CHAPTER II

Theoretical Base and Concepts of Industrial Relations
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THEORETICAL BASE AND CONCEPTS OF INDUSTRIAL RELATIONS

The expression “Industrial Relations’ (IR) is used to describe the nature of relationship between the employers and employees in an industry or an organisation where willing co-operation emanates from employees towards the achievement of organisational goals, good industrial relations are deemed to be there. There are many causes, which lead to poor Industrial Relations.

Industrial Relations do not constitute a simple relationship, but they are a set of functional inter-dependent complexities involving historical, economic, social, psychological, demographic, technological, occupational, political, legal and other variables and call for an interdisciplinary approach to their study.

Industrial Relations refer to all types of relations that exist in and grow out of employment in an industrial enterprise since it is constituted by the employee, the employer and the government. The term denotes all types of intra-group relations within and inter-group relations between these constituent groups. These relations can be either formal, informal, mixed or legal relations.
Industrial relations is not a static but a dynamic phenomenon. It has been continuously changing with reference to such variables as personal characteristics, organisational factors and personal policies and practices.

2.1. THEORETICAL PERSPECTIVES OR CONCEPTUAL FRAMEWORK

Industrial Relations is nothing but a labour-management relationship. Employee-employer relations, human relations, labour relations are all synonymous. The concept of employee, employer relationship has been defined by different scholars in different ways. Some of the important definitions are quoted below and analysed so as to arrive at a working definition for the purpose of our study.

According to Henry Richardson (1965)

“Industrial Relations are as old as industry and being inherent in industry, will always remain as a feature of industrial life”.

Further he observes that “Industrial Relations is an art of living together for purposes of production.”

The former states about the origin of industrial relations and the later concept gives significance to production aspect. Accordingly any
settlement should not be detrimental to the productivity rate, where the units are in a competitive market. This concept becomes vital for the very existence of organisation. Even in other conditions of market, in the interest of society this approach is indispensable.

According to Agnihotri (1970) -

"It is the relationship between employees and management which stems directly or indirectly into union employer relationship." This concept highlights the role of trade unions in establishing healthy relations. Further where there are multi-unions and exists inter-union rivalries the function of management becomes a task in achieving harmony.

Kumar C B (1961) states that

"It is the relations that are broadly concerned with bargaining between employers and trade unions on wages and other terms of employment. The day-to-day relations within a plant also constitute one of the important elements and impinge on the broader aspects of industrial relations." This concept depicts the common causes for conflict and indicates the means for settlement. Further it highlights the significance of healthy relations at micro level.
Kapoor T N (1972) refers to labour management relations as ‘it percolates into a wider set of relationship including extensively all aspects of labour such as union policies, personal policies and practices including wages welfare and social security, service conditions, supervision and communication. Collective bargaining etc., attitudes of parties and Government’s action on labour-management relations and identifies the need for proper government action in this regard.”

H A Clegg (1951) states that “It includes the study of workers and their trade unions, management, employers, associations and the state institutions concerned with the regulation of employment.”

This definition exposes triangular relationship i.e., union, management and state institutions in ensuring healthy relations. Further, the role of regulating state officers e.g., commissioner of labour, Director of factories etc., in maintaining peace through ensuring working conditions.

R A Lester (1964) has defined Labour management relations as “it involves attempts at workable solutions between conflicting objectives and values, between incentives and economic security, between discipline and industrial democracy, between authority and freedom, between bargaining and co-operation.” This concept spells out the
attitude of two conflicting groups and suggests an effective industrial democracy through co-operation and effective bargaining as a means for solving the conflicts.

According to International Labour Organisation (ILO) (1938), “Labour Management relations refer either to the relationship between the state and employers and workers organisations or the relation between the occupational organisations themselves”. ILO uses the expression to denote such matters as freedom of association and protection of the right to organise, the application of the principles of the right to organise and the right of collective bargaining, collective agreements, conciliation and arbitration machinery for co-operation between the authorities and occupational organisation of various levels of economy. Thus the definition given by ILO strives the rights of labour organisation in organising and the right for settlement through collective bargaining machinery.

Encyclopaedia Britannica (1961) states that Industrial Relations "denotes the relation of the state with employers, workers and their organisation." The subject, therefore includes individual relations and joint consultation between employers and their organisations and part played by the state in regulating these relations.
The Encyclopaedia of Social Sciences (Vol.No.4) defines Industrial Relations as "The Relationship between employees and management which stems directly from union-employer relationship."

Marsh and Evans (1973) in the Dictionary of Industrial Relations defines "Industrial Relations as the practice or the study of relationships within and between workers, working groups and their organisations." They further explain that, "Industrial Relations is an all inclusive term covering all aspects of the employment relationship and its associated institutions and social and economic environment, whatever its nature."

Dale Yoder (1972) defines the concept of Labour management relations as "the relations that exist in and grow out of employment". It refers to a wide field of relationship among people that exists because of necessary collaboration of workers in the process of modern industry.

The Industrial Bill 1978 attempts to combine the 3 existing central legislation on Industrial Relations viz., Trade Unions Act, 1926; The Industrial Employment (Standing Orders) Act 1946; and the Industrial Disputes Act 1947 aimed to consolidate and amend the law relating to the registration of trade unions, the rights and liabilities of registered trade unions, and settlement of disputes between the employees and
employers. According to the report "the problem of industrial relations is essentially a problem of attitude and approach and not of sanction and interpretation. The legislative measures for the regulation of Industrial Relations activity must emphasise the intrinsic values of bringing out attitudinal changes in the conflicting parties."

From the above analysis the following points emerge:

(1) Labour management relations are the relations which are an outcome of the employment relationship in an industrial enterprise and this relationship emphasises for adjusting to and cooperating with each other.

(2) Such relations create a complex of rules and regulations to govern the workplace and work community with the main purpose of maintaining harmonious relations between labour and management by solving their problems through collective bargaining; and

(3) The state evolves and influences such relations with the help of laws, agreements, awards of courts and implements its policies through its executives and judicial machinery. Now one can conclude that this is an interaction of labour management as a result of their composite attitude and approaches in regard to the management of the affairs of the industry for the betterment of everyone concerned.
2.1. FACTORS INFLUENCING INDUSTRIAL RELATIONS

The following factors have contributed to the evolution and growth of employee-employer relations.

(1) Formal institutional growth to regulate the relationship.

(2) Intervention of state.

(3) Growth of employee union/associations and their federations.

(4) Employer’s associations

(5) The growth of sciences of personal management, industrial psychology, industrial sociology.

(6) The adoption of planning for development.

(7) The concept of co-operation, i.e., between employees and the capital.

(8) The concept of socialistic pattern of society.

(9) The concept of conflict i.e., between employees and employer.

2.2. OBJECTIVES OF INDUSTRIAL RELATIONS

In labour-management relations, the human value is receiving greater recognition and is felt that the economic progress should not be measured merely in terms of economics effects produced but also in terms of social values created in society. It is only when workers form
co-partners in industry and both toil in the service of the society, then there can be improvement in the total welfare of the society. As the director general of the ILO (1954) states “in our approach to labour management relations the main emphasis should be on human factor. The essential thing is to give men a sense of purpose in their work. Only when men have this sense of purpose, when they understand how by their work they contribute to the well-being of the society, can they have that confidence in their own true worth which is a mark of freedom”. Thus the labour problem is receiving human approach in the modern industrial society.

Maintenance of satisfactory labour management relations, is of paramount importance for a developing economy. In order to ensure smooth and uninterrupted flow of production, harmonious, cordial and peaceful labour management relations are essential. Mutual respect, confidence, understanding and acceptance of responsibility by both workers and employers in the exercise of their rights and duties in the operation of the plants, ensures in return, security of employment, a high standard of living and social progress.

According to Kornhansh (1954) existence of healthy labour management relations means “a condition when labour management
work together harmoniously towards their socially desirable goals”. This condition enables to achieve the desirable social welfare and consequently increases the per capita income.

Some of the other important objectives of maintaining healthy ideal and sound Industrial Relations are listed out below:

(1) Improving the economic conditions of workers in the existing state of industrial management.

(2) Control by the state over the industries to regulate production and industrial relations.

(3) Nationalisation of industries by making the state itself as the employer and

(4) vesting the proprietorship of the industries in the worker.

Therefore, the objective of healthy labour management relations, besides safeguarding the interests of the labour management, is to increase production and efficiency of workers and promote industrial progress in the country.

One of the objectives of healthy labour management relations is to raise productivity to a higher level. This is possible only when all other conditions also remain favourable. E.g.: availability of materials, power,
etc. Levels of productivity can be raised only when there is a sound infrastructure and also labour turnover and absenteeism are controlled effectively. This condition is one of the important indicators of good labour management relations. Besides this, encouraging labour participation in managerial decisions through sound system of communication, to recognise the individuality of labour, which goes a long way in establishing a healthy labour management relations.

To sum up, maintenance of good human relationship is a sin-qua-non for an organisation. In its absence the whole edifice of organisational structure crumbles down. As the contented labour force bring outstanding results for the enterprise and to the society, the intrinsic objectives of the employees should therefore be properly used, for running the enterprise at its optimum level, through group satisfaction in relation to work performed.

2.3. INDICATORS FOR HEALTHY INDUSTRIAL RELATIONS

Industrial unrest is generally the result of the workers discontent in some form or other. Discontented workers represent their grievances to their employers and when the employers are not willing to accept or reluctant to hear them, it is manifested through strikes, organised
demonstration or likewise. When the grievances of the workers whether they are minor or major remain unattended to and unresolved for a longer period it creates a situation of conflict. This hardens the attitude of the parties and the matter becomes a prestige issue for both the parties and situation ends with a solution.

The following are some of the conditions which serve as indicators for poor industrial relations.

(1) Where the unions believe that only strike pays reward.
(2) Where intra-union rivalry exists.
(3) Where the trend is for politicisation of unions.
(4) Where the attitude of management is non-responsive and indifferent to workers' grievances.
(5) Where the existing framework to solve the workers problems is ineffective.
(6) Where there is lack of interest between the management and the union.
(7) Where wages do not keep pace with raising prices, and
(8) Where there is communication gap between the two conflicting groups.
The following are some of the important indicators of healthy industrial relations.

(1) Existence of a strong and responsible trade union without any intra and inter-union rivalries and the leaders of the union are not for their political ends.

(2) Existence of an effective collective bargaining machinery, i.e., the two conflicting groups acknowledge the equality of the status and desire for quick settlement.

(3) Existence of job security ensures job satisfaction in terms of economic needs which is one of the major causes for disputes.

(4) Existence of uninterrupted production conditions in the units, especially due to the absence of strikes, lockouts, go slow tactics or otherwise which cause loss of man-days.

(5) Existence of very low or negligible rate of labour turnover and absenteeism.

(6) Existence of high level of productivity in terms of labour cost to the value added in the unit.
24. SOME APPROACHES TO INDUSTRIAL RELATIONS

There are certain attitudes and approaches which have been influential in the study of industrial relations. The following paragraphs give an account of various approaches.

(a) The Systems Approach:

Many writers have attempted to produce various models or designs for an industrial relations system. The most outstanding among them was Prof. Dunlop of Harvard University. His systems Approach deserves special mention in view of its wider applicability.

According to Prof. Dunlop (1958), an industrial relations system at any one time in its development is regarded as comprised of certain actors, certain contexts, an ideology which binds the industrial relations system together and a body of rules created to govern the actors at the work place and work community.

There are 3 sets of independent variables. The 'actors', the 'contexts', and the 'ideology' of the system.
The conceptualisation of an Industrial Relations System

The above figure shows the conceptualisation of an industrial relations system. It depicts the main elements of the system to which Dunlop draws attention. The broadest contextual category is clearly the locus and distribution of power in the wider society. It is the power context, which is seen as defining the status of the actors in the industrial relations system.

This can be explained in three aspects. The first component relates to major inputs under two groups: (1) External culture and environment comprising variables like traditional values of society, attitude of labour and management to resolve differences, political system, government role, legislation etc., and (2) internal inputs such as
industrial relations staff philosophies corporate view, technology input etc. The second component relating to industrial relations, function comprises six major sub-systems such as recruitment, compensation, performance appraisal, labour relations, employee development and employee maintenance. These act as inter-connection in developing human resources potential in the organisation. The third component of this model is establishing of a mechanism for monitoring performance of the industrial relations functions agencies and pre-established standards. The feed-back mechanism includes both quantitative and qualitative indices of performance. This model provides a mechanism for viewing the important factors which largely determine the effectiveness of the industrial activity.

Dunlop’s model has been attacked by his critics on several aspects. The model was found as heavily concentrated on structural determinant of industrial relations, while neglected the functional components. The system was not only ambiguous and static in nature, but omitted behavioural motivations, perceptions and attitudes. The critics also pointed out that the model leaves out explanation of the way in which key leaders in enterprises, trade unions, employers associations and governmental agencies are able to influence the events.
(b) The Oxford Approach

Allan Flanders has developed Oxford model of industrial relations. He views industrial relations as employment relationship between management and workers within certain institutionalised regulations. The basic issue of these regulations is to regulate jobs. A system of industrial relations “is a system of rules”. These rules appear in different ways such as in legislation and in statutory orders, in trade union regulations, in collective agreements and in arbitration awards, in social conventions, in managerial decisions and in accepted “customs and practice”. The subject deals with certain regulated or institutionalised relationships in industry. According to him collective bargaining is central to the industrial relations system. The rule making process of collective bargaining is regarded as a political institution involving a power relationship between employers and employees.

This approach was criticised in the sense that it is too narrow to provide a comprehensive frame work for analysing industrial relations problems. It has laid all its stress on collective bargaining as the principal method of rule making but ignored the roles of ‘open welfare’ as a separate process of determining rules. Institutional and power factors are given higher priority and the variables such as technology,
market, status and ideology, are not given any importance. This reveals a severe limitation of narrowness in this approach.

The main difference between systems model and Oxford approach is that systems model emphasises the role of wider influences on rule determination and the Oxford approach stresses the process of rule making through collective bargaining.

(c) The Industrial Sociology Approach

Industrial sociology approach can be viewed as the opposite side of the coin to the systems and Oxford models. This model emphasises on studying the behavioural aspects of the actors interaction in the workplace. The basic assumption of this model seems to be that conflict is an inherent part of industrial society and the study of industrial relations should focus its attention on identifying the factors that produce conflict as well as the method to resolve it. In order to understand the behavioural needs of the actors it is essential to study the motives and intentions, goals, interests and attitudes of the management and the workers, that are likely to produce conflict as well as the method to resolve it.
There are two behavioural components of the industrial relations, i.e., managers and the workers. These two are influenced by respective national objectives. The management objective is to seek maximum organisational control in order to secure maximum profit at the lowest minimum cost. Whereas the workers thinking is to seek maximum control of their work in order to obtain monetary reward. The inconsistency and incompatibility of these two objectives tend to create tension in the industrial relations system. Clark Ferr argues that the conflict between labour and management is inevitable because the desires and aspirations of both the groups are unlimited but the means of satisfaction are limited. The conflict in an industrial relations system tends to arrive because of divergent interests. The relationship tends between diversity, conflict and resolution of the conflict. In a harmonious situation conflict is generated by diversity of interests and it resolves through negotiation and compromise.

It is viewed that some of the conflicts lie in the dissatisfaction of the workers with the job itself and other are with the physical and social environment at the workplace, lack of any meaningful job creates frustration to the worker as a result conflict tends to arise.
C J Margerison identified three kinds of conflicts, such as (1) distributive, (2) structural and (3) human relations.

It is however realised that the conflict generates at two levels. Firstly, the intra-plant level where situational factors such as job content, work task and technology and interaction factors produce three types of conflict viz., distributive, structural and human relations. These conflicts are handled through bipartite agreements, such as collective bargaining, structural analysis of the socio-technical system and management respectively. In case of the second level intra-organisation, resolution of conflict may involve some outside factors like government regulation, policy of the federation or overall situation of the national economy. It also suggests a method of inquiry, which attempts to develop sociological models of conflicts. This model in fact, has concentrated all its attention on studying 'people' in a situation, organisation or system. The major limitation of this approach is that it takes economic and other variables as constant and emphasises only on sociological factors. The emphasis on the significance of conflict in industrial relations is not a new one. The nature and importance of industrial conflict was extensively studied by a number of social scientists in 1950s and 1960s.
(d) **The Action Theory Approach**

This system also stressed on the collective regulations of industrial labour which is a focal point of the systems model. The actors operate within a framework which can at best be described as a coalition relationship. As a matter of fact, the actors agree to co-operation that takes place in the way of bargaining. The action theory analysis of industrial relations points out collective bargaining as an instrument or tool for solving the conflicts. It focuses mainly on bargaining mechanism.

(e) **Pluralistic Approach**

The pluralistic ideology says that people in an enterprise possess different interests, aims and aspirations. Kerr says that the social environment is an important factor in industrial conflicts. The strike activity will come down when the industrial jobs become pleasant and integrated into the wider society. Ross argues that the organisation is a plural society, containing many related but separate interests and objectives which must be maintained in some kind of equilibrium. Management and Government should not suppress any ideas or aims. Their aim should be to try to reconcile conflicting opinions and keep the
conflict within accepted bounds, as a result it does not destroy the enterprise atmosphere. Ross and Hartman's 'strike' postulates the declining incidents of strikes, because of the institutional framework. They say that the strike activity in the entire world declined inspite of an increase in union membership. The theories of pluralism were originated in the middle of sixties and beginning of seventies. Flander claims that conflict is inherent in the industrial system. He stressed the need for collective bargaining mechanism for conflict resolution and for differentiating the two aspects of relationship between workers and management. Firstly, it is a market relationship which deals with the terms and conditions on which labour is hired. This relationship is necessarily economic in character and based on contracts executed between the parties. The second aspect is management's handling of labour, the interaction, negotiations, distribution of power and participation in decision making process etc.

The important critics of the pluralist approach are the Marxists. They argue that exploitation and slavery will continue unabated in the institutional structure of pluralism. The difference in a social structure is that the worker will be deemed to be a better paid wage slave.
Gandhi and Marx on Industrial Relations

Certain aspects of Gandhi's social theory come very close to Marx's teaching. Both accept the existence of social conflict as a fact. Gandhi also saw conflict between labour and capital in industry. Gandhi recognised that due to industrialisation exploitation of labour increases on the one hand and agriculture on the other. Gandhi was greatly perturbed by the ill effects of industrialisation and primarily because it leads to increasing inequality. In this assertion there is a striking parallel between his analysis and Marx's rejection of Adam Smith's thesis.

Marxian programme of action and Gandhian passive resistance programme have their basis in the stronger force of human nature, i.e., the will of the deprived to fight against exploitation. Both start with an awareness of the existence of social conflict, therefore resisting exploitation of the exploited. In both, further they urge in revolutionary thinking, while Marx envisages a war between workers and capitalists based on power relationship, Gandhi's process is non-violent and passive resistance. Marxian industrial relations approach is equated with a power struggle, unlike co-operation of Gandhian approach.
Nevertheless, the fundamental difference lies in the image of the ultimate society that they have in a view. Removing the element of built-in hostility of a necessary clash between the interests of labour and capital, the concept of trusteeship was advocated by Gandhi. Gandhiji wrote in ‘Harijan’ issue of December 1931 that under trusteeship industrialists, "would be allowed to retain the stewardship of their possessions and to use their talent to increase the wealth, not for their own sake but for the sake of the nation, and therefore, without exploitation".

Gandhi put forth the ideas of truth and passive resistance by the exploited against the exploiters. Truth and non-violence became the technique of industrial relations in Gandhian concept. Truth means social justice and non-violence which contains all embracing love, active goodwill, compassion for all humanity, resisting injustice, co-operation in terms of honourable equality. It laid emphasis on peaceful action to settle disputes, failing which recourse should be had to arbitration. Marx allowed violent proletariat action and ultimately state ownership. Because, although, state while apparently doing good by minimising exploitation it does the greatest harm to mankind by destroying individuality, which lies at the root of all progress. On the other hand Gandhiji cultivated the idea of "trusteeship" among owners of capital.
Human Relations Approach

In recent years, the increasing interest which management are displaying in the research findings of sociologists and psychologists in an area, what has come to be known as “human relations” in industry is an encouraging factor. Social scientists have been conducting investigations into such problems, as what makes for effective communication between management and worker. What leads to good and poor morale in a work situation, what causes employees to respond to union organising drives, which factors lead to conflict and which to co-operation in industrial situations.

Better human relations may be possible through scientific personnel management: Personnel management can be viewed from various aspects. There is the management aspect in which the improved efficiency of men in industry is the objective, there is conciliatory in which industrial peace is the primary objective and there is the social reform aspect in which the improvement of the physical moral and emotional environment of labour is predominant. It is ultimately concerned with the human and social implications of the internal organisation and methods of working and of human and social changes in the society. Thus efficiency, mental health, and happiness go hand in
hand for the approach of human relations. Human relations in industry simply means relations at the human level between management and man. Human relations approach is to developing man and not merely techniques and skills of labour force in industry. The labour force in industry spend the best part of their lives in their work place. The development as conscientious human beings is also responsibility of those who run the industries. Twentieth century worker is a delicate piece of mechanism which require careful handling by a person knowing the art of management. Human element in industry needs to be recognised from a scientific and practical point of view.

Sound human relations in the work situation cannot be achieved on the basis of cleverness but must rest on mutual trust and confidence. Somebody has truly said that industry is really a human system performing economic functions. Human relations motivate human beings in industry to serve and sacrifice for things, which they identify.