CHAPTER VII

INDUSTRIAL RELATIONS IN STRATEGIC ENVIRONMENT

This chapter divides into three sections. Section One deals with Industrial Relation Environment, Section Two deals with Social Power Strategies and Section Three deals with Executives Stress.

SECTION I  INDUSTRIAL RELATION ENVIRONMENT

This section approaches the problem of Industrial relations in the context of new economic compulsions, competitive environment and strategic quests. Analysing the industrial relations climate, it is concluded that work stoppages and their average duration have been increasing, the economic impact of which have been significant. The reformation of the industrial relations climate to cope with the emerging strategic environment requires efforts from all the three parties to the System, Government may have to debate and resolve to what extent it can curtail the labour freedom to ensure overall economic justice, while the judiciary may undergo a shift in its much criticised approach. Managements need to step up internal communications, involving the middle management and ensuring that unless office bearers understand the strategic plans and directions. Unions may have to ensure the dismantling of labour rigidities and identify their stake with that of the corporation. They need to play a complementary role in understanding the strategic directions, and in turn use their primary power of opinionation amongst their membership to bring about greater human resource integration in the firms' movement towards the future.
The emerging unprecedented changes and challenges can be best captured by the term "strategic environment" which encompasses the swift interlinked environmental transformations, and their interplay with the strategies of firms and nations.\(^1\) It is quite evident that the new economic and competitive compulsions would demand a series of reformative and proactive strategies with all-pervading implications. The quest for competitive edge and survival, implies strategic actions which are timely and effective-organisations hope that there is an enabling atmosphere for such actions. If employee relations are full of conflict, mistrust, inter-union rivalry and loose discipline, strategic change would be impossible to achieve.\(^2\) Human resource may hold the key for organisational survival and growth if strategically positioned, but under adverse circumstances, the same human resource could foil every positive move and induce atrophy. This paper examines the current industrial relations climate followed by a

\(^1\) This has not been captured well in any single writing but the eminent contributions of Michael E. Porter and Kenichi Ohma gives shape to it.

discussion on some of the implications of strategic environment for the Government, managements are trade unions to enable them to charter their response.

INDUSTRIAL RELATIONS CLIMATE

There is no comprehensive measure of employee relations and the indirect measures available are those of negative occurrences than positive conditions. The absence of negative occurrences may not necessarily guarantee an enabling atmosphere for strategic action but the assumption cannot be demolished either. The measure for industrial relations climate normally employed is that of strikes including lock-outs. Though some may want to segregate the two as employee and employer initiated action, the scope for unilateral aggressive lock-outs is negligible, and as the International Labour Organisation (ILO) points out, most lock-outs would be defensive.\(^1\) Even otherwise, the general practice is to term the disputes resulting in work-stoppages whoever the initiator be, as strikes.

Statistics from 1950, reveal that the number of strikes as a proportion of employment has not shown any specific trend though it experienced major peaks and

troughs. For example, 1976, which saw the emergency had a low frequency of strikes but this shot up the very next year. After another peak in 1982, the later period in the eighties has shown some decline. Strikes, like many other economic variables, dance through peaks and troughs, and some respite is no indication of a long term trend—Britain being a good illustration. Also, mandays lost is considered an indirect measure of the economic impact of strikes and this should be of greater relevance now than the mere occurrence of strikes. The rate of growth between 1952 to 1987 has been 5.6 per cent per annum i.e., the number of mandays an employee would have abstained from work due to strike has been going up at that rate.¹

Further analysis indicated that the proportion of short-duration strikes has been drastically coming down and the proportion of long duration ones going up steeply.² For instance, strikes of one day or less which were over 40 per cent in the early 50s have come down to less than 20 per cent in recent years. Strikes of more than one month duration accounted for about 7 per cent in the early 50s and

¹ YRK Reddy, Op.Cit.,

have gone up to over 27 per cent in recent years. Though the frequency of strikes may have been stagnant or even marginally reducing in trend over the years, the impact of these strikes seems to be on the increase, consequent to the higher proportion of long duration strikes. The economic impact of strikes depend on the nature of product or services (their necessity and substitutability) and the stock levels.\(^1\) Each of the products or services has linkages with other industries or segments of the society. This linkage could be high in the case of an industry like electricity or petroleum and could be fairly low in the case of cinema or hotel industry. The longer the duration of a strike, greater would be the economic impact, especially in the case of crucial industries, where it may mount exponentially. In a strategic environment, which puts a premium on foreign direct investments and forex earnings, the impact would vary depending on whether the particular sector/segment is a forex earner or not.

The impact of work stoppage is manifold and the following are the notable ones:

a. Loss in capacity utilisation and adverse financial impact consequent to it. Though there is no study estimating the overall impact of strikes on the economy, in the case of Canada a study has indicated loss of about 1 per cent in GNP per annum. At the incremental level, even a fractional loss can be exceedingly meaningful especially in the case of a country like India. If there is net loss in forex, the impact could be higher than nominally indicated depending on the BOP position.

b. Higher mortality of small firms which have low threshold for survival.

c. Loss in remuneration in the firm which is experiencing the strike. Even if the staff is able to retrieve some of this loss consequent to negotiations, the loss to casual, temporary and contract labour would be irretrievable. There would also be a loss in the case of staff employed by other dependant organisations, as they may be required to lay off, retrench or reduce overtime.

d. Indirect loss in productive effort on account of the mobilisation process, discussions regarding the possibilities of industrial action, strategies, counter strategies etc.

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e. At times, an increase in intransigence and indiscipline, as it is believed that disorderly behaviour has a momentum.

f. Sacrifice of positive strategic developmental actions as employees would resist change in the face of the breakdown in employee relations.

A comparison of strike trends in India with some of the other countries also does not give much joy. A comparison in respect of fourteen selected countries in respect of frequency (strikes per 1000 employees), loss (mandays lost per 1000 employees), and an indirect measure of duration (mandays lost per worker involved) for the period 78-80 (period-A), and 84-86 (period-B) reveals that (a) India has recorded the second highest frequency in period A and fifth in period B, (b) in respect of mandays lost which is a more important measure in the context of the new economic compulsions, India ranks the highest during period A and the second highest in period B, and (c) in respect of the duration measure, India is the fourth highest in period A and the second highest during the subsequent period.¹

¹ YRK Reddy, Op.Cit.,
Further, though aggregate statistics of absenteeism misconduct and other indirect indicators of employee relations are not available, there is a distinct feeling that the overall absence (including sick leave) is possibly amongst the highest in the world. Employee productivity is also known to be lagging behind most of the industrially consequential countries in all major segments. It is possible that the availability of cheap labour is quite mythical—the quantum paid per person per day may be low but the overall value-for-money probably is also so very low as to negate the distinctive advantage of low wages. For instance, the percentage share of earnings in value addition in comparatively very high in India—the average for the period 1980-85 for various countries indicates a range of 18 per cent to 62 per cent and in the case of India it is about 49 per cent—way above several developed countries as well.\(^1\)

Though the reasons are manifold, the fact of relative low productivity of wages is to be borne in mind.

The symptoms being fairly apparent, a number of suggestions and prescriptions have been put forth for improving the employee relations climate. Suggestions are generally aimed at all the three sectors i.e., management, union and the government to modify their approaches, systems

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organisation, attitudes and assumptions. Changes in attitudes and assumptions are basically evolutionary and obviously, there has been no felt need or compulsion to change during the last so many decades despite many pleas (if mere logic or imploring can change people, the world would be Paradise). It is for this reason, that some believe that the role of the government is crucial in creating and enabling employee relations climate to meet the emerging challenges.

GOVERNMENTS' FORAYS AND APPROACHES

The government has recognised the inadequacies of our labour legislation soon after the independence and various efforts have been made for ensuring speedy resolution of conflict without sacrificing justice. The efforts made by the Government, most of which have been unsuccessful, have taken the route of supporting tripartism or rejecting it. While the majority have promoted tripartism, both Babu Jagjivan Ram and V.V.Giri who were Labour Ministers in the early years after Independence believed that employee relations must be governed by a spirit of mutual understanding and compromise. Intervention of the government was seen as a negative influence ultimately weakening the foundation required for healthy relations. The National Commission on Labour also seemed to prefer encouragement of direct negotiations without undue interference.
On the other hand, free and direct negotiations have been condemned by some as the law of the jungle and intervention of a third party is considered a must to ensure that energies and resources are not dissipated. The present situation continues to support tripartism with conciliation and adjudication playing a major role in collective bargaining. Interestingly, trade unions as well as managements appear to prefer intervention, despite all the criticism they have for the system. The tripartism approach obviously meant several restrictions on the right to strike and lock-outs.

The law is so very stringent in provisions that only a fraction of the strikes and lock-outs at present would be legal. In reality, however, the restrictions on strikes and lock-outs have been theoretical. Various measures taken for streamlining the legislation (for instance, the industrial Relations Bill, 1978 and the Trade Union and Industrial Disputes Bill 1988) have failed more for reasons of political convenience and contextual compatibilities than for the lack of rationale. There is yet another attempt made through the Bipartite Committee on Industrial Relations headed by Shri G.Ramanujam which is before the Government. Several of the earlier recommendations figure in this too, but there is a distinct effort now to
relate employee relations to the overall economic development and the preferred route of bipartism. At times there is contradiction between pursuit of bipartism and the demands of economic progress, and only time will indicate how this could be resolved.

In the context of the new economic compulsions, industrial relations and aspects of freedom to strike are being looked at from their economic angle as much as their moral or labour justice perspectives. Curtailment of the rights of one party is sought to be seen in conjunction with the protection of the rights and concomitant economic justice of all segments. The ILO's World Labour Report points out that the right to strike is to a large extent theoretical, as practically all countries have provisions prohibiting strikes in essential services. These restrictions often increase during times of economic hardship. Many countries have adopted compulsory arbitration in view of recessionary conditions, inflation and unemployment. The oil crises of the seventies and the global recession during the eighties, have induced many countries to adopt restrictions. For example, free wage fixing has been restricted in Belgium, Canada, Denmark, Netherlands, Brazil, Singapore, Malaysia, Tanzania, etc, Argentina and Uruguay went as far as to suspend collective bargaining in
the light of seven economic crises. It is not improbable that continued economic crisis would bring about conditions for further restrictions in several countries.

Even in our country, there are some proposals in the same vein, expressed by academicians and employers. An indication of the changing perspective of the policy makers is a recently reported policy in Tamilnadu State, attempting to ensure labour flexibilities which have assumed dysfunctional rigidity proportions in recent years. The World Labour Report also recorded the opinion of some that the inherited systems of labour-management relations based on colonial experiences are unsuited to the requirements of rapid economic development in their opinion, a liberal situation would lead to excessive work-stoppages or to a situation in which too many resources are devoted to consumption. Further this may lead to increased unequal distribution of resources between the organised and the unorganised sectors and the situation demands that the State is in control of the collective bargaining, prescribing a compulsory arbitration for unsettled labour disputes.

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2 Ibid.
The dilemma and trade off between economic objectives and freedom exist in all walks of our life. One important condition, however, is that any restriction of freedom must concomitantly assure some other mode of redressal or resolution. Even the National Commission on Labour pointed that there are essential services/industries, the economy or the security of the nation itself, and in such cases, the strike may justifiably be restricted, provided a specific procedure is laid down for remedies and redressal of grievances.¹

In the strategic environment a number of changes are probable in the technology, work organisation and manning decisions. If any change appears threatening, then change is believed to be avoidable both in the eyes of the union as also the employee. Often, status quo assures comfort. On the other hand, strategic change requires flexibility which may, in the process, give a feeling of relative deprivation to a few employees. These employees would understandably resist movements towards change, unless the organisation has ensured a positive trade-off or has been successful in making the unions and individual employees gain a unitary purpose along with it, through high levels of communication and participation.

As far as the judiciary is concerned, it has been less patient to understand the implications of judgements than the immediate effect of such judgements. Social justice being a very fuzzy area and mainly given to perceptions of the beholders, the judiciary has at times delivered relative injustice in the sum total. Often important judgements carry the self-image of the individuals in the judiciary than the reflection of the spirit of law of what the general public would consider as justice. Notwithstanding this, the compulsions of strategic environment which are transmitted through policy statements and economic reform, would in time influence the thinking and approach of the judiciary as well.

CORPORATE RESPONSE

Institutional action for streamlining employee relations or enforcing various provision (including the welfare legislation) are fraught with political dynamics; there is no immediate hope that the government of the judiciary would help much in bringing about an enabling atmosphere for strategic results. Consequently, the onus is primarily on the organisations to take such action that would reinforce employee relations and assure productive performance. Managers must learn to accept the union situation and the legislative structure as given and take
those steps as are immediately possible in management's control. It is common and fairly fashionable for manager to complain of the antiquated legislation, inadequate enforcement of penal provisions against labour, judicial activism, multiplicity of unions, influence of outsiders etc.

But then, they must realise that there are a number of external factors outside one's control in every walk of life and employee relations is no exception. It would be a hoarse cry in widerness to hope that the government, judiciary and the labour unions would all change to suit the convenience of managers. In time, when all perceive the strategic requirement of the economy on a common basis and take individual actions to move towards it, there would certainly be improvement. Till such time, managers must set their houses in order in attitudes, approaches as well as systems.

The new times demand that managers learn to perceive their decisions and actions as they appear from down below than how they look to the top. Presently, there is an unfortunate blunting of sensitives as long as the labour is mute in response. At times, it appears that the presence of labour unions has restrained organisations from unprofessional conduct and repressive actions. One shudders
to imagine what would happen in the absence of such interest groups, however, painful they may be. When there is a protest, the attention often is on the action itself than the circumstances leading to it and their merits. Many trade unions have been fed on the demonstration that only threats, industrial actions and militant behaviour would secure justice. In the context of wrenched concessions, the concept of what is justice undergoes a change whatever has been extracted obviously becomes justice. And, the psychologists' belief that behaviour which is rewarded tends to be repeated, may be meaningful. Having trained minds that a struggle is essential at every step, it is fairly difficult for some of the old organisations to suddenly change the approach. This has to be done through a demonstration of new intentions, preferably by new opinion leaders.

Organisations must also understand that unionisation of management staff would increase as evident from a few other countries as also from the policy thinking in our own country which is in line with the ILO Resolution. The traditional notion that such development would dangerously erode managerial authority and control has little relevance. The most an organisation can attempt is a peaceful competition by demonstrated actions to lessen the need for officer
unionisation. People in high places forget at times, that those belonging to officer unions are no different species than they are and an empathetic imagination would give greater insight than crude condemnation.

The divide between workmen and managers is increasingly narrowing as the element of authority is eroding at the middle levels. By strict examination of the job content, it is possible for the majority of management staff to be declared as workmen under the Industrial Disputes Act. It is purely the administrative action which has decided that a few cadres and jobs ought to be in the bargainable group; each job is not tested from the legal point of view whether it attracts the provisions of the Industrial Disputes Act or not, before assigning it to worker, supervisor and manager cadres. It is not the designation nor some elements of managerial authority that are important in declaring a job as that of workmen, but whether the predominant nature of the job has been technical, clerical, skilled, manual or operational in nature. Other labour laws are liberal in their coverage but intriguingly, they are not controversial and only the liberalisation of the concept of workmen under the Industrial Disputes Act is seen as an aberration. In matters of individual disputes, several countries do not make a
distinction between workmen and others; the principles of natural justice and redressals are applicable to all. This exactly would be the direction of change in our country too in the nineties.

Obviously, unions and workers would question changes in technology work process and job design. If understanding the company's effort is the responsibility of the labour, communicating it effectively and convincingly is the responsibility of the managers. The major problem is that the middle level is hardly used in this process. In the strategic environment, whether there is physical compression of layers of management or not, it is the middle level which will hold the key for generation of information, communication, innovations and productivity. It is in this context that organisations must learn to use the tremendous pile-up of resource at the middle level for gaining better employee relations--it has been frozen for too long and the managerial sclerosis needs special attention. In the movement for strategic management, the translation of the grand design of the company to a comprehensible action requires the involvement and motivation of the middle.¹

It is in this context again that strategic planning would need to change from the exclusive ritualistic rain-dance of the corporate staff to direct and indirect communication sessions with the unions as well. Unions must perceive the missions, directions, weaknesses and threats to be able to reduce discordance; the responsibility is that of the corporate management, and a beginning must be made, howsoever inconvenient, to make a presentation to the office bearers of the strategic plans on hand.

Apart from communication, there are several positive actions that could be used, such as activating grievance redressal systems, continuous dialogue, institutionalised structures for participation, community involvement programmes in areas where most employees reside, family involvement programme etc. In the ultimate analysis, it is not one or two symbolic actions which would result in positive climate but a combination of actions, signals and values that should pervade the organisation. It is important to be perceived as ethical, socially responsible and concerned about human development in a holistic manner. It is true that some organisations have contrived conducive conditions merely through a fear psychosis. While this would surely work for a period, experience has shown that there is a limit to such fear; either the employee shifts to
less oppressive organisation, or adjusts to the situation by anchoring to other modes of behaviour which would compensate for the insecurity.

Despite all the positive actions that an organisation may take, a stalemate in the process of collective bargaining is a realistic possibility and direct action such as strike, go-slow or work-to-rule may be resorted to. In the strategic environment, it is essential to analyse the risk of such an occurrence and where it exists, prudent managers would develop contingency plans to meet the situation.

It is important to concentrate on reducing the cost of such actions while ensuring a continuous effort for resolving the conflict itself. It is to be aimed as a measure of cost reduction and social responsibility, and not as a strike breaking strategy. In several situations, contingency plans which are developed remain on paper, and people who are required to activate the plan are often inadequately informed or trained. To ensure that the responses of the people are as per plan, appropriate simulation/rehearsal is required. The contingency plans may require staff to be trained in other areas than their normal jobs.
UNION RESPONSE

There could be a major shift in the approach and response of the unions to workplace relations in the light of the economic compulsions and requirements of competitive advantage of firms as well as nations. Doubtless, the normal reactions and responses of union are enmeshed with the perceptions of attitudes, policies and practices adopted by the management. Even where the managerial actions and attitudes are not provocative, but professional, the unions seem to be in a transformation mode throughout the world, especially in developing countries.

One of the major influences is the ideological conclusions that have been taking place in Soviet Russia, consequent to which the trade union movement is getting transformed from notions of class struggle to sectional interest. The "business unions", largely typified by the American and German trade unionism, seem to be emerging as the mainstay of the future union profile. Thus, unions may perceive their stake far more closely in the success and progress of the enterprise/industry that they are operating in, than seek missions of bringing about social transformation through collaboration with other worker organisations.¹

Additionally, there is increasing acceptance of the industrial euthanasia as part of economic reform and openness to market forces. This entails exit of units which are uncompetitive and potentially unviable, rendering some workers redundant in a highly labour surplus economy. The Government of India has indicated its proposal to bring out an exit policy along with a safety net. It must be borne in mind that any safety net can only promise retraining, redeployment or a solatium which may cause relative deprivation for the redundant employees from what they had been used to. Concurrent with the prospect of labour redundancies, there is increasing casualisation of labour in most industries, and despite its undesirability, the trend is discernibly one of increase in the proportion of contract, casual and indirect employees vis-a-vis the permanent workforce. As most firm level unions do not capture such indirect employees in their fold (there is some merit in this strategy), they must fear long term reduction in numbers and depletion in trade union finances in real terms, unless the enterprises grow at a rapid pace engaging proportionately higher labour force.

One of the requirements of the strategic environment is to bring about greater flexibilities in manning, technology adoption and workplace supervision failing which the enterprises are exposed to dangers of increasing
internal bureaucracy and slow death. That there are several managerial deficiencies which may be rectified first, is a trite argument, the exercise in the new order is not to apportion blame but to generate a momentum through mutual pressure, for progress and improvement. Thus, the onus is now on the unions to ensure that labour rigidities, where dysfunctional, are gradually dismantled without sacrificing labour welfare at a large plane. An indication of the requirement of labour flexibilities is the recently announced policy by the Tamilnadu State which has been mentioned earlier in the chapter.

In an environment of swift changes and increasing threats to future prospects, the unions must gain sufficient visions of the enterprise missions, strategies and their implementation. It is surely the managements' ultimate prerogative to form strategies and understand the environmental changes, but the union has a complementary role to play in understanding the directions being sought by the management, and translating it for developing its own directions, demands and attitudes. Opinionation of the members about the companies' grand mission, objectives and strategy is crucial for bringing about human resources integration. Opinionation is a major power that a union has and it must exercise it diligently and with vision. It is in this context that they must aspire for better information
sharing with the managements and pressurise managers to be responsive to the communication requirements of the emerging environment. The traditional argument that such advice tantamounts to asking unions to do managements' job is less valid in a scenario of disappearing divides, and unification of stakes, if not unification of immediate interests.

The legislative framework which has assured good protection so far is no longer a good insurance against future weakness and insecurity. There is greater merit in contributing to making the enterprise vibrant, flexible, adaptive and mission-oriented while increasing the stake of the members in the union through diversified activities, even at the risk of being criticised as business unions.

The strategic environment makes it imperative for the country to poise itself advantageously in all its elements. Human resources hold a major promise of giving a competitive advantage, but if adversely organised, they will foil every strategic move for survival and progress. The existing industrial relations climate indicates a trend which is disturbing—the mandays lost per employee have been increasing, the average duration of work stoppages have been going up and indications of the work-place conduct have not been satisfactory at the aggregate level. Even in comparison to other countries, the industrial relations as
well as productive performance appear poor. It is in this context that the three parties to the system i.e., Government, Management and labour Unions must understand the winds of economic compulsions and undergo changes responsively as well as proactively. The Government has a track record of failed forays into legislative reform which now needs a determining change. It may have to adopt economic development as its main focus without sacrificing the preferred pursuit of bipartism. Ensuring technological absorption and reducing labour rigidities without sacrificing labour welfare would be its challenge now. The recent policy statements and the wide perception of economic reforms may also influence the judiciary in its approach.

In respect of managements, the traditional views about limiting the freedom of association, divergent application of principle of natural justice to workers and managers, and the hope of severe legislative action and softer judiciary approach would be fruitless. They must utilise the pile of resources in the middle management to drive their future industrial relations practice through proper communications, activation of grievance redressal systems, institutionalised participatory fora and other such actions. Despite extensive professional training, handling of labour relations has remained largely unimaginative and
traditional. Despite sterner view by the Government in future, industrial actions are logical when bipartite efforts fail and the managements must build contingency plans to deduce costs of such stoppages.

The unions may recognise the major changes in the ideological setting and transform their missions from large scale social transformation to enterprise/industry survival. This is especially so in the context of impending exit policies and labour redundancies. The increasing casualisation of labour implies that trade unions would have to rely far more on the growth of the enterprise/industries they are operating in. They may have to necessarily envision the enterprise strategies and translate them finely for shaping their approaches, demands and methods. Opinionation of members, a powerful tool in their hands, must be used as an integrative force to forge-ahead the corporate strategy implementation. While ensuring welfare of its members, the unions may need to concede greater manning flexibilities and technological imbeddedness in operations.