivity possible from the employee, through methods that provide the employee with both intrinsic and extrinsic rewards. Therefore today far from being marginalized, the HRM function becomes recognized as a central business concern; its performance and delivery are integrated into line management; the aims shift from merely securing compliance to the more ambitious one of winning commitment.

If Trade Unionism thrives because of poor HRM Policies and Practices in the company and if the Trade Unions become rigid and militant because of their deft handling of employees’ discontent, the Managements must blame themselves for the outcome. The proposition that HRM needs to focus less effort on transactional/administrative tasks and become more strategic in focus is not new. Over past couple of decades much has been discussed about HRM’s transition to a
strategic function, yet in too many organizations the identity of HRM/IR remains firmly in the transactional/operational/advisory zones only, the opportunities for a more strategic value adding contribution from HRM/IR awaits solid appreciation and intervention.

IR is a central element in the human resource system. In IR the central monetary reward is wages and salaries, which is guided by collective bargaining. It is based on internal equity and distributive justice and, often standardized across industry. IR policies must emphasize on monetary rewards linked to performance and skills through the development of performance and skills-based pay systems, some of which seek to individualize monetary rewards like individual bonuses and stock options.

Based on theoretical work in the field of organizational behavior it is expected that HRM/IR comprises a set of policies designed to maximize organizational integration, employee commitment, flexibility and quality of work. It is worthwhile that organizations use learning as a tool to innovate, differentiate, attract and retain talent, customers and investors.

Worker development is part of an integrated HRM approach. This helps to maximize individual effectiveness and increase organizational productivity. HRM considers development of both managerial and operatives essential. There is increased recognition of the importance of human resources in the production process of an organization and man is no longer considered a machine.

In last two decades management of people has been recognized as a main stream function. It has replaced concepts like personnel administration, personnel management and industrial relations or labour relations by Human Resource Management. Today HRM practitioners deal with issues from recruitment to retirement. Traditionally HR used to play a very reactive role of an administrator with regulatory authority and some welfare orientation. Industrial relations was handled majorly through fire fighting approach. The role of HRM has now shifted from just a service provider to an important contributor. Today we need good ethical HR practices which are strategically oriented. Chaudhuri (2012)12

Post liberalization period has turnaround the working styles of an organization. If one has to succeed and achieve organization vision it has to practice and adopt a new mindset. Old beliefs and new values in HRM have transformed to establishment of a new value system. Some myths have been broken and fresh inputs have surfaced. Table below elaborates on the old beliefs and the new values in HRM.

**Table 1.1**

**Old Beliefs and New Values in HRM**

<table>
<thead>
<tr>
<th>Past (Presently, Myths)</th>
<th>Present/Future (Current Reality)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employers own and Workers are property less Workers</td>
<td>In most cases, Managers do not own but control. All are employed and look for a stake, if not share</td>
</tr>
<tr>
<td>Shop floor untrustworthy</td>
<td>Shop floor trustworthy</td>
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<td>Mostly manual jobs mainly requiring physical effort, rendering low-trust coercion strategy possible</td>
<td>Mostly white collar jobs requiring use of discretion and emotional involvement, making high-trust consent strategy inevitable</td>
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<tr>
<td>Master-servant relationship</td>
<td>Employer- employee relationship</td>
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<tr>
<td>Employees believed they were divinely ordained to comply without questioning</td>
<td>Employees no longer merely submit to authority. Rising standards, education and growing aspirations influence a change in attitude</td>
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<tr>
<td>Employees did what they were told to do. People were made to ask, “What can I give to the organization?”</td>
<td>Increasingly employees ask “Why (should) I’? ‘Is it part of my job’, and ‘What can I get?’</td>
</tr>
<tr>
<td>Employees interests did not count</td>
<td>Individual’s interests count: ‘What is in it for me?’</td>
</tr>
<tr>
<td>Respect for position of authority</td>
<td>Decline in respect for officially constituted authority</td>
</tr>
<tr>
<td>Unequal relationship of dependence</td>
<td>Balance of power based on interdependence (mutuality)</td>
</tr>
<tr>
<td>People conditioned into a general acquiescence to hierarchy and subordination through ideological reinforcement by social institutions</td>
<td>Social Institutions are providing counter reinforcement to selectively challenge the authority</td>
</tr>
<tr>
<td>The virtue of ‘selfishness’- gradual evolution towards ever rising prosperity for all within an acquisitive society – still marked by inequalities of power, wealth, income, status and opportunity</td>
<td>Collective bargaining to secure power to employees to an acceptable approximation with that of management, leading, in turn, the evolution of a new ‘labour’ aristocracy without much concern for the</td>
</tr>
</tbody>
</table>
Struggle for control over organizational resources in the hands of a few at the top

Struggle for distribution of resources among rank and file

Conflict inevitable

Labour-management cooperation possible

Attention focused on organization

Organizations do not live/ function in isolation

Motives-use hook (consent) or crook (coercion) to achieve organizational purposes

Expediency, obligation, prudent calculation, and moral values influence behavior

Management has the right to manage

Need to manage by consent

Source: Venkata, CS, Ratnam, *Industrial Relations* (2007)\(^\text{13}\)

The HRM function has to play the role of a symphony orchestra conductor. This approach knits people and their tasks/roles together in a harmonious manner. HRM has to focus on building stronger organizations which are dedicated to the vision of the company. At the same time it also has to meet the aspirations of the employees. HRM is to lead the cause of the organization and project as a guardian of the employees.

HRM deals with the human resource aspect of business objectives and corporate policy. Thus today it has achieved the status of a strategic management function. This function further has the responsibility to align the human resources with the vision and mission of the company through policies, procedures and programs. The HRM concept is based on individual employee; however IR is based on collective issues of a group of employees. There are multiple linkages between these two kinds of relationships. The management and unions adopt different techniques in maintaining the goodness in these relations.

### 1.3 THE INDIAN TYRE INDUSTRY

Tyre manufacturing has become a very competitive business. With globalization and interdependence, there is tremendous transformation in the working of the tyre industry. In order to compete and face the challenges to remain in the market, it is imperative to ensure top of the grade operational efficiencies which can only be

\(^{13}\) Ratnam, Venkata, CS (2007) “*Industrial Relations*” Oxford University Press, 2007 p 657
possible if there is a peaceful Industrial Relations environment. India is a country of opportunities and there is a surging market for tyres. Indian tyre industry is also enjoying a robust export market. This requires cost competitiveness through higher productivity. The tyre industry would continue to grow in the context of 8% - 9% GDP growth.

As per Varghese Koshy (2013), Executive Vice President Marketing MRF “The Indian Tyre Industry has emerged as one of the most competitive markets in the world and with the emergence of new technology, ultra modern production facilities and availability of raw materials, the sector is poised to grow further. Indian tyre production is expected to reach 20 crore units by 2016-2017”.

The Indian market is tough and challenging but rewarding. India has the largest reservoir of skilled and semi skilled manpower. It is a high growth economy enjoying long term sustainable competitive advantages. Indian Tyre Industry is partly shielded from global downturn because of domestic led growth. India already has a road network of 33.14 million kilometers making it the second largest in the world. The transportation economy is set to see continuing growth. There is boom in the automobile sector and by implication the tyre industry would get a further boost.

India is the world’s largest maker of two wheeler motor cycles / scooters and the largest three wheeler market. It is the second largest tractor manufacturer and the fifth biggest commercial vehicle maker. It has the fourth largest car market and it can boast of having the largest small car market with sales around one million units.

With over 39 tyre manufacturers and 60 manufacturing plants, the Indian tyre industry enjoyed a turnover of over Rs. 30,000 Crores in 2009-10. India has the technical capability to manufacture the entire gamut of tyres for catering to its domestic requirements but still imports about Rs. 1,430 crores worth of tyres, largely low-cost passenger car tyres and Truck & Bus tyres from China due to capacity constraints and cost advantage. India also exports Rs. 7,000 crores of tyres, largely Commercial Vehicle tyres, to over 60 countries. The ten large tyre companies (MRF India Limited,

Apollo Tyres Limited, JK Tyre & Industries Limited, CEAT Limited, Balkrishna Industries Limited, Goodyear India Limited, TVS Srichakra Limited, Falcon Tyres Limited, Kesoram Industries Limited (Birla Tyres) in India, account for over 85-90% of the industry by value. MRF India Limited (MRF) is the largest tyre manufacturer in India with a market share (value) of about 30-32%, followed by Apollo with about 20-22% and JK Tyres with about 15-16%.

While two-wheeler (2W) tyres account for the bulk of the domestic production (51% of volumes), truck & bus tyres (T&B) dominate industry revenues at 65% of the industry turnover. Over 51% (by volumes) of the production of tyres goes to the replacement sales (largely from the T&B segment), 44% goes to OEMs and the balance to exports. India continues to be largely a bias belted tyre market, although radial tyres have made significant inroads into the passenger car market.

The global tyre industry (passenger car and trucks) is around US $190 billion (growing by 13%) with the replacement market accounting for three-fourth of the total sales. While mature markets currently account for the bulk of the demand (70%), the incremental demand over the next five years is expected to come largely from faster growing newer markets, which include China and India. The top three tyre companies (Japan-based Bridgestone with a market share of 16.2%; France-based Compagnie Generale des Etablissements Michelin with a market share of 15.5% and U.S.-based Goodyear Tire & Rubber with 12.4%) account for 44% of the global sales. The other key global market participants are US-based Continental Tyres, Pirelli of Italy and Sumitomo of Japan. Bridgestone and Goodyear already have a manufacturing presence in India while Michelin is in the process of setting up a facility in Chennai.

Driven by the strong revival in automotive demand, particularly in the passenger vehicle and two-wheeler segments and export demand for tyres, the Indian tyre industry reported a healthy revenue growth of over 25% during fiscal 2010-11. However surge in input costs especially that of natural rubber (NR) negated any scale benefits, and resulted in a contraction of industry-wide operating margins by over 500 bps (basic points). This was despite numerous industry wide price hikes, cumulatively amounting to a 15-20% increase in tyre prices. Despite the worrying macroeconomic indicators and a general slowdown in domestic automotive sales, the Indian tyre
industry continued to post a healthy 25-30% revenue growth during Q1, 2011-12 supported by strong replacement and export demand. Domestic OEM demand growth was also healthy at around 15-20%, albeit weaker than in the previous fiscal. However continued cost pressure from high cost Natural Rubber inventory led to a 300-350 bps operating margin erosion, both on a year-on-year and sequential quarter basis.

The domestic tyre industry has been in an investment mode during the last few years with almost all participants adding significant capacities. Supply additions were high between 2008 and 2010, with domestic capacities increasing by around 49%. While the capacities in fiscal 2010-11 are estimated to have increased by 8%, the industry is poised for another 25% addition during the next two years. Of this, bulk of the investments is expected in fiscal 2011-12 with 19 tyre projects targeted for completion this year. The industry has already witnessed an addition of 17.7 lac tyres from JK Tyre, Metro Tyres Limited (Metro tyres) and Bridgestone India Private Limited during the first quarter of fiscal 2011-12. Other major projects scheduled for completion during the current year include JK Tyres, MRF Limited, Balkrishna Industries Ltd; Falcon Tyre Limited, and Metro Tyres, with most of the capacity additions being towards radial capacities.

The Indian Tyre industry like all other labour intensive industries has come a long way traversing path treaded with turbulent macro and micro environmental factors ranging from changing Governments and their policies, technological complexities, constant raw materials cost fluctuations-having direct impact on operating results, management styles and priorities and resultant unsettled IR/ HRM practices. Not to underplay the radical change in the quality, design and formats of product itself and the end user expectations and consciousness.

Major technological changes have taken place in tyre design, the testing standard have also evolved accordingly to ensure performance, mileage, safety, reliability and longevity of tyres. The concept of “Green Tyres” is becoming a paradigm of the industry’s competitive edge. These tyres reduce CO₂ emissions.

The current turnover of the Indian Tyre Industry is over 30,000 Crores which is expected to further rise by about 25% in the next 5 years, due to the resurgence of the
economy and the automobile sector. Apart from domestic demands, most tyre companies are aiming for increased exports. All companies also have a “China Policy” both collaborative and competitive. It is surprising that over 95% turnover of the Indian Tyre Industry is attributable to just around 10 large players. Remaining turnover is shared by small players who are almost triple in strength. This factor places immense importance on the way Industrial Relations are handled by these large companies. It needs to be studied if there is a co-relation between HRM policies, practices and peaceful IR.

It is in this backdrop, that this research was undertaken, to specifically explore the Industrial Relations in Tyre Industry: Post Liberalization in India with specific objectives of studying if Industrial Relations is an independent and a sound central system for managing Employer-Employee Relations in the tyre industry in the post liberalization period with specific reference to Grievance and Discipline Handling Systems, Collective Bargaining Process and Worker Productivity. The research attempts to gain insight into whether Grievance and Discipline Handling Systems have been impacted by the post liberalization environment and have affected industrial stability and peace in the tyre industry and whether Collective Bargaining has emerged as a stronger process resulting into industrial peace through Long Term Wage Settlements in the tyre industry in the post liberalization period. Additionally the study aims at exploring if wages and working conditions have changed for better or worse and has the change contributed to higher productivity levels in the tyre industry in the post liberalization period. Based on these objectives the research expects to propose and recommend major HRM interventions which would integrate IR with HRM practices in the tyre industry for establishing industrial harmony and initiating people development initiatives with a long term and a wide spectrum approach.

Globalization, government regulations and growing environmental pressures will affect the Tyre Industry today as also in times to come. The industry faces extraordinary challenges to stay competitive and at the same time contribute to sustainable mobility. The industry will constantly be under pressure to stay cost competitive under the newer trends in tyre manufacturing. Junio, Marc (2011)\(^{15}\)

The Tyre Industry has to be prepared to face the challenges that are thrown by the shift of production by the growth markets, mostly the developing countries in Asia. A number of larger tyre manufactures have expanded production bases in emerging markets mainly driven by cost factor. **Junio, Marc (2011)**

In terms of purchasing power parity India is world’s fourth largest economy and it is likely to cross Japan in 2012-2014 and attain the third position. After China, India is considered the second largest emerging market. India has world’s largest pool of skilled and semi skilled man power. It is a growing economy and can sustain competitive advantages on a long term basis. The tyre industry thus can see accelerated growth. Robust growth is projected for the future with growing per capita income. The poverty level is on a downturn. The middle class at about 450 million has contributed to 30 to 40 % of the GDP Growth due to its rising productivity. India is also not much impacted by the global downturn because of the domestic- lead growth. All the above factors are encouraging and would result in the growth of the Tyre industry as well.