CHAPTER - 2

INDUSTRIAL RELATIONS AND HUMAN RESOURCE MANAGEMENT IN TYRE INDUSTRY - PRE AND POST LIBERALIZATION

2.1 Industrial Relations – Pre-liberalization and Post-liberalization Scenario

With the advent of globalization the policies of production proved impractical and rigid. They posed a serious threat for the industry to face the global competition and survive in the global markets. Apart from the global needs of the organization there was a technological revolution across the world. The business rules were changing with worldwide mergers and acquisitions. Disinvestment, privatization, retrenchment, and introduction of VRS, contract labour, outsourcing and the need for flexibility in workforce changed the industrial relations outlook. New actors in IR system like the consumer forums, NGO’s, environmentalist, civil society and electronic media focused on the negatives of the trade unions in multiple ways. Due to this change in scenario industrial relations were viewed with a larger lens of HRM. The following Table 2.1 describes the factors influencing Industrial Relations in the pre globalization and post globalization period in India. There is a paradigm shift in the thinking. It is forward looking and professional to a greater extent.

Table 2.1

Factors Influencing IR in Pre and Post Globalization Period in India

<table>
<thead>
<tr>
<th>Items</th>
<th>Pre Globalization</th>
<th>Post Globalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mode of Operation</td>
<td>Win lose, hardnosed management decide and adjust if necessary</td>
<td>Facing realities</td>
</tr>
<tr>
<td>Sharing of Information</td>
<td>Secretive</td>
<td>Openness and transparency</td>
</tr>
<tr>
<td>HR Policies</td>
<td>Rigid HR policies, procedures</td>
<td>Flexible HR policies</td>
</tr>
<tr>
<td>Style of Management</td>
<td>Controlling</td>
<td>Mature, situational &amp; varied</td>
</tr>
<tr>
<td>Result of</td>
<td>Negative feeling generated</td>
<td>Generated positive feelings</td>
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</tbody>
</table>
### Management Style among the employees with mutual trust & confidence

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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strategic independent goals not clearly linked to that of the organization</td>
<td>Industrial Relations</td>
<td>Very negligible</td>
<td>Increased</td>
<td>Adversarial</td>
<td>Various Layers</td>
<td>Traditional Manufacturing Sector</td>
<td>Productive oriented workforce</td>
<td>Strong Centralized Collective Bargaining</td>
<td>Well paying secure low productive jobs</td>
<td>Very few and that too within India</td>
<td>Rigid work system with less use of technology</td>
<td>Regular and permanent</td>
<td>Self Sourcing</td>
<td>Closed Cabins</td>
<td>Guaranteed pay system</td>
</tr>
<tr>
<td></td>
<td>Strategic linked with the goals of the organization</td>
<td>Employee Relations</td>
<td>Sharing in gains, productivity, competitiveness and trust</td>
<td>Started Declining</td>
<td>Cooperative</td>
<td>Flatter, leaner, virtual organization</td>
<td>Rise of sunrise industries- IT, ITES, Telecoms, Health Services</td>
<td>Service oriented workforce</td>
<td>Decentralized</td>
<td>Low paying more insure productive jobs</td>
<td>On a large scale across the Globe</td>
<td>Flexible work system with use of new technology</td>
<td>Casualization of labour</td>
<td>Complete Sourcing</td>
<td>Transparent, smart and open</td>
<td>Variable pay system</td>
</tr>
</tbody>
</table>

*Source: Arbiter- Journal of the Industrial Relations Institute of India No. 12 Vol. 28 July, 2011*

In the liberalized era with the increase in competition there have been fewer strikes, lockouts and man days lost due to strike. In this era of knowledge economy, employees are educated and do not indulge in violent activities as during pre liberalization era. Today they are more responsible and are aware of their duties as
well as their rights. They avoid lockouts because it results in heavy losses and impact their jobs.

In 1990, 1825 strikes and lockouts were recorded but in 2010 only 191 disputes were recorded. This trend indicates a shift in worker-employer relationship. In the traditional industrial relations models the managements adopted a divisive policy but now they have shifted to a consultative and collaborative approach. In majority of medium to large scale industry there is a shift in the Belief System too, which is now considered necessary to run a profitable and stable business venture. There is a greater understanding of a myth and reality. **Khot (2011)**

If we have to analyze the IR scenario in the pre and post liberalization period, we will observe a distinct shift in the way the organized sector has rallied.

a. Strikes, Lockouts and Mandays lost:

   The Industrial Relations situation in 17 States during 1986-2009 as presented in Table 2.2 has been divided into phases, namely Before the New Economic Policy Era, New Economic Policy Era, Period of Slow Down and Period of pickup and growth.

b. Before the New Economic Policy Era:

   The top 5 States in terms of mandays lost due to strikes during the years 1986-1991, were Andhra Pradesh, Tamil Nadu, Kerala and Maharashtra. In terms of lockouts the States were West Bengal, Maharashtra, Andhra Pradesh, Tamil Nadu and Uttar Pradesh.

c. New Economic Policy Era:

   During the period 1992-1997, the top 5 States in terms of mandays lost were West Bengal, Tamil Nadu, Andhra Pradesh, Maharashtra and Gujarat (4th rank for both) and Kerala. In terms of mandays lost due to lockouts, the States were West Bengal, Andhra Pradesh, Maharashtra, Kerala and Uttar Pradesh.

d. Period of Slow Down:

   During the period 1998-2000, the top 5 States in terms of mandays lost due to strikes were West Bengal, Tamil Nadu, Bihar, Kerala and Maharashtra.

The top 5 States with reference to mandays lost due to lockouts were West Bengal, Andhra Pradesh, Tamil Nadu, Kerala and Uttar Pradesh.

e. Pickup and Growth Period:
During the years 2001-2007 the top 5 States in terms of loss of mandays due to strikes were West Bengal, Kerala, Tamil Nadu, Maharashtra and Karnataka. The top 5 States with reference to mandays lost due to lockouts were West Bengal, Kerala, Rajasthan, Tamil Nadu and Maharashtra (both 4th rank) and Uttar Pradesh.

The details are exhibited below, Table 2.2

**Table 2.2**

**Man Days (Million Mandays) lost due to Strikes & Lockouts in India**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>West Bengal</td>
<td>6.9</td>
<td>60.4</td>
<td>12.8</td>
<td>36.5</td>
<td>5.4</td>
<td>26.2</td>
<td>22.3</td>
<td>96.9</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>6.3</td>
<td>20.0</td>
<td>3.4</td>
<td>9.8</td>
<td>1.9</td>
<td>1.7</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>A.P</td>
<td>18.2</td>
<td>5.0</td>
<td>4.5</td>
<td>10.7</td>
<td>1.0</td>
<td>5.6</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Kerala</td>
<td>6.6</td>
<td>1.7</td>
<td>3.2</td>
<td>5.5</td>
<td>2.1</td>
<td>2.4</td>
<td>10.9</td>
<td>8.7</td>
</tr>
<tr>
<td>U.P</td>
<td>3.3</td>
<td>2.6</td>
<td>1.3</td>
<td>3.0</td>
<td>1.1</td>
<td>2.0</td>
<td>0.8</td>
<td>2.0</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>4.0</td>
<td>0.9</td>
<td>1.7</td>
<td>1.8</td>
<td>1.6</td>
<td>0.7</td>
<td>1.2</td>
<td>8.1</td>
</tr>
<tr>
<td>Bihar</td>
<td>1.6</td>
<td>2.2</td>
<td>1.8</td>
<td>2.6</td>
<td>2.5</td>
<td>0.3</td>
<td>0.7</td>
<td>0.01</td>
</tr>
<tr>
<td>Haryana</td>
<td>1.8</td>
<td>1.6</td>
<td>0.8</td>
<td>2.0</td>
<td>0.6</td>
<td>0.3</td>
<td>1.2</td>
<td>0.005</td>
</tr>
<tr>
<td>H.P</td>
<td>0.04</td>
<td>0.02</td>
<td>0.04</td>
<td>0.07</td>
<td>0.4</td>
<td>0.01</td>
<td>0.1</td>
<td>0.005</td>
</tr>
<tr>
<td>Orissa</td>
<td>0.7</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
<td>0.4</td>
<td>1.6</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Karnataka</td>
<td>2.4</td>
<td>2.3</td>
<td>1.5</td>
<td>1.1</td>
<td>0.8</td>
<td>0.2</td>
<td>1.7</td>
<td>0.06</td>
</tr>
<tr>
<td>Gujarat</td>
<td>3.0</td>
<td>1.9</td>
<td>3.4</td>
<td>2.0</td>
<td>1.7</td>
<td>0.4</td>
<td>0.7</td>
<td>0.3</td>
</tr>
<tr>
<td>Assam</td>
<td>0.9</td>
<td>0.05</td>
<td>0.6</td>
<td>0.3</td>
<td>0.07</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>T.N</td>
<td>16.1</td>
<td>4.4</td>
<td>8.6</td>
<td>2.8</td>
<td>4.4</td>
<td>3.3</td>
<td>5.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Punjab</td>
<td>1.9</td>
<td>0.4</td>
<td>1.6</td>
<td>0.1</td>
<td>0.6</td>
<td>0.2</td>
<td>0.9</td>
<td>0.3</td>
</tr>
<tr>
<td>M.P</td>
<td>1.7</td>
<td>0.4</td>
<td>1.0</td>
<td>0.04</td>
<td>0.8</td>
<td>0.2</td>
<td>0.6</td>
<td>Nil</td>
</tr>
</tbody>
</table>
During the years 2008 and 2009 there was significant reduction in mandays lost due to strikes and lockouts. At this juncture there appears to be a decline in mandays lost. The IR environment of India has shown that it is in the process of adopting to the demands of post liberalization economy. There has been a decline in the strikes, lockouts and mandays lost during the period 2010-2012 (January - October). Though strikes in the central government undertakings have risen in these 3 years, there has been a gradual drop in factories in various States. Table 2.3 below indicates towards the improving trend.

<table>
<thead>
<tr>
<th></th>
<th>Strikes</th>
<th>Lockouts</th>
<th>Mandays Lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010 (Jan. to Oct.) (P)</td>
<td>Central Sphere</td>
<td>State Sphere</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>90</td>
<td>137</td>
<td>227</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>170</td>
<td>170</td>
</tr>
<tr>
<td></td>
<td>1,378,094</td>
<td>19,234,495</td>
<td>20,612,589</td>
</tr>
<tr>
<td>2011 (Jan. to Oct.) (P)</td>
<td>Central Sphere</td>
<td>State Sphere</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>38</td>
<td>128</td>
<td>166</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>154</td>
<td>154</td>
</tr>
<tr>
<td></td>
<td>603,309</td>
<td>9,496,311</td>
<td>10,099,620</td>
</tr>
<tr>
<td>2012 (Jan. to Oct.) (P)</td>
<td>Central Sphere</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>8,40,370</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Labour Bureau

Table 2.3

Strikes, Lockouts and Mandays lost during 2010-2012
At present at plant level, IR has become highly regulated. There are several Labour Laws which have to be complied with therefore to some extent it is dominated by legalists. Monappa (2007)\textsuperscript{17}. In this context also the significance of a comparative study between IR and HRM becomes a defining pathway for industrial peace and business growth.

Rising expectations and impatience for wage increase are the main reasons for workers violence these days. It needs to be handled with sensitivity it deserves. HRM may have some answers to deal with the situation.

### 2.2 Grievance Handling: A Two Way Communication Process

Beach (1967)\textsuperscript{18} defines a grievance as “Any dissatisfaction or feeling of injustice in connection with one’s employment situation that is brought to the notice of the management”, whereas Flippo (1980)\textsuperscript{19} indicates the grievance as “A type of discontent which must always be expressed.” A grievance is usually more formal in character than in complaint. It can be valid or ridiculous, and must grow out of something connected to company operation or policy. It must involve an interpretation or application of the provisions of the labour contract.

Efficient management of grievances is needed for peaceful Industrial Relations. Feelings of discontent can be avoided in the first stage itself by effective and concerned addressing of the grievances. A grievance is a feeling of dissatisfaction, this dissatisfaction could be imaginary, factual or disguised. The system should be able to categorize such feelings in the appropriate box and accordingly deal with the employee. Grievances disturb employees and impact their productivity and morale. Before the situation leads to a break down or explosion, the queries need to be

<table>
<thead>
<tr>
<th>Oct. (P)</th>
<th>State Sphere</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>73</td>
</tr>
<tr>
<td></td>
<td></td>
<td>173</td>
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<td></td>
<td></td>
<td>21</td>
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<td>21</td>
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<tr>
<td></td>
<td></td>
<td>1,189,069</td>
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<tr>
<td></td>
<td></td>
<td>2,029,439</td>
</tr>
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</table>

attended forthwith. Grievance Handling Systems serve as an outlet to the emotions / desires and motives of the Workers; hence the systems need to be well defined. All unsettled problems should be escalated to the next higher level of Management. Any errors in circumventing its democratic and participative sentiment can be detrimental to Industrial Relations. Blocking expression may lead to unrest, a fair and an open listening approach has to be practiced so that the Workers feel that they have been heard by the Management. However, despite the legislation and the publicity the Grievance Handling Systems have attained, the success rate of the system, in managing the Industrial Relations is still questionable.

Grievance procedure facilitates as a safety valve for ventilation of any grievance, real or unreal, that may come to mind of workers in respect of his work. Grievance Management system not only ensures the value of independent thinking, it offers a good opportunity to the aggrieved workers and the superior responsible for the shop floor working. This interaction articulates the grievance, its source and the cause. It also affects the relationship and calls for a cautioned approach to avoid greater damages in future. Grievance handling acts as a healing balm while it also restores human emotion and builds up a positive work place and improves quality of work life. Effective management of grievance handling creates a vibrant organizational culture and which in turn influences the overall Industrial Relations environment. Saha (2008)\textsuperscript{20}.

A study of 51 organization by Sharma (1995)\textsuperscript{21} observed that grievance redressal is one of the 3 critical detriments of labour- management relations and supervisory-management relations. Yet he noted that even in companies relatively having a better track record of labour- management relations, the absence of a proper grievance redressal mechanism has been identified as a major lacuna.

The ILO classifies a Grievance as complaint of one or more workers with respect to wages and allowances, conditions of work and interpretation of service condition, covering such area as over time, leave, transfer, promotion, seniority, job assignment

\textsuperscript{21} Sharma, BR (1995) “Managerial Unionism” Shri Ram Centre for Industrial Relations And Human Resources, New Delhi 1995
and termination of service. The deeper causes leading to grievance of above nature need to be analyzed so that preventive as well as corrective steps can be taken on time. Venkata, CS, Ratnam (2007)²²

The Government of India has been suggesting grievance redressal machinery since 1956-1958 when the Indian Labour Conference submitted a draft on the various aspects of grievance procedures. In 1969 the National commission of Labour also spelt out a model grievance procedure. However till today there is no specific law on the subject.

Grievance procedure is a channel of upward communication. Its success and utility to labour and management depends upon management’s approach and strength of the union. To make the system successful it is the spirit with which the procedure is implemented in any organization. There has to be enthusiasm and concern for the system, to a large extent success of the grievance handling system rests upon the HRM policies of the company. To strengthen this, excellent communication systems should prevail in the organization and the HRM policies should be well drafted and executed. One major issue of the system going ineffective are the supervisory practices at the shop floor. The supervisor’s attitude and behavior is very crucial. Inconsistency in implementing HR policies would always result in dissatisfaction. Monappa (2007)²³

### 2.3 Discipline: Importance & Approach

It is essential to promote and maintain Workers discipline for higher productivity and Industrial growth. A disciplined workforce meets the challenge of competition and can achieve organizational objectives in a better way. Discipline improves morale and promotes harmonious Industrial Relations. It brings in co-operation. Discipline promotes orderliness into the working systems and disallows disorder, chaos and confusion in human behavior and actions. It is a force that promotes and prompts individual workers and groups to observe rules, standards and procedures deemed for

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the efficient functioning of an organization. A disciplined workman always has the
desire to co-operate harmoniously in forwarding the greater good of the Workers and
the Management. It is about willing acceptance of rules and regulations and desire to
maintain smooth Industrial Relations on a continued basis. Discipline also promotes
efficiency, tolerance and respect for human dignity.

In the current day scenario industrial relations have come to a tipping point in India, it
requires deep introspection followed by swift action. The current situation requires a
multi dimensional approach towards developing a comprehensive and integrated
framework of disciplinary procedures which are robust enough to deal with the way
ahead. These integrated procedures should be implemented with the involvement of
all key stakeholders including Human Resource Management professionals, shop
floor workers and union leaders. There has to be a collective effort for maintaining a
harmonious Industrial Relation scenario.
Indiscipline in whatever form can never be the means to a solution. Human values,
dignity and respect should always stand above all. Human regression is unpardonable.
Kashyap and Saikia (2012)

Discipline means adherence to the rules and regulations of a company and the
expectations of the management from the employees. Whenever there is disconnect in
the rules, regulations and expectations then it constitutes a misconduct and
management is bound to take disciplinary action. In fact discipline is a management
process which is aimed to control behavior of its employees. Discipline is a
managerial function and it can be managed through a positive or a punitive approach.
In case of complex issues a judicial approach is also adopted which is based on
compliance to standing orders and other applicable laws to the establishment. The
workers today are aware of their rights. They are more aware and educated; hence
there is a tendency to challenge management decisions.

The integrated approach of IR and HRM propagates an approach based on healthy
human relations. This is oriented towards establishing good relationships with a
sympathetic approach. In this approach employees are treated as a resource in the

People Matters, August, 2012, p26
organization. HRM through training and education, multi pronged motivational strategies, and proper job allocation can raise the commitment of its employees.

Indiscipline basically arises out of poor management and errors of judgment. Lack of commitment may also instigate indiscipline. There are no hard and fast systems to deal with indiscipline in an automatic manner. A positive approach by management, counseling and education can result into self discipline by each workman.

2.4 Collective Bargaining: Relevance & Significance

Collective Bargaining (CB) is a means of joint regulation by employers (alone or through their organizations) and workers organizations. CB provides an opportunity to formulate rules by mutual consent Gouldner (1964)\(^{25}\). CB as a concept was first identified by Sidney N Batrice Webb in Britan and also by Gumpers in USA. Monappa (2007)\(^{26}\). According to encyclopedia of Social Sciences, “Collective Bargaining is a process of discussion and negotiation between two parties, one or both of whom is a group of persons acting in concert. More specifically, Collective Bargaining is a procedure by which employer and a group of employees agree upon the conditions of work.”

According to the ILO, Freedom of Association (Convention No. 87) and Collective Bargaining (Convention No. 98) are fundamental rights. Both freedom of association and the right to Collective Bargaining form an integral part of the ILO Declaration of Fundamental Principles of Rights at Work. The objective of CB is to come to an agreement Monappa (2007). Prior to the introduction of CB the workers would deal with their employers on an individual basis. With the growth of industry CB reached at the plant level, to region cum industry level and finally to national level.

Collective Bargaining (CB) is probably the most effective method of resolving Industrial Disputes. It occurs when representatives of a Labour Union meet Management Representatives to discuss about and to determine Workers wages, benefits, work rules and to resolve disputes and violations under the various Labour


Laws and applicable employment conditions. The bargaining is collective in the sense that the chosen representative of the Workers act as bargaining agent for all the Workers for carrying out negotiations and other dealings with the Management. Collective Bargaining is a process of social change, a process for long term wage settlement and is a system of industrial jurisprudence. It is a technique to bring about change in the balance of power between Managements and Workers. It is a process where the weaker section of the society works to secure a share of profits of the organization. The management has to deal based on rules and not in an arbitrary manner. It is bound by the process. Collective Bargaining benefits both Management and Workers because it protects the basic interests of both the parties. The two sides have to remain responsible to each other during and on completion of the process.

Collective Bargaining infuses democratic principles for the management of Industrial Relations. Workers participate in the decisions that affect their work and work life. It is a form of participative management which offers benefits to both the parties. It helps improve workers well being economically without affecting their rights. It establishes uniform working conditions through which conflicts are avoided. Collective Bargaining helps resolve Industrial Disputes and lays down norms of dealing with the workers. It remains as the most useful solution to any kind of industrial unrest.

Characteristics of Collective Bargaining include a group action as opposed to individual action and are initiated through representatives of Worker, it is flexible and mobile and not fixed or static, it is a two party process and is continuous, it is industrial democracy at work and it is not a competitive process but rather it is a complementary process.

The incidents at Maruti Suzuki, Manesar plant during the year 2012 are highly deplorable, in a civilized society such criminal acts cannot be justified. There were no provocations for such an incident to take place. India’s growth is related to manufacturing competitiveness. This can only be accomplished through the right collaboration between workers and management, through CB. This fact has been realized by evolved manufacturing setups which have initiated innovative practices at the shop floor. These practices are largely based on self managed teams, quality circles, kaizen, six sigma, suggestion, schemes and various other small group
activities. In India, wage correction has happened for workers in the organized sector. The unorganized sector is still a matter of concern. There is always a likelihood of a disagreement between workers and management in case of contract labour hiring and wage payments. In such situations there is a critical need for labour and management for making manufacturing a competitive process through continuous dialogue and partnership for a more sustainable growth. Arvind Agrawal (2012). Workers and unions will have to realize that India is no more a command in control economy and thus there are bound to be dynamics of demand and supply cycles which will require a flexible mindset. Wage negotiations continue to happen through the collective bargaining process. Sometimes this process of collective and bargaining, in a negotiation context takes the shape of mistrust which is against the current environment of competitiveness. Gangal (2012).

The level of Collective Bargaining is shrinking day by day since the role of unions is getting marginalized. The Collective Bargaining process is now largely shifted on individual bargaining. Performance of an employee is becoming an important criterion in evaluating him. Khot (2011). An integrative bargain is perhaps the most desirable, as it aims at expanding the size of the cake with both parties getting continuously a bigger share. Monappa (2007).

The future is based on “3 C’s” – “Competition”, “Consolidation” and “Convergence”. There is a need for a New Approach to Employer Employee Relations which would be guided, reinforced and consolidated by collective bargaining process in the context of global economy. Industrial Relations must be based on “Community of interests” which leads to harmony and all round prosperity instead of “Conflict of Interests” which leads to strife and all round suffering.

2.5 Workers Productivity for Growth & Development

Due to the rapid advancement of technology, growing competition in business and the need to manage profitable enterprise, it has become incumbent on Management to

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have a productive and an efficient workforce. In the long run Productivity is everything. A country’s ability to improve its standards of living over time depends almost entirely on its ability to raise its output per worker. Krugman (1994) It has become mandatory to set specifications and performance benchmarks so that the installed machine capacities are utilized to the fullest. Technology has reduced the manual burden on the workers and sophisticated equipment promotes comfortable and efficient output from the machines. In the entire process it is important for the workers to fully adhere to the operational guidelines, systems and methods and ensure smooth shop floor productivity.

Productivity is considered a key source of economic growth and competitiveness and, as such, is basic statistical information for many international comparisons and country performance assessments. Productivity growth is a crucial source of growth in living standards. It means more income available to be distributed. There is a constant relationship between labour productivity and real wages. At industry level, the benefits of productivity growth can be distributed in a number of different ways:

- To the workforce through better wages and living standards
- To shareholders and superannuation funds through increased profits and dividend distribution
- To customers through lower prices
- To the environment through more stringent environmental protection; and
- To governments through increases in tax payments (which can be used to fund social and environmental programme)

Even after achieving a constant growth over the several decades, Indian manufacturing faces stiff competition from other developing economies in Asia and elsewhere both in domestic as well as global markets. The important requisite, which is needed for competitiveness is enhancement of productivity. Being a labour abundant economy, India could boost the productivity by employment generation, higher wages to employees, innovation and technology. This is the only way out for India to attain the status of a global manufacturing hub. This will also accelerate the

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growth process and competitiveness of the economy. **Rath and Madheshwaran (2010)**

Rapid globalization and the need for quality goods require adaptation to newer working methodologies and the change in mind set, leading to modernization. It is also essential for the workers to willingly participate in all opportunity the Management provides for acquiring new skills. There also is a need for flexibility in multi skilling oneself so that the company is able to organize its business into more profitable manner. At times the workers become very rigid to accept new ways of working and they stick to the traditional ways with a fixated approach. They are afraid that the new technology would reduce Management’s dependence on them and eventually they may lose their jobs. This inherent fear restricts workers productivity. In such situations a better understanding between both the parties will only facilitate establish good manufacturing practices.

Productivity is just as important as cost and so is innovation. In order to offset the cost differentials between the high cost locations in advanced countries and low wage emerging economies, tyre makers should strive to continually drive up productivity and efficiency. This could be accomplished through exceptional R&D and Innovation. **Junio, Marc (2011)**

There is an empirical relationship between labour productivity, real wages, employment and prices in Indian manufacturing sector, based on the application of co-integration test. This test has produced evidence in favour of a long run equilibrium relationship among the factors above establishing that there is a casual link among these variables. **Rath and Madheshwaran (2010)** As per Academic Foundation (2003) the value added per worker in India is very low as compared to Thailand, Philippines, Malaysia and South Korea. The main reason for low labour productivity is innovation, product design and lack of infrastructure facility.

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There is little reason to be optimistic that the post liberalization period has improved labour productivity. There are few sectors only which have shown employment growth but they have not correspondingly shown any increase in labour productivity. During the period 2000-2005 the labour productivity has fallen by 1.15 percent in the Indian manufacturing sector. These adverse dynamics are indicative of multiple challenges that face the Indian manufacturing sector and which consequently renders it less effective and competitive. **Bhaduri (2012)**

### 2.6 Industrial Relations – Current Challenges

The study of Industrial Relations in a comparative framework has to include:

- Influence of Industrial Relations on socio-economic aspect
- A broader approach to employment relationships including Human Resources Policies and Practices
- The legal and institutional framework
- The structure and composition of major players in the Industrial Relations system

Industrial Relations system in India cannot be compared with any other country. Current Industrial Relations policies and practices reflect the need for industrial peace, deal with competition and employment and increased productivity.

The Industrial Relations scenario in India has been very active till the reforms of 1990s were announced. For a brief period there was a certain euphoria associated with the economic reforms, however, in the past few years Industrial Relations have gained a very significant importance in managing an enterprise.

Industrial disputes affect the industrial investment environment in the States. Except for Maharashtra and Tamil Nadu, IR environment has impacted investments in the States. Table 2.4 below indicates the ranking of top 5 States in terms of industrial environment from 2003-2009. The economic growth and development of a State is to a large extent dependent on its industry performance.

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Table 2.4:
Top 5 States in Industrial Environment – 2003-2009

<table>
<thead>
<tr>
<th>Rank</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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<th>2007</th>
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<th>2009</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Haryana</td>
<td>Punjab</td>
<td>Gujarat</td>
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<td>H.P</td>
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</tr>
<tr>
<td>2</td>
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<td>Uttarakhand</td>
<td>Chattisgarh</td>
<td>H.P</td>
<td>Maharashtra</td>
<td>Maharashtra</td>
<td>Gujarat</td>
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<tr>
<td>3</td>
<td>Punjab</td>
<td>Haryana</td>
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<td>4</td>
<td>H.P</td>
<td>H.P</td>
<td>H.P</td>
<td>Maharashtra</td>
<td>Haryana</td>
<td>Tamil Nadu</td>
<td>Maharashtra</td>
</tr>
<tr>
<td>5</td>
<td>Maharashtra</td>
<td>Gujarat</td>
<td>Haryana</td>
<td>Uttarakhand</td>
<td>Uttarakhand</td>
<td>Punjab</td>
<td>Tamil Nadu</td>
</tr>
</tbody>
</table>

Source: India Today, September 28, 2009

A brief history of significant incidences related to Industrial Relations in India since 2005 is as follows which has been a contributory factor in creation of an unsettled industrial environment in the concerned States:


- **2012- July**- Violence and work suspension at Maruti Manesar Plant.
  The way the union leaders behaved in the end has been termed as labour aristocracy.
  Regency Ceramics, Yanam district Andhra Pradesh- incidence of violence-factory burnt.
  Ceat Nasik- violence and work stoppages

- **2011 – June - October** - Three times strike by workers of Maruti, Manesar Plant from June to October. The workers resorted to demonstrations, violence, stay-in-strike, strike, go slow. Workers wanted the Management
to withdraw disciplinary proceedings against workers and take them back on duty. The strike caused losses of crores to the Management.

- **2010 – January** - 2000 Workers Strike at Nokia’s Sriperumbudur Plant, 62 suspended pending enquiry
- **February - March** - Contract Workers Strike at Tata Chemical Hardiya Plant, workers disown a long term wage settlement and raise new demands and strike again
- **June** - Strike at Hyundai’s Sriperumbudur Plant, Company suffers huge losses
- **October** - Workers Strike at MRF Plants at Arakonam, Puducherry and Triuvottiur, various demands, reinstatement of dismissed workers, removal of surveillance cameras and recognition of Union
- **September – October** - Strike at Neyveli Lignite Corporation, demand for regularization and wage parity
- **November** - Violent clash leading to death of a Manager at Allied Nippon, Sahibabad, UP. Demand for reinstatement of dismissed workers, shift change.

- **2009 – April** - Flash Strike by workers at Hyundai’s Sriperumbudur Plant, due to absence of Management Representatives in a conciliatory meeting
- **May** - Strike at Nestle India Plant at Pant Nagar, UP, demand for reinstatement of dismissed workers
- **May** - Tool down strike at Mahindra and Mahindra Nasik Plant, for withdrawal of suspension of Union Leader
- **May** - Strike at MRF Factory at Arakonam, demand for higher wages and union recognition
- **July** - Strike at Bosh Chasisssis System India Ltd, for higher wages
- **September – RICO Auto, Gurgaon** - One HR Executive died, demand for reinstatement of dismissed workers, higher wages
- **September – Pricol Ltd. Coimbatore** - Violence, death of Sr. HR Executive, workers demand wage increase
- **October – Honda Motor Company, Manesar** - Workers prevent trial of a new assembly line
• 2008 – Chief Executive of Graziano Transmission India Pvt. Ltd. Noida, beaten to death, demand for reinstatement of dismissed workers

• 2006 – Hero Honda Motors, Gurgaon, strike for increase in benefits

• 2005 – Honda Motorcycle, Gurgaon, strike and massive destruction of property, demand for reinstatement of dismissed workers

It is necessary to have a clear cut strategy for Industrial Relations although the management of Industrial Relations is essentially a knee-jerk reaction to events and problems, and is, therefore far removed from the world of strategic thinking and planning. Since employer employee relations are presumed to be satisfactory until they go out of control of Managers, it is rarely that Managers adopt a proactive approach to keep the troubles away.

In recent years many senior professionals have iterated that more than strategy or vision, managing or engaging employees is their foremost priority and probably a much tougher job than charting out a strategy for their business. There is also a school of thought which claims that if an organization can get its people act together, the business would take care of itself. There is a certain romance in putting employees above all else in scheme of things and HR Professionals feel vindicated when the industry acknowledges the truth the HR Professionals always believe in. Some research has been lately suggesting direct linkages between employee engagement and company profits, but the industry and financial markets need more empirical evidence and standardized measurement tools before HR Professionals can go full steam ahead with an employee first strategy.

Of all economic liberalization reforms, labour market reforms have gained maximum attention. It is widely argued by many economists that in the open economy and liberalized trade, labour rigidities cannot be afforded. It will hinder global competitiveness.

The history of Indian Management, specifically relating to people issues, has undergone a complete shift from the early 1950’s to current day scenario. The traditional Commercial Department approach, as earlier entrusted with people issues,
has now been taken over by the Human Resource Specialists, in each sub-section of “People Management”. After witnessing the turbulent period of textile unions militancy from 1960’s to early 1980’s, there seemed to be a period of understanding and appreciation, which gained further ground in the post liberalization period after 1991. However, in recent years the Industrial Relations issues have once again taken the front seat in managing profitable business. Recent violent incidents in the NCR, South and West India are significant pointers to a different kind of trend in managing Industrial Relations. Be it MNC culture or the boom of Information Technology, a new breed of intelligent and ambitious employees are always willing to bargain a reasonable share of company profits.

In the current business situation both globalization and competition does not stop at the economic issues. It has social implications. ILO has developed a concept of Decent Work and facilitated each country to develop it in co-operation with their Ministry of Labour. Decent Work in ILO’s definition means “Work which is carried out in conditions of freedom, equity, security and human dignity”.

The Industrial Relations scenario in India is going through major transformation because of existing demographic profile coupled with shortage of requisite skills. There is a need for both Academic Institutes and Industry to work jointly to facilitate research in Labour Studies so that the Researcher can compile the relevant data, use the right techniques and come forward with research findings which will help all stakeholders to play their roles effectively and help workers prosper and grow.

Globalization and liberalization have put considerable pressure on the government to review seriously the existing outdated labour laws. These laws render Indian Companies uncompetitive and are a hindrance for foreign investment in India. India has one of the most rigid Labour laws in the world. A study done by World Bank indicates that India tops the list in rigid labour laws followed by China, Korea and Norway. Singapore has been rated as one of the most flexible countries with regard to prevailing labour laws out there. The current laws are strangulating, over lapping and often contradictory. Structural reforms in the labour laws are a must for the welfare of the workers. Such an action will boost industry and create more jobs.

Liberalization of Indian economy is almost 15 years old. Labour market reforms have gained maximum attention. Many economists feel that in times of open economy and
liberalized trade, the country cannot afford to carry on labour market rigidities. Corporate India has been vehemently pressing for labour reforms which they feel are essential to make them competitive at a global level as also attract foreign direct investment. The current laws slow down growth and severely impact job creation. It is difficult to build skills at a speed at which they are required and due to this the companies lose flexibility and ability to deal with business recession quickly. The flexibility to the Indian corporate will increase into more hiring better benefits coupled with better working conditions, safety standards, welfare matters and health benefits. Kaushik (2009)

The Industrial Relation scenario has been ruffled by recent disturbance at Maruti Suzuki. This situation can be quitted with the textile strike and the strike at Telco (now Tata Motors) in 1989 and the recent strike at Jet Airways, in the past three decades. The Maruti Suzuki strike has brought in many issues with regards to Industrial Relations but the four major issues are

a. Contract Labour is just indicative of larger issues
b. The need to use a mature approach to Industrial Relations
c. Industrial Relations requires proactive management
d. The ability to handle and resolve a conflict is a business requirement.

Handling conflict is a constant subject and does not end once the people return to work. It is essential that the workers feel included in the larger system. There has to be a unique congruence between the management and the workers and it should grow on a continual basis. If it fails it will invite discord. Brining about an inclusive culture after a major Industrial Relation problem is one of the toughest job of the management. Sometimes it takes years to rebuild the organization. Patwardhan (2011)

The future of IR in India poses following challenges to the 3 actors in the system.

a. The strengthening of collective bargaining for arriving at speedier settlement of disputes between the workers and the management
b. Anarchic Labour Laws which are outdated and are hindrance to growth.

c. Workers participation in management is nonexistent. The earlier schemes have not made any headway.

The business environment is fast changing and the pressure from various groups involved is starting to get more vocal and intense. Monappa (2007)\textsuperscript{38}

There is an urgent need to make strategic choices considering the economic and the political difficulties the country is facing. Sound Industrial Relations are as crucial and difficult as human relations. Following principles should be followed for maintaining solid industrial relations:

a. Recognition of dignity of the individual and of his right to personal freedom and opportunity to equality

b. Mutual respect, confidence, understanding, goodwill and acceptance of responsibility on the part of both employer, management, workers and their representatives in the exercise of the rights and duties in the operation of the industry.

c. Understanding between various organization of employers and employees who represent the management and workers. Subbarao (2007)\textsuperscript{39}

2.7 New Trends in HRM

The Management of Human Resources has now assumed strategic importance in the achievement of organizational growth and excellence. As globalization advances and we move into the information age, organizations need to adapt to the changes in the technology and the changing issues in management of people. Some critical issues have already emerged, majorly, Human Resources Planning, Acquisition and Development, dealing with the demands of the workplace and above all evolving a strategy for dealing with Industrial Relations. As a Management practice HRM covers all areas of personnel management and Industrial Relations as well as the relatively new areas such as communication, counseling, training and development and job enrichment. Today, competitive advantage is based on the successful application of


knowledge. Managing people, as an HRM function has broadened to include managing organizational capabilities, relationships, learning and knowledge. These functions includes four generic areas:

- Roles
- Relationships
- Strategic Focus
- Learning Focus

All the above areas are different from each and need to be addressed in a structured manner. Human Resources Management has to innovate crafting new business strategies, organizational restructuring, creating social networks, invoking new challenges, shifting mindsets, and enabling companies withstand global competition by superior performance. There is an all time need to create a knowledge workplace. In current business environment, the cutting edge for any organization is given by the speed with which it takes decisions to respond to changes in the environments, internal or external.

HR is too important to be left to the HR people alone. It is all pervading function and it is the individual manager whose primary responsibility is to manage his people resources, blend them into an effective team, manage their performance and address their needs and aspirations, such that together they achieve more. In this process as an Organization, there has to be in place a body of collective people practices governed by a particular philosophy; a set of abiding principles of human respect and dignity; and well demonstrated values and ethical norms. Dasari (2009)

2.8 Dynamics of Industrial Relations – Expected Response from HRM

So long as income remains the all important means for satisfying human wants and needs, wages would be major consideration in industrial unrest. Failure to upgrade workers skills in a globally integrated economy will make it more difficult for unskilled and low-skilled workers to demand higher wages. This situation in turn, may worsen labour unrest. As the economy globalizes, it would be difficult to increase

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wages for un-skilled or low-skilled workers. Companies need to continue improved training programmes to meet the critical skills needed in globalizing economy. Improving workers skills will effectively solve workers unrest; it will result in higher wages and, better quality of lives for the people.

The relationship between an employee and employer is primary. It may be referred to as employer-employee relationship or as employee relations. This relationship between employees and union(s) is secondary, for, except where closed –shop situation exists, a person joins the organization as an employee first and later he may become a member of the union, if one exists. Organizations need to maintain relations with both the employees as individuals and with their collectivities referred to either as unions or associations. Employee relations come within the purview of Personnel/Human Resource functions. Union – management relations are handled by industrial relations specialists within the Personnel / Human Resource function. Few organizations realize that it is possible to optimize concern of both employee relations and industrial relations without seeking the two as dichotomous. The rationale for HRM arises out of the need to overcome these perceptonal blocks. Shift from the command and control organizations to information based organizations, the organization of knowledge specialist, globalization, acquisition and mergers is the managerial challenge. Readiness to commit oneself to the changing environment indicates bigness and readiness to alter policy with changing condition is indicative of greatness. It levels itself to a culture of integration and adaptation.

All of above has posed monumental challenges for the HR Professional to not only satiate but delight all stakeholders that come in human form and at the same time keep the bottom line business agenda intact. Due to increasing expectancy from HRM the very genesis of bottom-line has also undergone transformation to become triple from single. It is a matter of great significance in evaluating any company’s performance along with the role played by its HRM Department in so far it contributed objectively towards organizational synergy for Vision-Mission fulfillment, profits and varied business successes. One clear conclusion however is that HRM initiatives have perforced to be focused on building a vibrant corporate culture on the one hand and increasing per capita productivity of the employees on the other.
The fabric of Industrial Relations in India is changing the contours of the Indian economy and life styles of people at large. A business person, a HR professional and an IR expert today need to recognize these fundamental transformations. Unless until the stake holders recognize the changing scenario they will not be able to have harmony at workplace and will have their work places at risk at all times. It is necessary that Managers and leaders walk together and behave differently in changed circumstances. It is not a difficult task rather than to engage themselves in the basic philosophy of – people power, treating people with respect, building partnerships, increased reach to the workers and an open communication system. Singh (2009)\textsuperscript{41}

2.9 Industrial Relations (IR) Human Resource Management (HRM) in Tyre Industry: Post Liberalization

Cycles Tyres were marketed in India for the first time in 1896 by Dunlop and subsequently in 1936 Dunlop India Ltd; started production of passenger car tyres, cycles and tyres for animal driven vehicles. In the subsequent years the company increased its product range to aircraft tyres and other industrial products.

The company had the finest facilities and work environment for both the Managers and the Workers in its sprawling campus at Sahaganj, Kolkata which set a benchmark for other large tyre companies which were established in India post 1936. MRF was established in mid 1946 and Ceat in 1960. Other major players started in the early 70s and post liberalization Birla Tyres started in 1990 and in the recent years we have large multinational companies establishing their manufacturing bases in India. It is thus interesting to note that it has been a very vibrant industry which has moved along with the economic growth of the country, supported in commercial ways as also makes it experience the challenges associated with growth and employment of a large labour force.

The companies selected for the study have been in the business for over 13 years to 50 years. Their IR- HR journey makes an interesting case study where you find the older companies doing well on the selected parameters whereas the new ones failing to make any impact on either of the parameters. The researcher shall confine his

observations to the selected companies only in the post liberalization period without any specific references for permissive and ethical reasons.

2.10 Industrial Relations in Tyre Industry

The scenario has been in focus and has gained management attention at all times all these years. With the advent of globalization and growth of the automobile sector both in India and abroad there has been a constant demand for operational efficiencies, productivity, quality, value adding processes and cost effectiveness. These factors have filtered down to a large basket of expectations from the workforce. The response of the work force has been a mixed one with flashes of responsible behavior but largely it has remained in a contemplative and demanding posture. Though all the companies have grown in business volumes but have many a times found themselves in a difficult and a non competitive position due to the unsettled issues at the Workers front. How reasonable and genuine these issues could be, can be attributable to the stakeholders, the management and the workers. To some extent the Government is also accountable for its outdated labour laws and lack of vision to change the industrial relations atmosphere to a collaborative, congenial and appreciative one.

The major areas of concern have been:-

- Regional industrial dynamics
- Social, political environment of the area, more specifically the caste system
- Workers recruitment process and associated malpractices
- Classification of the Workers for placing them in higher wages grade based on experience or skill set
- Multiplicity of Unions and credibility of its leaders
- Loyalty towards the company
- Legal protection and the threat to go to Government/ adjudication on trivial issues
- Resistance to work methods improvements for higher productivity/ efficiencies
- Fear of producing to full capacity utilization
• Lack of faith/trust/belief in management practices and policies specifically:
  - Grievance Handling Procedure, Collective Bargaining and Disciplinary procedures
• Regular assault/threat to management staff, at times violence
• Demand for higher wages, benefits and concessions
• Resistance to job contracts and other outsourcing efforts

The above concerns are there in almost all companies, may be the intensity of the problems could be relative or more. Despite this long list, the managements have been dealing with all the issues so as to ensure industrial peace and harmony. The ever changing demands of business and globalization have made it incumbent upon them to balance well the worker issues as also to sustain a profitable venture. There is also an attempt to integrate the HR policies with the IR policies, but there is still a long way to go. Three companies from the selected ones have adopted a composite developmental approach and they have been fairly successful also. Impactful HR policies have ensured stable IRs and responsible worker behavior to some extent in these companies.

As per a paper published by All India Organization of Employers (2013)42 Liberalization and globalization introduced change of business environment and increased competition among industries for survival. Potential market capacity and availability of work force have lured many MNCs to set up their units in India giving a tough competition to their counterparts. To compete in customer driven market economy, industries require flexibility in managing manpower to address occasional upsurge or slowdown in demand. But anarchic and rigid Indian Labour Laws, which were enacted four to eight decades back restricting rightsizing of manpower, are creating hurdles in smooth functioning of industries.

These factors are tending the tyre industry to hire more number of contract labour to have greater flexibility to adjust the number or workforce based on economic efficiency, better utilization of resources, optimization of profit and bringing cost effectiveness, despite the risk of lower worker loyalties and a lower wage. This trend will introduce newer dynamics the way IR is managed in the tyre industry. Automobile sector is already experiencing it and setting up some notable precedence.

2.11 Human Resource Management in Tyre Industry

Most of the companies studied have done high quality interventions in the HR arena covering all levels of management staff. Staff members have been nominated for high level learning to premier training institutions and have been exposed to the best in the industry trainers/consultants. How far these interventions have impacted industrial relations is yet a matter of deeper study. There have been no direct linkages between the two functions. Largely, they remain independent with insignificant convergence. There are many issues which hamper this needed convergence, few of them are; Lack of Delegation of Power / Empowerment of the Line Managers/Supervisory level.

At times confusing and suspecting role of the Head of the Departments-tyre companies have been political organizations (in some sense) since long; personal affiliations many a times take over company affiliation

- Appeasement of the Unions/management compromises at times
- Complex riders by management whenever granting any financial benefits to the workers
- Ignoring IR- HR fundamentals while setting up projects or when expanding
- Wrong selection of a complex product; which is difficult to be produced with prevailing technology and other support services
- Selective adherence to HR systems (mostly when dealing with OEM customers)
- HR interventions lack substance and sometimes are a fad
- Lack of faith in using match-able HR interventions for workers training and development
- Creation of complex work procedures/hierarchies and reporting structures
- Need for frank consultative forums at plant level to greater dissemination of knowledge and sharing of company information/other business plans

The post liberalization period has been a good teacher to the tyre industry in making it understand and appreciate the needs of a transitory business environment. There has been a pressure of a different kind to take decisions to remain competitive and capitalize the opportunities available for larger volumes generated by a growing world market. Going by this sentiment all covered companies in the study have undertaken massive expansion projects and are geared to make an impression worldwide. Tyre
manufacturing is a complex process which involves lot of human effort in a country like India where automation processes are still a far cry. It has cost implications and grossly impacts the cost supremacy India enjoys due to availability of workforce at affordable costs. But the point is, whether this advantage will remain for a longtime, how to sustain it and retain as an enabling factor. This is a junction where all companies need to examine their business strategies and their people strategies in conjunction and with a common lens.

One of the most critical tests the tyre industry has to face is the building up of a vibrant, joyful and motivating work culture. In the path of organizational culture one of the biggest factors that play a constant role is leadership styles. Both the terms organizational culture and leadership styles are strongly intertwined and they share a symbiotic relationship.

The lead signals are available clear and loud- do companies accept them and act accordingly or ignore them. This will also provide a new platform to relaunch the IR-HR as two separate functions or there would be a unification of the functions. It would be path breaking.