Chapter 1

OVERVIEW OF INDUSTRIAL RELATIONS IN INDIA

1.1 Concept of Industrial Relations

The concept of industrial relations started way back in eighteenth century and term has been used differently in the work place situations at different times over the years. The emergence of the concept of the concept of Industrial relations, personnel management, human resource management and human resource development, contributed to the growing need of labour. The term industrial relations refers to relationship between management and labour or among employees and their organizations that characterize or grow out of employment. This chapter provides background on the evolution of Industrial Relations and specifically the impact of Legislation and Economic Policies of the Government in this regard.

Concept of Industrial Relations in the terms of Industrial Relations comprises of two different terms as Industry and Relations (Anne Tsui, 1997). Industry in terms basically refers to any productive activity in which an individual or a group of individuals are engaged. The term relations mean the relationships that exist within the industry between the employer and his workmen. Therefore the term industrial relations explain the relationship between employees and management (Guest
D., 1987) which is derived directly or indirectly from union employer relationship. Thus, industrial relations are seen as relationships between employees and employers within the organizational settings. The field of industrial relations looks at the relationship between management and workers, particularly groups of workers represented by a union.

Industrial relations have a broad as well as a narrow outlook. Originally, industrial relations were broadly defined to include the relationships and interactions between employers and employees. Industrial relations cover all aspects of the employment relationship, including human resource management, employee relations, and union-management (or labor) relations. The meaning has become more specific and restricted. Industrial relations pertains to the study and practice of collective bargaining, trade unionism, and labor-management relations, while human resource management is a separate, largely distinct field that deals with nonunion employment relationships and the personnel practices and policies of employers.

From industrial perspective, the different kind of relationships arises at and out of the workplace generally include the relationships between individual workers, the relationships between workers and their employer, the relationships between employers, the relationships of employers and workers have with the organizations (Brown R, 1986)
formed to promote their respective interests, and the relations between those organizations, at all levels possible. Industrial relations also includes the processes through which these relationships are expressed such as, collective bargaining, workers participation in decision-making, and grievance and dispute settlement, and the management of conflict between employers, workers and trade unions.

Industrial relations deal with the relationship that exists between the employees of an organization and the management. It is generally in reference with the shop floor and a typical factory environment. Changing Business environment due to Economic, technological, political and social aspects puts increased pressure and demands on the enterprise and its workforce to respond to these rapid changes. And response to changing business environment causes stress and tensions at times among the parties to the Industrial relations. The workers, the trade union and the management are the basic parties to it, and then it finds its most important application in case of industrial disputes.

Industrial relations exist as a multidisciplinary field which studies the employment relationship in the organizations. Industrial relations are most of the times called as employment relations because of the importance of employment relationships apart from industry. There are two views on employee relations. One is that human resource management considered as synonym of employee relations and another is that employee relations deals only with non-unionized
workers, where as labor relations deals with unionized workers. Industrial relations examine varied employment situations and not only unionized workforce.

The government plays an important role industrial relations, be it through its policies or its representatives like the conciliation officer or the labor commissioner. In the present day scenario, IR is losing its relevance because of the advent of information technology and the service sector becoming dominant. Its dispensability still can’t be questioned as it clearly showcases the success of HR policies at the grass root level.

Business Environment around us continues to change and throws newer challenges. Business realities keep on changing rapidly and what is relevant today becomes obsolete tomorrow. Business change environment is caused due to many factors. These are Political, Economic, Social, Technological, Environmental, and Legal. All these aspects put increased demands on the enterprise and the workforce employed in the company. And this change in social environment in industries becomes a big contributor to industrial relations which plays a vital role in achieving the key objective of the enterprise.

It covers many dimensions impacting a company’s activities & performance and is an aggregate of all forces & factors external to the business enterprise, but which influence it's functioning. There is a mutual inter-depencence between business and its environment. A
business enterprise is an open system and it continuously interacts with its environment. Businesses take inputs like raw material, capital, labor, energy, etc. from the environment, and transform them into goods & services, and then send them back into the environment. Interaction between business and environment is in various ways such as, exchange of information, resources, influence & power. There are several layers of influences surrounding a business. The outer most layers, called the macro-environment, consist of dimensions that impact almost all companies in an economy. These factors are the six aspects of business environment - Political, Economic, Social, Technological, Environmental, & Legal. Political environment includes factors like a country’s political system, type of government, centre-state relations, public opinion, law & order, nature of government policies towards business - particularly those related to taxation, industrial relations, regulation of business & industry, and foreign trade regulations. It also relates to the stability of the government in power, the risk of major political disturbances, or threats from anti-social elements, terrorists or other countries.

Broadly the subject of industrial relations cover the following three phases as science building, problem solving, and ethical. The science building phase states that industrial relations is part of the social sciences and it tries to understand, through high-quality, rigorous research, the employment relationship and its institutions. In between industrial relations scholarship interacts with scholarship in labor
economics, industrial sociology, labor and social history, human resource management, political science, law, and other areas also.

It is assumed in industrial relations scholarship that labor markets are not perfectly competitive and therefore in contrast to mainstream economic theory, employers generally have greater bargaining power \textit{(Peter A, 1998)} than those of employees. It also assumes that there are at least some inherent conflicts of interest between employers and employees and therefore in contrast to scholarship in human resource management and organizational behavior there is a conflict as a natural part of the employment relationship. That is why industrial relations scholars frequently study the diverse institutional arrangements that characterize and shape the employment relationship from norms and power structures on the shop floor, to employee voice mechanisms in the workplace, to collective bargaining arrangements at company, regional, or national level, to various levels of public policy and labor law regimes, and to varieties of capitalism.

In normal circumstances, one cannot depend on markets or managers to always serve workers interests, and in extreme cases to prevent worker exploitation especially when labor markets are seen as imperfect, and when the employment relationship includes conflicts of interest. Therefore institutional interventions to improve the workings of the employment relationship and to protect workers’ rights are supported by industrial relations scholars and practitioners. The nature of institutional interventions divided between two groups within
industrial relations. The pluralist group thinks that the employment relationship is a mixture of shared interests and conflicts of interests that is limited to the employment relationship. Therefore at workplace, pluralists group well in grievance procedures, employee voice mechanisms such as work councils and labor unions, collective bargaining, and partnership between labor and management. During policy arena, pluralists group suggests for minimum wage laws, occupational health and safety standards, international labor standards, and other employment and labor laws and also public policies. At another side, the Marxist inspired critical group thinks that employer-employee conflicts of interest are sharply antagonistic and deeply embedded in the socio-political-economic system. From this perspective it is analyzed that, the pursuit of a balanced employment relationship gives too much weight to employer's interests, and instead deep-seated structural reforms are needed to change the sharply antagonistic employment relationship that is inherent within capitalism.

1.2 Current Scenario of Industrial Relations

Today's employees or workers are modernized and have changed expectations out of employment relationships. The current changing phase of Industrial relations is different in the era of “knowledge worker” from that of “who only think of a living”. In the field of academicians, industrial relations traditional positions is threatened on one side by the dominance of mainstream economics and
organizational behavior, and on the other by postmodernism. In policy making, the industrial relations emphasis on institutional intervention is trumped by a neoliberal emphasis on the laissez faire promotion of free markets (Osterman, 1987). In actual practice now days, labor unions are declining and fewer companies have industrial relations functions. In many companies more focus is being to human resource function as a whole. The number of academic programs in industrial relations is therefore going down, and scholars are leaving the field for other areas, especially human resource management and organizational behavior too. But the importance of work is stronger than ever, and the study of industrial relations remains important. The challenge possesses ahead of industrial relations are to re-establish these connections with the broader academic, policy, and business worlds.

**Industrial Relations Scenario in India:**

Industrial relations scenario is constantly changing world wide and India has no exception. However, the role of state, Government and different institutions has a major role in this regards and make a huge difference to the subject of Industrial relations. Today’s educated workforce and worker, have a need to control his/her workspace, and is paranoid about obsolescence, thus the jobs need to be challenging, and focus should be on innovation and upgrading their current skill set. Economic development has brought in changes in the society:

1. Life expectancy is better from 59 in 1991 to 65 in 2011.
2. Growing urbanization - 30% stay in urban areas in 2011 as against 11% in 1901)

3. Literacy rate in the country is increased from 52 in 1991 to 74 in 2011.

4. There is substantial increase in people moving away from joint families to nuclear families.

5. Besides nuclear families some are resorting to Live-in relationships and same sex marriages.

6. Increase in number of women stepping out for work, and joining the workforce.

It's the need of the hour to have plan in line with the above. A disconnect of the above causing the industrial unrest over the country, we are experiencing in India. The IR unrest is common across state. States like Andhra Pradesh, Karnataka, Kerala, Rajasthan and Tamilnadu together contributed more than 30% to Man-days Lost (MDL). Maharashtra has reported decrease in Man-days lost due to Industrial disputes very recently. Of late Industrial disputes have come down especially in the post 90s but MDL and workers involved in ID have shown an upward trend after 1998 (David Neumark, 2004). Disputes in public sector have declined whereas it remained static in private sector recently. There has been sharp decline in MDL as well as production and wages loss in PSUs. In the private sector increased
IR unrest is evident with so many agitations and demonstrations in different MNCs and Indian companies. Disputes due to monetary and personnel reasons have shown moderate level upward trend (2004), on the contrary disputes due to indiscipline has a little downward trend.

1.3 Factors Impacting Industrial Relations

Industrial relations are impacted with so many other factors besides the day to day working relationship between workers and management inside the workplace and these factors are beyond the immediate purview of them. Below are the main factors impacting IR:

1. Economic Factors: Economic factors include, economic organizations – capitalist vies, communist approach and a mixed of both etc. the structure of labour force, demand for and supply of labour force. Availability and demand for skilled v/s unskilled workforce.

2. Technological Factors: the amount of automation, mechanization, manpower rationalization and computerization are some of the reasons making rampant changes in the industry.

3. Institutional Changes: these institutions include government policies, labour legislation, collective agreements, different employees and employers’ federations and like local community etc.
Labour is embodied in human beings and it’s not a commodity. This is the emphasis on the theoretical and policy foundation for the field of Industrial relations. Institutional-based definition of industrial relations is defined as these are the sum of institutions and institutional processes that establish and administer the rules regulating workplace relations. Social Psychology-based definition of industrial relations: These are the sum of social psychological interactions between individuals.

Class-based definition of industrial relations (Suzanne, 2000): These are the sum of institutions, interactions and processes that are a product of wider social and economic influences, in particular the class divisions of contemporary capitalism.

1.4 Important Definitions of Industrial Relations

Accordingly to the ILO “industrial relations deal with either relationships between the state and the employers and the workers’ organizations or the relations between the occupational organizations themselves”. The ILO uses the expression to denote such matters as freedom of association and the protection of the right to organize, the application of the principles of the right to organize the right to the collective bargaining, collective agreements, conciliations and arbitration and machinery for corporation between the authorities and the occupational organization at the various levels of the economy".
According to R. A. Lester, industrial relations “involve attempts to have workable solutions between conflicting objectives and values, between incentive and economic security, between discipline and industrial democracy, between authority and freedom and between bargaining and cooperation”.

Industrial relations encompasses the processes of regulation and control over workplace relations, the organization of tasks, and the relations between employers and their representatives, and employees and their representatives, and is the sum of economic, social and political interactions in workplaces where employees provide manual and mental labor in exchange for rewards allotted by employers, as well as the institutions established for the purpose of governing workplace relations (Bruce Kaufman, 2001).

Personnel Management vs. Human Resource Management

The word industrial relations, employee relations have been used differently in the different period in the industry by the management. Personnel Management or Personnel Administration is seen as a line responsibility and staffs function. The basic of a good management is getting effective results through building and maintaining a productive human organization. The contribution of human being is silent.

Human Resource Management goes beyond this concept. Human Resource Management is defined as “a process by which the
management brings workers into contact with the organization in such a way that the objectives of both the groups are achieved. HR implies a concern for the people but the effective manager never loses sight of the organizations overall objectives (Jacqueline, 2007). The employees share the benefit of increased production.

**Human Resource Management vs. Industrial Relations**

Unlike the field of Human Resource Management, Industrial Relations focuses within a country on the sectors of both product and labor markets rather than on individual enterprises. Industrial Relations not only incorporate the structure, organization and development within enterprises but also systematically use the channel of product markets, which tend to be highly significant, and the government regulation and public policies.

Industrial relations describe three major theoretical perspectives or frameworks for analysis of workplace relations. The three views are generally known as unitarism, pluralist and radical. Every framework gives a particular perception of workplace relations and will therefore interpret such events as workplace conflict, the role of unions and job regulation differently. The radical perspective is referred to as the conflict model, although this is somewhat ambiguous, as pluralism also tends to see conflict as inherent in workplace. Radical theories are strongly identified with Marxist theories.
1.5 Unitary Perspective In Industrial Relations

In unitarism (*Pattern, 1973*), the organization is perceived as an integrated and harmonious unit, where management and other members of the staff all share a common purpose, emphasizing mutual cooperation among them. Furthermore, unitarism demands loyalty of all employees in organization, being predominantly managerial in its emphasis and application.

Here, trade unions importance is very less as the loyalty between employees and organizations are considered mutually exclusive, where there can't be two sides of industry.

Unitarism group have assumptions about workplace relations as management and employees share common interest having a one source of legitimate authority. They also have assumptions about workplace conflict that it is inevitable, aberration, destructive, to be avoided which is a result of poor management, dissidents, agitators or poor communication. *Unitarism* group have assumptions about trade unions as they are a competing and illegitimate source of authority having an unwarranted intrusion in the workplace which create conflict where none would otherwise exist. Also they have assumptions about collective bargaining as it creates and institutionalizes unnecessary divisions of interest which serves to generate workplace conflict rather than resolve it.
Pluralist perspective

In pluralism group (*Bruce Kaufman, 2008*), the organizations are made up of powerful and divergent sub-groups, each with its own legitimate loyalties and with their own set of objectives and leaders. Management and trade unions are the two predominant sub-groups in the pluralist perspective.

The role of management is less towards enforcing and controlling and more toward persuasion and co-ordination. Trade unions are representatives of employees; conflict is dealt by collective bargaining and is viewed as channeled towards evolution and positive change.

Pluralist group have assumptions about workplace relations as managers and employees have different objectives having multiple sources of legitimate authority. They have assumptions about workplace conflict as it is inevitable and are caused by different opinions and values which benefit to an organization and these conflicts can be avoided by accepting trade unions which must be included in decision-making. Pluralist also have assumptions about the workplace role of trade unions as it is not the cause of conflict but they are expression of diverse workplace interests that always exist with a legitimate part of workplace relations. They have assumptions about the role of collective bargaining as it deals with problems on a collective basis which is most efficient means for institutionalizing employment rules which provide fairer outcomes by balancing employee and management power.
Marxist/Radical perspective

This perspective looks at the nature of the capitalist society, where there is a fundamental division of interest between capital and labor, and studies workplace relations against this background. This perspective views inequalities of power and economic wealth as having their roots in the nature of the capitalist economic system. Therefore conflict is inevitable and trade unions are a natural response of workers to their exploitation by capital. Whilst there may be periods of acquiescence, the Marxist view would be that institutions of joint regulation would enhance rather than limit the management position as they presume the continuation of capitalism rather than challenge it.

Marxist group have assumptions about workplace relations as it reflects a wider class conflict between capital and labor which reflects coercion of working class into dominant capitalist values. They have assumptions about workplace conflict as it is inevitable where capital seeks to reduce costs, workers seek fairer price for labor and this will only cease by revolutionary change in distribution of property and wealth. They also have assumptions about trade unions as it should raise revolutionary consciousness of workers and should not limit action to improving material lot of workers as union leaders who accommodate management betray the workers. Lastly they have assumptions about collective bargaining as it merely offers temporary accommodations and leaves important managerial powers intact.
1.6 Theories of Industrial Relations

The formation key inputs of this theory put forth by Mayo, Maslow, McGregor, and Herzberg. It has unitarist frame of reference. This theory focuses on workers social and psychological needs (Gunningham, 1997). This theory serves the reference to industrial relations as that of implicit theory which is a system of management which maximize output by meeting social and psychological needs of employees in the workplace (Budd, Bhave, 2008). This theory states that managers identify and satisfy employee’s social and psychological needs, employees seen as different to other production resources, employees organized into teams, employees included in work allocation decision-making processes. The implications of this theory results in as worker morale get maximized and motivated employees become productive. Neo-Human Relations theories add individual satisfaction and motivation is through worker self actualization by hierarchy of needs.

Systems Theory

The formation key inputs of this theory given by Dunlop (Martin, 1990). It has pluralist frame of reference. This theory focuses on a general theory of industrial relations. This theory serves the reference to industrial relations as that of Explicit Theory which is industrial relations sub-system of wider society with four elements as actors which
includes employers, employees, their representatives, government agencies; environmental contexts such as technology, market, budgets, distribution of power; procedural and substantive rules governing the actors; and binding ideology (Rubery et al 2002), common beliefs encouraging actors to compromise.

**Labour Process Theory**

The formation key inputs of this theory given by Braverman. It has Marxist frame of reference. This theory focuses on labor’s relationship with industrial processes. This theory serves the reference to industrial relations as of Implicit Theory where improved technology and scientific management techniques are de-skilling work, fragmenting tasks, centralizing knowledge in management, diminishing workers control of pace (Aram, 1981) and conduct of work. The implications of this theory results in as labor is increasingly alienated and exploited, leading to resistance by organized and unorganized industrial conflict.

**Strategic Choice Theory**

The key inputs of this theory are given by Kochan, Katz and McKersie. It has pluralist frame of reference. This theory focuses on a general theory of industrial relations. This theory serves the reference to industrial relations as of Explicit Theory which emphasizes the strategic choice of actors in deciding industrial relations outcomes, as influenced by declining union membership, breakdown of collective bargaining
frameworks (Strauss, 1984), retreating government intervention, pro-active human resource management techniques, and spread of organizational authority for industrial relations.

Scientific Management Theory

The key inputs are given by Taylor. It has unitarist frame of reference. This theory focuses on use and control of labor. It serves the reference to industrial relations as of Implicit Theory where system of management maximizing output by greatest technical efficiency of work methods, achieved by, unchallenged management powers to allocate work tasks, managers relationship with employees is rational and objective, managers treat workers impersonally and collectively, work tasks reduced to basic s for low-skilled, low-paid employees in assembly line production, employees are chosen to suits the tasks to be performed, employees given training in best work methods, and employees motivated by incentive payment schemes.

Regulation Theory

The key inputs provided by Stigler and Friedland. It has pluralist frame of reference. This theory focuses on state intervention in industrial relations. It serves there reference to industrial relations as of Explicit Theory which correlates with capture theory and bargaining theory.
Labour Market Theory

The key proponent to this theory is Friedman. It has unitarist frame of reference. This theory focuses on the settlement of wages, employment and the allocation of work. It serves the reference to industrial relations as of Explicit Theory where people are rational economic maximizes; perfectly competitive labor and product markets yield most efficient economic outcomes.

1.7 History and Genesis of Industrial Relations

Industrial Relations are the most primitive form of Personnel Management, which goes back to the eighteenth century. It has relevance right from the 1769, when James Watt fought for the patent of the steam engine. Industrial Relations borrows its basic principles from various disciplines e.g. Economics such as wages, bonus, monetary benefits; Law as labor laws; sociology which includes trade unions and their social framework.

In the last two centuries, there have been three inter related revolutions which marked the evolution of industrial relations into its present form. The three revolutions are:

- Industrial Revolution
- Democratic Revolution
- Capitalist Revolution
Pre industrial revolution era –

This period refers to the prior to industrial revolution in the world. This was the time while there was no formal way of establish relationship between employers and employees. This era is marked basically with the following features:

- In this time period, economic activity was restricted to agriculture, craftsmanship, trademanship and domestic service.
- The workforce was largely illiterate and not professionally qualified.
- There were no defined work hours rather working hours were long. Consideration of human fatigue and its impact on efficiency was missing.
- There was no structured relationship rather it was based on master and the craftsman basis. There was more focus on personal rather than professional.
- The work place, work environment and conditions were improper did not receive any attention.

Industrial revolution

Industrial revolution brought about a transformation in the economic and social life. It began in the UK and then soon spread to France, Germany, and the USA. This period was extensively marked by the studies made by Taylor and his principles of scientific management. The salient features of the industrial revolution are:
• It was driven by a series of connected events, which brought about innovation and technology in the factory premises, replacing manual labor and redefining the Man-Machine relationship.

• The concept of factory came to existence and a lot of experiments were conducted to increase productivity. The focus was mainly on efficiency.

• Brought about the concept of free labor market i.e. commoditizing labor. Before, the supply side was governed by some groups and unions and the markets were generally held by master craftsmen.

• Formalization of contract based relationship.

• Different countries experienced industrial revolution at different times. It started at UK, and then spread to USA, France, Germany, Japan, and China. These countries had a regulated market protected by the government. Industrial revolution greatly impacted some countries and towards its end, 80% of the production was dominated by 20% of the countries, which contributed to 20% of the world’s population.

Democratic revolution

Democratic revolution refers to giving consideration for involvement of people in things which matter to them. Democratic revolution is the next important event in industrial relations which impacted industrial revolution. It started in 1750 in UK and then spread to USA and then France. This revolution brought about a change in the political
governance of the countries and focused on labour. These Countries
moved from colonialism to different arrangements. The salient features
of the democratic revolution are:

There was an increase in social concerns for human rights. During the
industrial Revolution as human rights were suppressed and workers
were not allowed to voice their opinions. The Democratic revolution
changed the way workers were treated.

It impacted trade unionism positively. The countries where unionization
was banned and considered a sin, changed and took to the new norms
e.g. In Germany, Trade Union was not accepted before the democratic
revolution and the same goes for USA, where trade unions were
banned in certain sectors.

Capitalist Revolution

Capitalist revolution is the next phase in the course of industrial
relations. This revolution changed industrial relations significantly.
There were certain changes in the society after the capitalist revolution.
Some of the features of capitalist revolution are given as below:

- It initiated the provision for private ownership of means of
  production in industries and their use for personal benefits
- Building freedom of contract for employment conditions
- Employment relation is natural outgrowth of Capitalist
• Capitalist revolution in industrial relation unequal authorities between the parties

This Capitalism caused a divide in society between rich and poor and between employer and the employee. Infact, the capitalism added a negative flavor to the social structure and thus arose certain conflicts. The effects of Capitalism can be categorized as follows. Capitalism has both positive and negative impacts, some of the key features are given below:

• Capitalism has increased the basic indicators of well-being such as life expectancy, real per-capita income, working hours, and working Conditions

• Growth and emergence of working class consciousness

• Worker led protests and strikes

• Worker created trade unions which tried to become economic oriented bodies

• Public attention to labor problems and social question.

Period 1930-1955 of Industrial Relations

During this phase of industrial relations the industries had already faced depression. This period caused a shift from crafts union towards industries unions. Infact, crafts union were opposed to the idea of organizing workers on industries basis. This period marked the new generation of academicians. It marked new reforms and introduction of
government regulations which redefined industrial relations as till this time government was not playing an active role. 1932 witnessed highest unemployment and this period continued till 1944 which reflected in, extreme trends of unemployment. Some of the features of this era were that the economists studied new market fractions and operation of labor markets. The academicians focused on the concept of wage recognition for employees. The government role came in picture in the form of government regulations by way of involvement and participation in labour market. All these above aspects helped shaping up the industrial relations.

The new features emerged from this were:

- Inter wage structure was adopted for labour force
- Wage differentiation among the different workers of different sectors. This was a boon for workers to get the wages according to their nature of work.
- The field of benefits was introduced such as bonus, leaves, medical facility in some cases.
- Internal pattern and rules for the movement of workers formulated.
- During this phase, formulation of various systems came in place in the form of job discipline and capturing attendance and employee performance etc.
- Procedure for dispute resolution adopted the way of formulating and adopting various labour legislations
- Legal status of government regulations
• Collective bargaining system between employer and employee evolved.

Thus today’s industrial relations have evolved from what emerged during this period.

Period 1950-1970 of Industrial Relations

After the Second World War, there has been significant reforms happened across the globe. The country has taken initiatives in these reforms.

• New ways of dealing with human resources given a concern.
• New Generation of labor economists seems to have evolved where quantification of economics was done which wasn’t seen before; the use of numbers became important, so did the use of tools such as HR Matrix, HR Scorecard, econometrics etc.
• Expansion of Business Schools (Harvard B Schools, Other Schools in US) and a new pool of management thoughts emerged.
• Industrial Relations are seen as a Systems Approach.

History of Industrial Relations In India

The history of industrial relations, in India, can be seen in the following Context:

• Pre independence Era
• Post-independence era.
• Post Liberalization Era

**Pre independence era -**

In India, following are the key issues about industrial relations at that time:

• Workers used to have faced hired and fired policy. Employer used to fire workers at any stage of work for any reason. Worker was not having right to ask for explanation.

• Employer was in commanding position over all workers. Workers have to do a work assigned by the employer.

• The wages were very poor according to the nature of work and time of work.

• Till the end of First World War trade unions movement had not emerged in India.

There were hardly any laws were present to protect the rights of workers except that of Employers and Workmen Dispute Act 1860 which was used to settle wage disputes. As results it has following implications from IR point of view:

• Workers started resorting to violence and employers resorted to lockouts.
Numerous strikes and disturbances happened the great depression during 1928 and 1929.

As a result to above Government enacted Trade Disputes Act 1929 to enhance early settlement of industrial dispute based on British Industrial Courts (Act) 1919. But it did not provide for any standing machinery to settle industrial disputes and also state and central government made no adequate use of this law. In 1938, to meet acute industrial unrest prevailing then, Bombay Industrial Relations (BIR) Act was enacted by Bombay Government. For the first time permanent machinery called Industrial Court was established for settling disputes. This was replaced by BIR Act 1946, which was amended in 1948, 1949, 1953 and 1956 and so on. Soon after the Second World War, India faced many problems like rise in cost of living, high population, scarcity of essential commodities, unemployment and turbulent Industrial relations situation.

Post Independence Era

After independence significant steps were taken to protect the rights of labour and provided a formal mechanism to settle their disputes. These enactments not only served as a machinery to settle industrial disputes but also to make these awards binding and legally enforceable on the parties. Constitution of India came into existence giving many rights to the citizens of India. Besides this Industrial Conference in December 1947 was held in India where an appeal was made to labor and
management India in form of Industrial Truce Resolution to maintain industrial peace and harmony. The points are:

- Setting up of Indian Labor Conference, a tripartite body with an objective to ensure Co-operation between employers, trade Unions and Government.
- The above body met to discuss problems relating to labor-management relations and recommended and formulated the legislations.

However Indian Labor Conference met sporadically depending upon the concerns and issues of Labor Ministry. Main characteristic feature of industrial relation during this period was a change in Government’s attitude towards labor and their problems in the form of continuous focus on labour laws enactment. These labor laws cover many issues concerning labor, such as seniority, wage rates, paid holidays, disciplinary matters, social security. To protect the interest of workers and regulate their employment many acts came into existence: Some of the important labour enactments took place in post-independence era were:

- Factories Act - 1948
- Industrial Disputes Act - 1947
- Employees State Insurance Act - 1948
- Employees Provident Fund Act - 1952
- Model Standing Orders Act – 1946
- Payment of Minimum Wages Act - 1948
• Payment of Bonus Act – 1965
• Payment of Gratuity Act – 1972
• Equal Remuneration Act - 1976

Despite all the above legal enactments and focus IR reforms through legislations, formations of different bodies to facilitate Industrial Relations in India, IR Scenario during 1970’s to late 1980’s was characterized by violence in Indian Industry. Bombay Textile IR unrest took place during this phase. And there was industrial unrest across the country in many other companies. This unrest caused many violent incidents in the Indian industry and as a result of these incidents; workers were losing confidence and getting impatient due to weaker prevailing collective bargaining situations. Other reasons for this continuous unrest in the Indian industry include government’s inability to maintain price levels, inability to provide effective settlement machinery, plethora of controls on manufacturing and its rigid licensing procedures, high rate of taxation, restriction on imports that affected the profits. All these were not only putting pressure on workers as well as the employers to run the business smoothly. The whole of above was having its impact on the Indian IR scenario and business performance in the country.

Post Liberalization Era:

Liberalization came in India in 1990s and it has caused a huge change in the Indian Industry. It opened the door for MNC companies in India
which attracted foreign investment in the country. This has increased employment opportunity in India, increased flexibility for investment, import of new technology, new ways of doing business, automation, added new infrastructure and creation of world class facilities in the country. It also leveled up the quality of products, delivery and service standards in the industry.

Employees and workers were exposed to different world class technologies and work environment. Industry has witnessed unprecedented increase in salaries and benefits. Talent in Indian Industry received international exposure through visits to parent companies and their work culture and practices. The Liberalization had impact on IR in terms of reduction in labour disputes in the 1990s.

However it has also caused stress in terms of increased competition, and pressure on maintain low costs. Increase in outsourced or contract manpower to main employee related cost to the minimum level and also to ensure flexibility in company operations. This has caused a divide among the blue collar and contract manpower. Due to increased automation employment growth has also slowed down in 1991 from 1.6 to 1.1 in 1998 (Gupta’s 1999, comparative study of the period). Employment insecurity among the labour has increased. And all this reflects in resurgence of IR in Indian Industry, frequent instances of agitations (some of them being violent in nature) in companies – Baxter, Maruti, Toyota, Baja, Coca Cola, Nokia, Shriram Piston and Hyundai etc.
1.8 Need & Importance of Industrial Relations

Productive industrial relations are always the key for the progress and success of any organization as well as for its employees (Schuler, 1989). The need and importance of IR has been discussed with specific points as below:

- **Smooth Running Of Operations:**
  One of main benefit is ensuring smooth running of operations in the plant. It ensures continuous production which serves continuous employment to all the employees in the company. Continuous running of operations ensure optimum utilization of resources and improvement in efficiencies and productivity which directly impacts the companies bottom lines positively.

- **Improvement in Product Quality**
  In view of good industrial relations employees and workers are more motivated and take increased ownership for their jobs on the floor. They take full ownership of the jobs which reflects in timely delivery of quality products. This not only reflects better quality product and services to customer but also help in reducing waste and saving the cost in the process.

- **Reduction in Industrial Disputes**
  Good industrial relations reduce the industrial disputes. Because disputes are reflections of the failure of basic human urges or
motivations to secure adequate satisfaction or expression which are fully cured by good industrial relations. Strikes, lockouts, go-slow tactics, and grievances are some of the reflections of industrial unrest which do not spring up in an atmosphere of industrial peace. It helps promoting co-operation and increasing production.

- **Increase In Employee Morale**
  The harmonious industrial relations impact employees' morale directly across levels be it workers or officer of the company. In this scenario, there is increased teaming among employees and they work with great enthusiasm with the feeling in mind that the interest of employer and employees is one and the same. Every worker gets the feeling of being a co-owner of the gains of industry. All employees take full ownership of their respective targets and there is complete unity of thought and action is the main achievement of industrial peace. This increases the place of workers in the society and their need of recognitions gets satisfied.

- **Employee Engagement and Mental Revolution**
  Good industrial relations impact employees' engagement positively. Consequently, the industrial peace lies ultimately in a transformed outlook on the part of workers and employees. Hence its imperative on the part of company leadership, employees and Government to work out a new relationship in consonance with a
spirit of true democracy. They should think themselves as partners of the industry and the role of workers in such a partnership should be recognized. This above partnership and relationship becomes mutual rewarding for all of them and further contributes to good industrial relations.

Industrial relations are maintained on the basis of cooperation and recognition of each other. This help to increase production. Wastage of man, material and machines are reduced to the minimum and thus national interest can be protected. Thus, it is seen that good industrial relations are basis of higher production with minimum cost and higher profits. It also results in increased efficiency of workers. New changes can be initiated in the company easily. It also facilitates introducing new things for the welfare of the workers and to promote the morale of the people at work. An economy organized for planned production and distribution, aiming at the realization of social justice and welfare of the massage can function effectively only in an atmosphere of industrial peace.

1.9 Essentials For Good Industrial Relations

Good Industrial Relations implies peaceful, harmonious, fruitful relations between labour and management. The following steps may help achieve good industrial relations:
• **Strong and Stable Union**

Management need to recognize the fact that a sound and strong union is essential for ensuring good industrial relations. A strong union would have it easy to carry forward company plans and get then implemented from all the workers. The employees ignore weak union as they think that it hardly represents the workers and can not defend their case in front of the management. Strong and stable union represents workers and can effectively negotiate (*Tickner, 2002*) with management about the terms and conditions of the service for workers.

• **Mutual trust**

Trust is the backbone for any relationship. Management and union should help in development of atmosphere of cooperation, confidence and respect for each other. The management must adopt a progressive outlook and should recognize the rights of workers. Also labor unions should persuade their members to work for the common objectives of the organization. Both the management and the unions must have faith in collective bargaining and other peaceful methods of settling disputes among themselves. Mutual trust also leads to mutual respect between the parties.
• **Employees’ Participation in Management**

The relationship between workers and employer will more impactful when they listen to each other and resolve issues mutually. The management must ensure that the participation of workers in the management of the industrial unit should be encouraged by making effective use of works committees, joint consultation and other methods. This improves communication between managers and workers, increase productivity and lead to greater effectiveness as team.

• **Effective Employees Communication**

Communication plays an important role in any organization to run it smoothly. A proactive, effective and objective communication helps remain employees focus on their jobs than falling prey to grapevines. Hence communication not only plays a significant role, getting employees know about company plans etc but it also helps curbing any rumors and confusions among employees. The company must build effective structured communication plans, and role it out regularly to keep employees informed about the various developments. Hence regular communication is plays an important role and contributes directly to maintain good Industrial Relations.

**Mutual Appreciation and Accommodation**

Industrial will be sound only when the bargaining power of the employees’ union is equal to that of management. The employers
must recognize the right of collective bargaining of the trade unions. There must be a great emphasis on mutual accommodation rather than conflict or uncompromising attitude. There is a need to appreciate and understand that conflicting attitude does not lead to amicable labor relations; it may foster union militancy as the union reacts by engaging in pressure tactics. The approach must be of mutual give and take rather than take or leave. The management should be willing to co-operate and always look for WIN – WIN resolutions.

- Implementation of Agreements

Unions are helpful for the promotion and maintenance of uniform policies in the company and they play a role in implementing many policies pertaining to shop floor and otherwise. The management should also sincerely implement the settlements reached with the trade unions. The agreements between the management and the unions should be enforced both in letter and spirit by both the parties. In case, the agreements are not implemented, then both parties - union and management stop trusting each other. An environment of uncertainty is created. To avoid this, efforts should be made at both ends to ensure the follow up of the agreements.

- Sound Personnel Policies

The points should be noted regarding the personnel policies. Policies should be formulated in consultation with the workers and
their representatives if they are to be implemented effectively. It needs to be clearly stated so that there is no confusion in the mind of people. Implementation of the policies should be uniform throughout the organization to ensure fair treatment to each worker.

- **Role of Management**

There should be progressive outlook of the management of each industrial enterprise (*Kochan, 1984*). It should be conscious of its obligations and responsibilities to the owners of the business (*Jensen, 1983*), the employees, the consumers and the nation. The management must recognize the rights of workers to organize unions to protect their economic and social interests.

- **Role of Government**

The Government should play an effective role for promoting industrial peace. It should be provided with requisite authority for settling the industrial disputes. It should help make law for the compulsory recognition of a representative union in each industrial unit. It should intervene to settle disputes if the management and the workers are unable to settle their disputes. This will restore industrial harmony in the companies.
1.10 Summary

In short the researcher says that, it is necessary to understand the holistic perspective of IR. Subsequently have studied the concept of Industrial Relations and the Current scenario of Industrial Relations in changing business environment. The researcher also discussed important theoretical framework of Industrial relations and important definitions of Industrial Relations in this chapter. To conclude here that Unitarist perspective in industrial relations in changing business environment is most widely used phenomenon. In view of getting a deeper perspective of IR and to make this study even more meaningful, have also included the theories of Industrial Relations along with the history and Genesis of Industrial relations. The need and Importance of industrial relations in changing business environment is also discussed very well along with the Essentials for Good Industrial Relations in changing business environment.