



Uttar Pradesh Rajarshi Tandon
Open University

Master of Business Administration

MBA-3.14

Strategies of Human Resource Management

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BLOCK-1

INTRODUCTION

The Block comprises four units namely Unit-1, Unit-2, Unit-3 and Unit-4

UNIT 1: Business Strategy and Organizational Capability

UNIT 2: Global Environment of HR: Change & Diversity

UNIT 3: Strategic Human Resource Management

UNIT 4: Strategic Human Resource Management Approach

UNIT 1: BUSINESS STRATEGY AND ORGANIZATIONAL CAPABILITY

Structure

- 1.0 Unit Objectives
- 1.1 Introduction and Concept of Business Strategy
- 1.2 Types of Business Strategy
- 1.3 Introduction and Concept of Organizational capability
- 1.4 Types of Organizational capability
- 1.5 Summary
- 1.6 Self–Assessment Questions
- 1.7 Suggested books/References

1.0 UNIT OBJECTIVES

The objective of the present unit is to present the concept of business strategy and its types and also the concept of organizational capability and its types.

1.1 INTRODUCTION

1.1.1 BUSINESS STRATEGY

Business strategy is the strategic initiatives a company pursues to create value for the organization and its stakeholders and gain a competitive advantage in the market. This strategy is crucial to a company's success and is needed before any goods or services are produced or delivered. According to Harvard Business School, Business Strategy course, an effective strategy is built around three key questions:

1. How can my business create value for customers?
2. How can my business create value for employees?
3. How can my business create value by collaborating with suppliers?

Many promising business initiatives don't come to fruition because the company failed to build its strategy around value creation. Creativity is important in business, but a company lasts without prioritizing value.

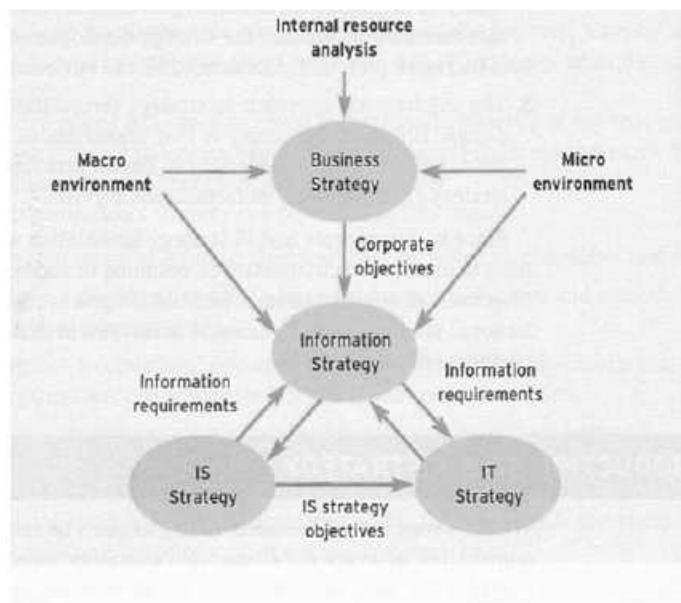


Figure 1.1: Functionality of Business Strategy

1.1.2 THE IMPORTANCE OF BUSINESS STRATEGY

A business strategy is foundational to a company's success. It helps leaders set organizational goals and gives companies a competitive edge. It determines various business factors, including:

- **Price:** How to price goods and services based on customer satisfaction and cost of raw materials
- **Suppliers:** Whether to source materials sustainably and from which suppliers
- **Employee recruitment:** How to attract and maintain talent
- **Resource allocation:** How to allocate resources effectively

1.1.3 CREATIVE VALUE

To craft a successful business strategy, it is necessary to obtain a thorough understanding of value creation. In the online course Business Strategy, Harvard Business School Professor Felix Oberholzer-Gee explains that, at its core, value represents a difference. For example, the difference between a customer's willingness to pay for a good or service and its price represents the value the business has created for the customer. This difference can be visualized with a tool known as the value stick. The value stick has four components, representing the value a strategy can bring different stakeholders.

- **Willingness to pay (WTP):** The maximum amount a customer is willing to pay for a company goods or services
- **Price:** The actual price of the goods or services
- **Cost:** The cost of the raw materials required to produce the goods or services
- **Willingness to sell (WTS):** The lowest amount suppliers are willing to receive for raw materials, or the minimum employees are willing to earn for their work.

The difference between each component represents the value created for each stakeholder. A business strategy seeks to widen these gaps, increasing the value created by the firm's endeavors.

1.1.4 INCREASING CUSTOMER DELIGHT

The difference between a customer's WTP and the price is known as customer delight. An effective business strategy creates value for customers by raising their WTP or decreasing the price of the company's goods or services. The larger the difference between the two, the more value is created for customers. A company might focus on increasing WTP with its marketing strategy. Effective market research can help a company set its pricing strategy by determining the target customer's WTP and finding ways to increase it. For example, a business might differentiate itself and increase customer loyalty by incorporating sustainability into its business strategy. By aligning its values with its target audiences an organization can effectively raise consumer's WTP.

1.1.5 INCREASING FIRM MARGIN

The value created for the firm is the difference between the price of an item and its cost to produce. This difference is known as the firm's margin and represents the strategy's financial success. One metric used to quantify this margin is the return on invested capital (ROIC). This metric compares a business operating income with the capital necessary to generate it.

1.2 TYPES OF BUSINESS STRATEGY

There are generally 3 (sometimes broken into 4) Types of Business Strategies:

- Organizational (Corporate) Strategy
- Business (Competitive) Strategy
- Functional Strategy
- Operating Strategy



Figure 1.2: Business level Strategies

1.2.1 CORPORATE STRATEGY

A corporate-level strategy, often referred to as an organizational-level strategy, focuses on the vision, mission, values, or purpose of the organization.

To achieve it often relates to the company's core value proposition and objectives that it hopes so. It may also regard what the company stands for and how it will be perceived by stakeholders and third parties.

Organizational Strategies are generally broken down into:

- Growth-Based Strategies,
- Stability Strategies,
- Retrenchment Strategies, or
- Mix of these Strategies

1.2.2 COMPETITIVE STRATEGY

A competitive strategy, often referred to as a business-level strategy, focuses on how a business unit will compete against competitors within the market.

Implementing a business unit's competitive strategy should further the organization-level strategy.

The primary understanding of competitive strategies comes from Michael Porter's Generic Strategies, which include:

- Cost-Based Strategy,
- Differentiation Strategy, and
- Focus (Niche) Strategy.

The objective of competitive strategy is to create a sustainable competitive advantage.

Another influential source on competitive advantage is the Resource-Based View (RBV) of the firm, which focuses on the effective use of firm resources to create competitive advantage.

Porter's Value Chain, and the concept of a value chain in general, which quantifies activities along the value delivery process. This provides an understanding of where competitive strategies can be effectuated.

1.2.3 FUNCTIONAL STRATEGY

A functional strategy concerns how a functional division of a company will achieve its objectives. Carrying out a functional strategy is in support of a business unit's competitive strategy through maximizing resource productivity. It focuses on developing competence in pursuit of a competitive advantage. Major functional areas include marketing, accounting, finance, operations), Research and Development, and Human Resources.

Three factors characterize the formulation of functional-level strategies:

- Short-term nature of the objectives,
- How specific are the objectives, and
- Extent of involvement of managers.

The functional strategy will revolve around key individuals in the functional area and focus on key operational aspects in the value chain, such as productivity, pricing, logistics, cost-effectiveness, efficiency, product design, product branding and image, product-life cycle, etc.

1.2.4 OPERATING STRATEGY

While often included within a functional strategy, an operating strategy is concerned with how

the component parts (operating divisions) of an organization deliver effectively the corporate, business and functional -level strategies in terms of resources, processes and people. They are at departmental level and set periodic short-term targets for accomplishment.

1.3 ORGANIZATIONAL CAPABILITIES

1.3.1 INTRODUCTION

Organization capabilities (OC) are the intangible, strategic assets that an organization draws from to get work done, execute its business strategy, and satisfy its customers. These capabilities cannot originate from a single effort or by following an external template. Instead, they are acquired and refined internally from multiple interactions to be organization- specific. They can include expertise, activities, information, knowledge, procedures, processes, skills, systems, technologies, or unique adaptive features.

The strength and alignment of such assets define a company’s identity and differentiate it from competitors. Each organization develops and integrates these attributes into its culture over time, so they are challenging for others to pinpoint and replicate.

For instance, Coca-Cola could sell its soft drink formula to another company, but that company would not be able to emulate the same emotional connection customers have with Coke.

Building organizational capabilities is an indispensable part of the organizational development process. An organizational capability is the means by which an organization brings together its people and other resources to respond to changes in the business environment and deliver value to its customers and stakeholders.



Figure 1.3: Organizational Capabilities

1.3.2 IMPORTANCE OF ORGANIZATIONAL CAPABILITIES

The most successful and admired companies have distinct combinations of attributes that make them stand out from the competition. People respect organizations like Starbucks, Apple, and Disney because of their capabilities, not their structures. It’s their knack for innovation and their willingness to

adapt to consumers' changing needs that make them trustworthy and relevant.

Boston Consulting Group (BCG) conducted a detailed survey and interview of senior executives from international corporations in various industries to determine why their companies are thriving. The results pointed to a clear correlation between organizational capabilities and success.

The right mix of organizational capabilities helps businesses operate effectively and deliver excellent service and satisfaction to customers. Organizational capabilities are a driving force in:

- **Gaining competitive advantage** – The ability to manage resources and information effectively helps focus an organization on meeting customer demands with its distinctive products and services. This leads to surpassing competitors and gaining prominence in the marketplace.
- **Adapting to change** – An organization that makes an effort to align with employees, customers, and emerging trends and markets can better foresee and plan for the new directions it must take.
- **Driving business performance** – Investing in the development of organizational capabilities hones a company's strengths and identity. Harnessing this intangible value promotes stability and makes the most of what everyone has to offer. This delivers optimal performance.

1.4 TYPES OF ORGANIZATIONAL CAPABILITIES

In order to focus on building organizational capabilities, it is helpful to understand the big picture of what they are. Definitions of organizational capabilities might vary, as there are multiple different types and categorizations of OC. Here's an overview of a few broad categories:

1.4.1 OPERATIONAL CAPABILITIES

These attributes reflect a company's ability to align skills, routines, and processes to successfully operate in specific markets and meet its stakeholders' requirements.

Operational capabilities materialize gradually over time, according to the specific characteristics of each business. They often blend into the background, so they are less obvious and more difficult to imitate. Hence, they can be a competitive advantage.

Let's use a restaurant as an example of operational capabilities. Whatever training chefs have needs to be customized to a specific restaurant's type of menu, prices, available ingredients, etc.

The recipes used may be very similar to other restaurants, but the unique process for making certain dishes is developed over time and passed on to new chefs. The capacity to leverage resources and the chefs' skills will reflect the restaurant's cooking style and character to its customers.

1.4.2 STRATEGIC CAPABILITIES

These are connected to strategy and vision and indicate how well an organization handles its business environment and sets itself apart. Strategic capabilities are what take an idea to a successful reality.

For example, a manufacturing company wants to have more products available for a growing customer base. The company must evaluate whether it has the resources to create the products and get them to the customers. Do the usual suppliers have the raw materials needed? Is our warehouse adequately staffed? Are the shipping companies able to handle an increase in products? The company's capability to execute this strategy will ensure that the process doesn't get bogged down.

1.4.3 DYNAMIC CAPABILITIES

These focus on how well a company adapts to a changing business environment by building, integrating, and reconfiguring its competencies.

David J defined this concept in 1997 and explains it as the capacity to: “(1) Sense and shape opportunities and threats, (2) seize opportunities, and (3) maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise’s intangible and tangible assets.”

Apple demonstrated dynamic capabilities back when it was still just a computer manufacturer by creating the iPod. Although MP3 players already existed, Apple saw the need for a device that was smaller, sleeker, and more appealing to consumers. The iPod increased Apple’s share price immensely and started it on the path to becoming a revolutionary consumer electronics design company.

1.4.4 CORE VS NON-CORE CAPABILITIES

Organizational capabilities have varying levels of value and connection to each company. One way to break them down is into core and non-core capabilities. Core capabilities are integral to a company’s business and competitive edge and are held inside the organization. Non-core capabilities can be outsourced to a strategic partner.

Whether a capability is core or non-core depends on the type of business. A mobile app development company has in-house developers because that’s what they do. A utility provider that wants to develop a mobile app to better serve its customers would need to outsource this capability.

Examples of organizational capabilities

Organizational culture	An inclusive company culture empowers and engages employees, and supports organizational goals: – Culture supports development and shapes the organization’s identity. – Employees’ mindsets help them function well. – Collaboration promotes teamwork, forms alliances, and allows cross-functional communication.
Leadership performance	Business leaders represent the company well and effectively manage and inspire employees: – A clear leadership brand exists that distinguishes the company from competitors. – Perception of leadership is positive. – Leadership qualities remain consistent throughout teams. – <u>Leadership competencies</u> are embedded throughout the organization, with learning opportunities for all employees.
Strategic unity	Strategic point of view is articulated and embraced throughout the organization: – There is a continual investment in the practices and procedures

	necessary for strategy development and to implement the strategy. – All employees throughout the organization consistently understand the business strategy and why it matters. – Employees recognize how their role supports the strategy. – Employees feel heard and see their suggestions acted on.
Innovation	Delivering successful new products and services. Regularly updating processes for continuous improvement: – Focused on the future, not the past. – Willingness to re-invent parts of the organization. – Sound processes are in place that can take on something new. – An atmosphere of excitement is created over new concepts.
Agility	Being responsive and flexible concerning changes in the internal and external environment: – Skilled and knowledgeable employees who are prepared to adapt. – Prompt decision-making processes that don't rely on bureaucracy. – Proactive planning that can be adjusted to respond to the competition or unexpected events. – Flexible systems and workflows that can accommodate the organizational change process or expansion.
Talent	Employees at all levels are competent in what they do: – Employees are equipped with the skills and tools they need to perform their roles in the present and for future requirements. – Employees are committed to doing their jobs well and consistently. – Learning and development is championed and provided. – Ability to motivate and retain competent employees.
Customer connectivity	Established customer relationships based on trust and overall strong customer focus are the mainstay. – Priority is placed on dedicated teams who have a meaningful connection with customers. – Committed accountability to customers. – Strong customer data collection and analytics.

1.5 SUMMARY

Business strategy is the strategic initiatives a company pursues to create value for the

organization and its stakeholders and gain a competitive advantage in the market. This strategy is crucial to a company's success and is needed before any goods or services are produced or delivered. These refer to a business's ability to successfully employ competitive strategies that allow it to survive and increase its value, overtime. They focus on the organization's assets, resources and market position, projecting how well it will be able to employ strategies in the future.

1.6 SELF-ASSESSMENT QUESTIONS

1. What do you mean by business strategy? Explain its types?
2. Explain organizational capability and its types?
3. Why is business strategy important for any organization? Examine.

1.7 SUGGESTED BOOKS/REFERENCES

1. Mathur, SP Strategic Human Resource Management 1St Edition 2015 , New Age International (P) Ltd Publishers
2. Dr. Ashvine Kumar, Strategic Human Resource Management, Book Rivers.
3. Randall S. Schuler And Susan E. Jackson, Strategic Human Resource Management, Wiley India Pvt Ltd

UNIT 2 GLOBAL ENVIRONMENT OF HR: CHANGE AND DIVERSITY

Structure

- 2.0 Unit Objectives
- 2.1 Introduction
- 2.2 Strategic HR issues in Global Expansion
- 2.3 How HR strategies can be applied globally
- 2.4 Summary
- 2.5 Self-Assessment Questions
- 2.6 Suggested Books/References

2.0 UNIT OBJECTIVES

The objective of the present unit is to give the introduction of Strategic HR issues in Global expansion and How HR strategies can be applied globally.

2.1 INTRODUCTION

This unit will provide a platform for participants to understand the need for developing local and global HR strategies to enable rapid business growth in emerging economies. They can learn about the challenges faced by large ever expanding organizations in global integration and local customization of their HR strategies with particular insight into the strategies adopted by McDonald's. We will discuss whether companies today are equipped with the right HR models to face rapid globalization and what is needed for companies to succeed in this context.

2.1.1 NEED FOR GLOBAL AND LOCAL HR STRATEGIES

According to the global human capital trends survey conducted by Deloitte in 2014, Global HR and talent management is the second most urgent and important trend for large companies around the world (those with 10000 or more employees). Economic, technological and competitive forces have pushed many organizations from a domestic to a global focus. Advanced communication technology, ever expanding markets and seamless transportation have created a new highly competitive landscape. Countries like China, Brazil, Taiwan and Russia are redefining their place in Fortune magazine's list of Global 500 with 13 Chinese companies making their debut in the list in 2016. This indicates the fact that economics is no more concentrated in the United States but shows a transformation in the world's business landscape. In such a context, companies face the challenge of blending their global and local HR strategies. They need to develop a model that integrates their business globally and is also effective enough to develop people locally and capitalize on their talent. Business strategies should be global in scale and local in implementation .Global integration is essential to maintain stability, however local customization is necessary to bring about flexibility and it is right here that companies need to strike a balance.

2.1.2 STRATEGIES FOR GLOBAL VERSUS LOCAL OPPORTUNITIES

One dilemma that organizations face while formulating a global strategy is choosing whether to emphasize on global standardization or local responsiveness. Managers must decide whether they want activities to be standardized across countries or whether each global affiliate should act autonomously. Globalization strategy means that product design, manufacturing, and marketing strategy are standardized across the world. For example, Gillette Company which makes grooming products, such as Mach3 shaving system for men and Venus Razor for women has large production facilities that manufacture products whose technical specifications are standardized around the world. Localization strategy encourages product design, assembly and marketing tailored to the specific needs of each country in which it operates.

For example, KFC gives local managers real decision making powers and allows them to offer regional dishes that appeal to tastes in specific areas of the country. Different global organization designs are suited to the needs of either global standardization or local responsiveness both global and local opportunities simultaneously.

2.2 STRATEGIC HR ISSUES IN GLOBAL EXPANSION



Figure 2.1: Expansion Strategy

Global human resources present some unique contingencies:

- 2.2.1.** Leading companies often need to move talent from region to region to address key talent gaps. They face the need to move high performers to global assignments rapidly.
- 2.2.2.** Managing people in global settings requires HR to address a broader range of functional areas. This includes clarifying taxation issues, coordinating foreign currencies, exchange rates and compensation plans; and working directly with the families of employees who may be accepting overseas assignments.
- 2.2.3** It requires more involvement in the employee's personal lives. They are assisted in acquiring housing in the host country, selling or leasing domestic accommodations, arranging and paying for school for the employee's children, and locating and securing domestic help for the employee.

- 2.2.4** Companies may require setting up different HR departments for different geographic locations and hence maintaining co-ordination among them becomes a challenge.
- 2.2.5** Global assignments often involve a heightened exposure to risks that include health and safety of the employee and family; legal issues in the host country; possible terrorism; and the human and financial consequences of mistakes which may exceed the cost of those made domestically.
- 2.2.6** Proper training of employees is required so that they are well equipped to work on global assignments. A platform or a system is necessary for global integration of talent practices to match business needs with existing skills.

2.3 HOW HR STRATEGIES CAN BE APPLIED GLOBALLY

To achieve globally integrated and locally customized HR strategy, organizations should take note of the following points:

2.3.1 USE GLOBAL TECHNOLOGY PLATFORMS

If organizations are unable to leverage technology to their advantage, they will be forced to work in functional silos and will not be able to grow or succeed. Thus implementing a common global technology platform is necessary to share useful resources of the company so it can act as a backbone for the HR function. Managers and employees can easily use them to coordinate activities and be up-to-date on the business of their organization.

2.3.2 NURTURE HR LEADERS

Organizations should invest in training and development of their HR team to ensure that each member is skilled in using all tools and data and feels connected to the larger HR community. They should be constantly encouraged to be aware of leading practices and new ideas in the global marketplace.

2.3.3 EMPOWER LOCAL TERMS

Once global objectives and processes are established, local expert teams should be given autonomy to innovate and to customize corporate programs according to the demands of local people and culture. They can leverage corporate standards to optimize HR strategies in each business and geography steering growth in local countries. This will not only motivate them to work for the organization but also enhance the image of the company in the foreign country.

2.3.4 ESTABLISH CORE SET OF GLOBAL HR PRACTICES

Organizations can create a team of experts who will learn the best practices from all the local business partners and establish a core set of HR services for the whole community.

2.3.5 CREATE DEEP SPECIALISTS

Implementation of a proper information system will reduce the need for HR generalists and they can be reallocated to other important areas such as recruiting, talent management, organizational learning and development, employee relations, compensation and reward management, etc. These

specialists should be well connected and should share knowledge and expertise with each other.

2.3.6 DEFINE APPROPRIATE STANDARDS OF PERFORMANCE FOR HR

Success of HR should be defined not simply in terms of cost-cutting, but by HR's ability to drive business performance and growth.



Figure 2.2: HR strategies can be applied globally

2.4 SUMMARY

Global HR is how international employers manage geographic, linguistic and cultural differences amongst their workforce to achieve maximum productivity and engagement. Its primary responsibilities include: Recruiting suitably skilled employees. Supporting regulatory compliance. Standardizing processes and systems.

2.5 SELF-ASSESSMENT QUESTIONS

1. Strategic HR issues in Global expansion. Explain.

2. How HR strategies can be applied globally?
3. Distinguish between Strategies for Global and Local Opportunities.
4. What is the Need for Global and local HR strategies?

2.6 SUGGESTED BOOKS/REFERENCES

1. Dr. Ayan Das Gupta, Dr. B.S. Mishra, Mrs. S. Shiny, STRATEGIC HUMAN RESOURCE MANAGEMENT, PUBLISHER Book Rivers.
2. Dr. Rekha Joshi, Dr. Rituraj Pant, STRATEGIC HUMAN RESOURCE MANAGEMENT, Redshine Publication.
3. Dr. Ashvine Kumar STRATEGIC HUMAN RESOURCE MANAGEMENT, Book Rivers.

Structure

- 3.0 Unit Objectives
- 3.1 Aligning HR with Corporate Strategy
- 3.2 Summary
- 3.3 Self-Assessment Questions
- 3.4 Suggested Books/References

3.0 UNIT OBJECTIVES

The objective of the present unit is to align HR with Corporate Strategy

3.1 ALIGNING HR WITH CORPORATE STRATEGY

Strategic human resource management (SHRM) is, indeed, one of the most momentous concepts in the field of business and management today. The idea of SHRM is to promote high performance workplaces and human capital management. SHRM can be defined as the linking of human resources (HR) with organizations' strategic goals and objectives so as to improve business performance and develop organizational culture that nurture innovation, flexibility and competitive advantage.

In an organization, SHRM means accepting and involving the HR function as a strategic partner in the formulation and implementation of the company's strategies through HR activities such as recruiting, selecting, training and rewarding personnel. It basically centers on HR programs with long-term objectives i.e. instead of focusing just on internal HR issues, the major focus is on addressing and solving problems that affect people management programs in the long run. Therefore, the primary goal of strategic HR is to increase employee productivity and to identify key HR areas where strategies can be implemented in the long run to improve the overall employee motivation along with productivity.

Strategic orientation of human resource management (HRM) is important for all organizations irrespective of its size and domain. It simply requires the alignment of every HR function with business strategy. It establishes a relationship between HRM and strategic management of the organization and facilitates the HRM to change its image as a "cost center" to that of a "strategic business partner".

Thus, the SHRM can be defined as the organization's action plan to align HRM with strategic business objectives so that the competitive advantage can be achieved through its skilled, committed and well-motivated workforce. This can only be possible if every HR function is strategically aligned.

BUSINESS ALIGNMENT AND HR STRATEGY

What are Two Basic Forms of Strategic Alignment?

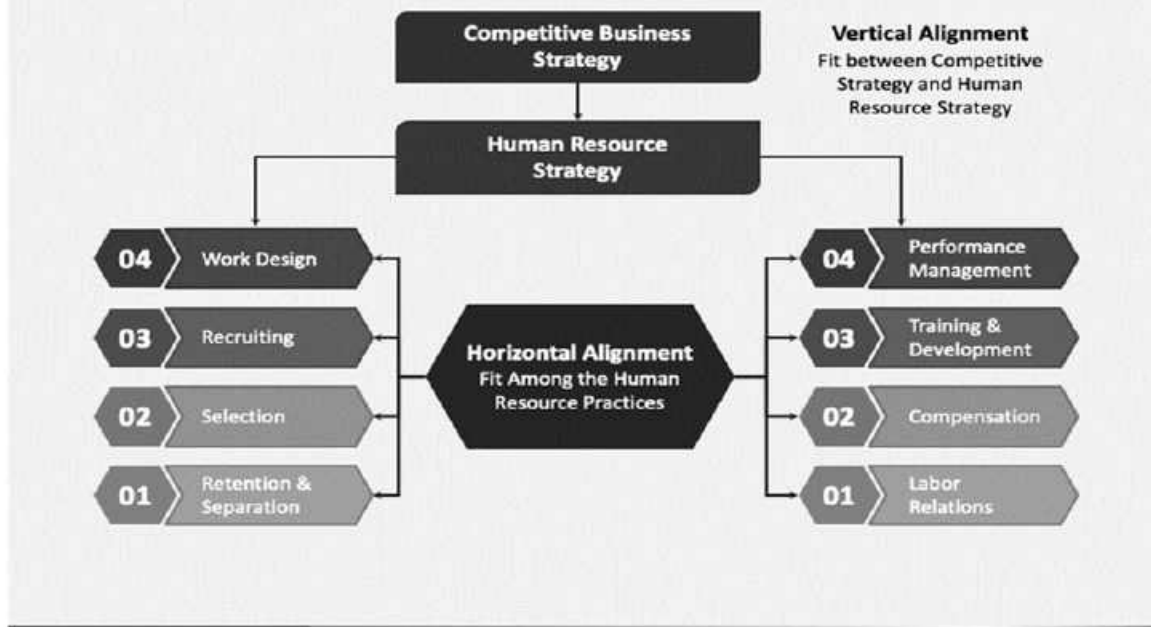


Figure 3.1: Aligning HR with Corporate Strategy

3.1.2 STRATEGIC HUMAN RESOURCE PLANNING

Human resource planning (HRP) is a process of analyzing and identifying the need for and availability of HR so that the organization can meet its objectives. The need for HRP is to reduce the significant lead time between recognition of job requirements and getting a qualified person to fill that need. This means HR is required to have an idea of the job market and how it can match to hiring needs as no organization can meet its goals without recruiting talented workers.

Hiring, indeed, is an important aspect of HRP, as it provides the doorway for bringing in new employees and choosing individuals suited to the company's culture and requirements. During hiring, the HR department looks for an applicant who specifically fits the job criteria or someone who is the most versatile individual.

However, today HRP is viewed as a strategic operational process and its focus has shifted from traditional Hiring and Staffing to towards forecasting and succession planning that can handle different contingencies which in turn impacts the success of business operations. Effective HRP can reduce turnover by keeping employees apprised of their career opportunities within the company. The success of HRP depends on how meticulously the HR department can integrate effective HRP with the organization's business planning process. Strategic human resource planning (SHRP) is based on close working relationships between HR department and line managers. SHRM can be defined as a deliberate attempt of HR deployment to empower the organization to meet organizational goals, objectives and consistencies.

Succession planning plays an important role in the strategic alignment of HRP. Through succession planning, organizations recruit skilled employees, develop their knowledge, skills, and abilities further, and prepare them for advancement or promotion into ever more challenging roles. This process ensures that employees are constantly developed and fill each needed role. So, a talent pipeline is maintained.

3.1.2 STRATEGIC RECRUITMENT AND SELECTION

The core responsibility of recruitment and selection processes is “identifying the right pool of talent for establishing the right candidates”. Earlier, recruitment and selection was considered as a traditional function with a standard approach where the focus was on person–job fit. However, nowadays, organizations are aiming at person–organization fit and, therefore, applicants are selected against organizational characteristics rather than job-specific criteria. Today, choosing the correct employee is, indeed, essential to the development of an effective SHRM system.



Figure 3.2: Strategic Human Resource Planning

Strategic recruitment and selection (SR&S) can be defined as strategic integration of recruitment and selection with long-term business objectives so that strategic demands of the organizations can be translated into an appropriate recruitment and selection specification. In this, the alignment of candidate’s objective and business’s objective has become must. However, not all the job positions in the company are strategic and are not critical for the business operation. The strategic recruitment is focused only on the key job positions in the organization. It is focused on the hiring of the job positions needed for the accelerated growth of the business. The strategic recruitment can be a separate process from the usual recruitment process for the mass job positions.

3.1.3 STRATEGIC TRAINING AND DEVELOPMENT

Increasingly high performing organizations today are recognising the need to use best training and development practices to enhance their competitive advantage. Training and development is an essential element of every business if the value and potential of its people is to be harnessed and grown. By definition, training and development refers to the process of obtaining or transferring knowledge, skills and abilities needed to carry out a specific activity or task. Strategic positioning of training and development directly promotes organizational business goals and objectives. Key business challenges require that organizations thoughtfully gauge their market position and determine the talent, skills and

knowledge to be successful. By adopting a strategic approach to training and development rather than an unplanned and *ad hoc* one, training and development initiatives become more targeted, measurable and effective. The strategic training and development (ST&D) is all about identifying, designing and delivering training programmes to employees to make them capable of delivering in accordance with business strategy. In addition, the evaluation of the outcomes to check the effectiveness of the training programme based on planning to determine whether the training was effective to its contribution to the business strategy.



Figure 3.3: Strategic training and development

3.1.4 STRATEGIC PERFORMANCE MANAGEMENT

Traditional performance management systems often fail to deliver desired business objectives because communications from the top are not always clearly understood further down the line, leading to a mismatch between corporate strategy and how it is translated into targets at a team or individual level. Then, if the business goals and strategy and the employee motivation and culture are not in harmony, results certainly suffer. This missing link can be complemented by the strategic performance management (SPM) approach.

Top management must address how they actually want to manage performance? What targets must be met and by when? And how do they want managers and employees to work to achieve them? It is important not only to identify HR competencies in accordance with the business needs and develop selection and development practices to secure those competencies but also to evolve and implement a performance evaluation plan that links the performance of the employees to the strategic goals.

It is certainly essential to have a strategically linked compensation system to improve firm performance and to retain employees with required competencies. SPM creates this link between the strategy and culture of an organization and its ability to manage employees' performance to have a direct impact on business performance. SPM is actually about strategy implementation to deliver value by delivering the desired outcomes in accordance with business strategy. SPM links the individual's objectives and performance management, driving the skill and capability requirements and ensuring its alignment to the core values of the organization.



Figure 3.4: Strategic performance management

3.1.5 STRATEGIC COMPENSATION AND REWARD MANAGEMENT

The main objective of compensation policy is to give the right rewards for employee performances, their skills, competencies, their knowledge and experience to attract and retain them. It is again certainly an important motivator to reward the employees for their market worth and also for achievement of the desired organizational results.

However, the traditional compensation and reward system alone cannot ensure the fulfillment of the business objectives. Strategic compensation and reward management (SCRM) facilitate the alignment of compensation and reward policy with business, which can be achieved by taking a data-driven approach so that the pay and benefits are allocated to only those positions and workers that produce the greatest return.

One of the healthier ways to motivate employees and reward the stellar performers is to have a variable pay rewards system based upon the individual and team performance to their contribution towards the achievement of organizations business objectives.

Reward Strategy Showing Compensation Benefits...



Figure 3.5: Strategic compensation and reward management

3.2 SUMMARY

Aligning HR with the business strategy is essential for unlocking productivity, sustaining growth, achieving corporate objectives, and remaining competitive. Today's HR function is more than just administrative cost-centers. To align the people strategy with the business strategy, it's important that the people leadership—your HR function—understands the main strategic goals of the business and the current situation. All strategies and tactics must be aligned toward the same outcomes.

3.3 SELF-ASSESSMENT QUESTIONS

1. How HR aligns with Corporate Strategy?
2. Discuss Strategic compensation and reward management.
3. Elucidate Strategic performance management.

3.4 SUGGESTED BOOKS/REFERENCES

1. Randall S. Schuler And Susan E. Jackson, Strategic Human Resource Management, Wiley India Pvt Ltd
2. Dr. Ayan Das Gupta, Dr. B.S. Mishra, Mrs. S. Shiny, STRATEGIC HUMAN RESOURCE MANAGEMENT, PUBLISHER Book Rivers.

UNIT 4 : STRATEGIC HUMAN RESOURCE MANAGEMENT APPROACH

Structure

- 4.0 Unit Objectives
- 4.1 Strategic Human Resource Management
- 4.2 Universalistic
- 4.3 Contingency
- 4.4 Configuration
- 4.5 The Best Practice Approach
- 4.6 Best Fit
- 4.7 Summary
- 4.8 Self-Assessment Questions
- 4.9 Suggested Books/References

4.0 UNIT OBJECTIVES

To enumerate various approaches of Strategic Human Resource Management

4.1 STRATEGIC HUMAN RESOURCE MANAGEMENT

Strategic human resource management (SHRM) can be defined as the process of managing people in a way that optimizes the business's goals and objectives.

Basically, strategic HRM is a process that helps companies align their HR activities with the broader business strategy and objectives.

It involves identifying and prioritizing the skills, competencies, and experiences needed for success in your organization. After that, it develops a plan on how to use those skills to push the company's goals.

Now, there are five main approaches to SHRM that are used by organizations today.

These approaches are:

- Universalistic
- Contingency
- Configuration
- Best Practice
- Best fit

4.2 THE UNIVERSALISTIC APPROACH

The universalistic approach to HR management suggests that the best practices for most HR

issues can be applied to all organizations equally.

To be honest, this approach isn't the best out there. It's based on the assumption that all employees are motivated by similar things and have similar expectations for their careers.

This approach is too simplistic and ignores the fact that people are different and will react differently even if they're in similar situations.

4.3 THE CONTINGENCY APPROACH

The contingency approach is the opposite of the universalistic approach to HR practices and problems.

In fact, it highlights the necessity for HR approaches to be arranged into a comprehensive and wide-ranging set of organizational policies.

This approach argues that there is no one-size-fits-all approach to human resource issues; rather, it emphasizes that HR policies should be tailored to meet the specific needs of individual organizations in order to be effective.

This means that there's no single best way of organizing work or managing employees. Instead, organizations should consider their own culture and environment when developing policies.

4.4 THE CONFIGURATION APPROACH

Finally, we have the configuration Approach. This is the "best of both worlds" approach because it combines the strengths of both the universalistic and contingency approaches.

The configuration approach to SHRM emphasizes the need for HR policies that are contingent on organizational circumstances.

However, it also acknowledges that policies must be flexible enough to fit the organization's general strategy.

In order to understand how this works, let's look at an example: You're a restaurant owner in the middle of a big city.

You need to hire staff and train them so that your customers can get served quickly and efficiently. Plus, you need to make sure that your staff members get along well enough with each other, so they can work together effectively.

A universalistic approach would suggest creating a set of job descriptions and training programs that could be used across all restaurants without modification.

However, this may not work well for your restaurant because your employees will need specialized training based on your kitchen layout.

A contingency approach would suggest creating different sets of job descriptions and training programs depending on your needs. Sadly, this may take way too long.

To make sure your restaurant's core values don't clash with those of other establishments, you'll need to develop a strategic plan with your HR management.

The SHRM model proposed by Wright and Snell (1998) aims to achieve both fit and flexibility. On the one hand, they emphasize the distinction between HRM practices, skills, and behavior in relation to strategy, and on the other, the issue of tight and loose coupling of HR practices and strategy.

4.5 THE BEST PRACTICE APPROACH

This strategy is based on the assumption that there are a set of best HRM practices that can lead to improved organizational performance. Pfeffer's (1994) list of the seven HR practices in successful organizations is perhaps the most well-known view (RBV) on the other, because the former focuses on intangibles, while the latter focuses on tangibles.

HR, which enables a company to outperform its competitors, and the latter, which focuses on treating people as resources.' While the former emphasizes a broad approach to high performance, the latter focuses on specific resources. "How can the universalism of best practice be reconciled with the belief that only some resources and routines are valued because they are rare and imperfectly imitable?" he asks. According to the contingency theory, accepting that there is such a thing as a universal best practice is difficult. What works well in one company may not work well in another due to differences in strategy, culture, management style, technological requirements, or working practices. 'Organizational high-performance work systems are highly idiosyncratic,' says Becker (1997), and must be tailored carefully to each firm's individual requirements in order to achieve the best results. However, knowledge of best practise should inform decisions on what course of action the organization should take, as long as it is known what makes it best practise, and Becker and Gerhar (1996) argue that the idea of best practise underpins the choice of practises rather than the practises themselves. It's more of a criterion for making a decision than a feature of an organizational practice.

4.6 BEST FIT

For the reasons stated above, the term "best fit" is preferred over "best practice." This isn't to say that "best practise" or "leading-edge practise" (practise that works well in a single successful environment) should be overlooked. Benchmarking can be useful for identifying areas for innovation or good development practices that can be applied elsewhere. However, after learning what works and what doesn't in similar situations, the organization must decide what general policy to implement and what lessons can be learned in order to tailor the adopted idea to its specific strategic and operational needs. The requirement is an analysis of the organization's business needs within its own unique context (culture, structure, technology, and processes), clearly indicating what needs to be done. Following that, combining various 'best practise ingredients' to develop an approach that applies appropriate practices in a way that is conducive to identified business needs may be useful. However, the best-fit approach has flaws, according to Purcell (1999), who, after dismissing the concept of best practice, did the same for best fit. The difficulty of modeling all contingent variables, showing their interconnections, and the way that changes in one variable impact others limit the search for a contingency or matching model of HRM performance is a function of both. As a result, there are a variety of ways to motivate employees to learn the necessary skills to augment their 'ability,' as well as a variety of incentives to enhance, induce, and reinforce motivation. A study by Dyer and Reeves (1995) of the various models listing HR practices that create a link between HRM and business performance revealed that involvement, careful selection, extensive training, and contingent compensation appeared in the most successful models.

MacDuffie (1995) noted that flexible production mode gives employees a much more central role in the production system based on his research in flexible production manufacturing plants in the United States. They must solve problems as they arise, that is, at the point where they appear in the line, which requires both a conceptual understanding of the manufacturing process and analytical skills to pinpoint the source of problems. However, in flexible production organizations, workers' multiple skills and conceptual knowledge are useless unless they are motivated to contribute in both mental and physical capacities. Workers will put forth such willing effort only if they believe that their personal interests are aligned with the company's, and that the company will make a reciprocal investment in their

well-being. Flexible production techniques must be accompanied by high-commitment human resource practices such as job security and fair pay, which, if ignored, create barriers between management and employees. This psychological contract of reciprocal commitment is aided by a company's investment in developing worker skills through training and positive reinforcement. Plants that incorporate flexible production systems and human resource practices into a system that is integrated with production and business strategy outperform plants that use more traditional mass-production systems in terms of both productivity and quality, according to research. The goal of 'bundling' is to achieve organizational coherence in practice. When a mutually reinforcing set of HR policies and practices is developed, it contributes to the achievement of an organization's strategies, matching resources to organizational needs, improving performance and quality, and achieving competitive advantage in commercial enterprises.

4.7 SUMMARY

The universalistic approach to HR management suggests that the best practices for most HR issues can be applied to all organizations equally. To be honest, this approach isn't the best out there. The contingency approach argues that there is no one-size-fits-all approach to human resource issues; rather, it emphasizes that HR policies should be tailored to meet the specific needs of individual organizations in order to be effective. The configurational approach because it combines the strengths of both the universalistic and contingency approaches. The configurational approach to SHRM emphasizes the need for HR policies that are contingent on organizational circumstances.

4.8 SELF-ASSESSMENT QUESTIONS

1. Define Strategic Human Resource Management. Explain its approaches.
2. Distinguish between Contingency and Configuration approach.

4.9 SUGGESTED BOOKS/REFERENCES

1. Regis, R. (2009) "Strategic Human Resource Management & Development" Excel Books
2. Sparrow, P.R, Brewster, C. & Harris, H. (2004) "Globalising Human Resource Management" Routledge
3. Randall S. Schuler And Susan E. Jackson, Strategic Human Resource Management, Wiley India Pvt Ltd

INTRODUCTION

The Block comprises four units namely Unit-5, Unit-6, Unit-7, Unit-8 and Unit-9

Unit 5: Strategic HR Planning

Unit 6: Corporate Strategy

Unit 7: Managing Employee Relations

Unit 8: Collective Bargaining

Unit 9 : Restructuring and SHRM

Structure

- 5.0 Unit Objectives
- 5.1 Introduction
- 5.2 Development of Strategic HR Planning
- 5.3 Importance
- 5.4 Advantages
- 5.5 Limitations
- 5.6 Summary
- 5.7 Self-Assessment Questions
- 5.8 Suggested Books/References

5.0 UNIT OBJECTIVES

The objective of the present unit is to present the concept of Strategic HR Planning and its importance, advantages and limitations also the Development of Strategic HR Planning.

5.1 INTRODUCTION

Strategic Human Resource planning starts with human resource strategy, which is solely dependent on the Strategic goals and long term objectives of the organization. Human Resource strategy cannot avoid the bigger goals of the organization. Hence HR strategy needs to be a consistent, integrated, correlative grid of guidelines and protocol for administering and developing human (personnel) resources. The nascent phase of the human resource management game plan is the personnel outlining. The next most important task for managing human resources is designing the appropriate work systems and developing the other functional HR activities. The HR activities like staffing, training, pursuance supervision, heading remittance, chartering the holistic professional graph, staff separation, labor relation and union management, are derived and should flow from Human resource planning process. Moreover, HR planning cannot be reactive in nature. Personnel outlining is a proactive progression which aids organizations to certify the fact that it owns the accurate count of qualified staff at the correct time and venue, competent enough to successfully deliver the completion of jobs at hand, which help the organization to accomplish its mission. Personnel outlining makes assumptions for the future and considers all the possible scenarios of the future from one extreme to another. In the given uncertain business environment, effective HR planning is a complex task for contemporary organizations.

- Ensure adequate human resources to meet the strategic goals and operational plans of your organization – the right people with the right skills at the right time
- Keep up with social, economic, legislative and technological trends that impact on human resources in your area and in the sector

- Remain flexible so that your organization can manage change if the future is different than anticipated

Strategic HR planning predicts the future HR needs of the organization after analyzing the organization's current human resources, the external labor market and the future HR environment that the organization will be operating in. The analysis of HR management issues external to the organization and developing scenarios about the future are what distinguishes strategic planning from operational planning.

5.2 DEVELOPING HR STRATEGIES TO SUPPORT ORGANIZATIONAL STRATEGIES

5.2.1 TRAINING AND DEVELOPMENT STRATEGIES

These strategies include:

Providing staff with training to take on new roles

Providing current staff with development opportunities to prepare them for future jobs in your organization

Training and development needs can be met in a variety of ways. One approach is for the employer to pay for employees to upgrade their skills. This may involve sending the employee to take courses or certificates, or it may be accomplished through on-the-job training. Many training and development needs can be met through cost effective techniques.

5.2.2 RECRUITMENT STRATEGIES

These strategies include:

- Recruiting new staff with the skill and abilities that your organization will need in the future
- Considering all the available options for strategically promoting job openings and encouraging suitable candidates to apply

Each time you recruit you should be looking at the requirements from a strategic perspective. For example, if your organization has several supervisors that are nearing retirement age, your recruitment strategy should include recruiting staff with the ability to assume a supervisory role in the near future.

5.2.3 OUTSOURCING STRATEGIES

These strategies include:

- Using external individuals or organizations to complete some tasks

Many organizations look outside their own staff pool and contract for certain skills. This is particularly helpful for accomplishing specific, specialized tasks that don't require ongoing full-time work. Some organizations outsource HR activities, project work or bookkeeping. For example, payroll may be done by an external organization rather than a staff person, a short-term project may be done using a consultant, or specific expertise such as legal advice may be purchased from an outside source.

When deciding to outsource to an individual, ensure you are not mistakenly calling an employee a consultant. This is illegal and can have serious financial implications for your organization. To understand the differences between employees and self-employed people, visit the [Canada Revenue](#)

Agency's website.

Each outsourcing decision has implications for meeting the organization's goals and should therefore be carefully assessed.

5.2.4 COLLABORATION STRATEGIES

The strategic HR planning process may lead to indirect strategies that go beyond your organization. By collaborating with other organizations you may have better success at dealing with a shortage of certain skills.

Examples of collaboration include:

- Working together to influence the types of courses offered by educational institutions
- Working with other organizations to prepare future leaders by sharing in the development of promising individuals
- Sharing the costs of training for groups of employees
- Allowing employees to visit other organizations to gain skills and insight

5.2.5 RESTRUCTURING STRATEGIES

If your assessment indicates that there is an oversupply of skills, there are a variety of options open to assist in the adjustment.

These strategies include:

- Reducing staff either by termination or attrition
- Regrouping tasks to create well designed jobs
- Reorganizing work units to be more efficient

Termination of workers gives immediate results. Generally, there will be costs associated with this approach depending on your employment agreements. Notice periods are guaranteed in all provinces. Be sure to review the Employment and Labour Standards in your province or territory to ensure that you are compliant with the legislation.

Termination packages are governed by case law as well as by employment standards legislation (which only states the bare minimum to be paid). Consult with a lawyer to determine the best approach to termination packages.

5.3 IMPORTANCE OF HUMAN RESOURCE PLANNING

When we take stock of the types of human resource planning, the importance of human resource planning also becomes clear. Here is a recap of the value organizations can gain by investing in their HR process:

- It Allows Organizations To Create An Appropriate Working Environment

- It Helps Organizations Account For Changing Industry Trends Before They Become Pressing Issues, Allowing Them To Adapt Well In Time
- There's A Need For Human Resource Planning To Create A Blueprint For Growth For The Entire Organization
- An HR Plan Balances The Human Needs Of An Organization Alongside The Growth Needs
- A Well-Articulated Plan Can Help Create An Environment Of Inclusivity And Diversity

The importance of human resource planning can be misunderstood by managers. But it's a core function that needs due attention and thought. Keeping human resource planning objectives in mind will help an organization grow in a balanced and harmonious way, which allows for growth of employees.

Human resources are essential to creating teams that work well together. Another way to boost productivity with better teamwork is Harappa's **Lead With Empathy** pathway. This leadership course will help you build better team culture, create and build trust and boost team outcomes. It'll teach different leadership styles and conflict resolution. Most importantly, it'll help build empathy. Become a better leader today!

5.4 ADVANTAGES OF HUMAN RESOURCE PLANNING

5.4.1 BUILDING SKILLS

Human resource planning helps your staff to do their jobs better. If you invest in providing the training and education necessary to build skills and increase capacity, your company will be able to achieve more high-quality work with the people you currently have on staff rather than having to rely on outside contractors.

5.4.2 INCREASING RETENTION

If you show your employees that you value them enough to invest time and resources in giving them the tools they need to grow, they're more likely to stay with your company over time. Not only will you make their jobs more interesting, but you will also show them that you value their work and their tenure.

5.4.3 PREDICTABILITY

Your business faces enough day-to-day uncertainties from market conditions, the economic climate and supply-chain issues. Devoting thought and planning to giving your employees what they need to do a good job and stay with your company over time lessens some of these inevitable uncertainties by providing an extra degree of certainty in scheduling, staffing and handling your ongoing workload.

5.5 LIMITATIONS OF HUMAN RESOURCE PLANNING

5.5.1 EXPENSE

It costs money to train and invest in your staff. Whether you're paying for dedicated training or diverting employee hours from tasks that are more likely to directly increase your incoming revenue, human resource planning may likely decrease your bottom line in the short term before it increases your profits in the long term.

5.5.2 UNPREDICTABILITY

Although human resource planning has the potential to give your business a greater degree of stability by building the skills of your workforce, there is no guarantee that the workers you train will stay with your company long enough for you to reap the benefits of your investment.

5.5.3 ILLUSION OF CERTAINTY

While human resource planning can make your workforce better able to do their jobs, you may be training personnel to perform functions that become obsolete as your company and your industry evolve. This can give you a false sense of security and may prevent you from reacting quickly enough to developments.

5.6 SUMMARY

HR strategic planning involves the identification of and response to HR functional and talent risks that inhibit the successful execution of strategic priorities. It refers to the way that HR leaders plan for business risks and opportunities by prioritizing and allocating resources to HR initiatives. A strategic HR plan can be created by thoroughly evaluating an organization's strengths, weaknesses, opportunities and threats. This is known as a SWOT analysis. Once employers know this information, they can create realistic goals that account for what they do well and where they need improvement.

5.7 SELF-ASSESSMENT QUESTIONS

1. What is HR strategic planning?
2. How will you introduce strategic HR planning?
3. Critically evaluate how a human resources plan can contribute to meeting an organization's objectives.

5.8 SUGGESTED BOOKS/REFERENCES

1. William J. Rothwell & H.C.Kazanas , Planning & Managing Human Resources , Jaico Publishing House.
2. Randall S. Schuler And Susan E. Jackson, Strategic Human Resource Management, Wiley India Pvt Ltd
3. Jeffrey A. Mello , Strategic Human Resource Management .

UNIT 6 : CORPORATE STRATEGY

Structure

- 6.0 Unit Objectives
- 6.1 Introduction
- 6.2 Types of Corporate Strategies
- 6.3 Advantages
- 6.4 Disadvantages
- 6.5 Summary
- 6.6 Self-Assessment Questions
- 6.7 Suggested Books/References

6.0 UNIT OBJECTIVES

The objective of the present unit is to present the concept of corporate strategy and its types and also the advantages and limitations.

6.1 INTRODUCTION

A corporate strategy is a multi-level strategy employed by a company to define its goals and structure its approach to attain them. Depending on the size and nature of the business, the strategy may be formed with the aim of increasing profits, selling a business or expanding to new markets. It aims to achieve the most profitable allocation of resources and organizational structure.

Difference between Corporate Strategy And Business Strategy

There are a few notable differences between corporate and business strategy. A corporate strategy looks at the larger structure that is the mother company, its various business units and products, how they connect and the overall brand. It seeks to identify the markets to enter and the products it may produce.

A business strategy only focuses on the individual business unit and how to grow its profits or get a bigger share of the existing market. A corporate strategy has a much wider scope compared to a business strategy, which is limited to a specific product or market. The business strategy usually complies with the goals of the corporate strategy.

Importance of Corporate Strategies:

A corporate strategy is important, as it can help indicate the future success and health of the company. Here are some reasons why a corporate strategy is important:

6.1.1 LARGER COMPANY OVERVIEW

Instead of considering each business unit, this strategy focuses on the entire company.

6.1.2 ORGANIZATIONAL REARRANGEMENT

It can help re-engineer an organization radically if required.

6.1.3 PROBLEM IDENTIFICATION

A corporate strategy helps identify existing or potential problems in an organization that could impede its ability to achieve its goals.

6.1.4 PREVENT COUNTERPRODUCTIVE MEASURES

It can help prevent the implementation of any other plan or strategy that can be counterproductive or not viable for the company's healthy growth.

6.1.5 GUIDANCE FOR BUSINESS STRATEGIES

A corporate strategy gives a starting point to build individual business unit strategies.

6.1.6 CONTINGENCY PLANS

It can help the company create appropriate contingency plans to implement when the need arises.

6.2 TYPES OF CORPORATE STRATEGIES

The primary aim of formulating a corporate strategy is to distribute its resources in the best way to derive maximum returns and achieve the company's goals. Here are the different types of corporate strategies

6.2.1 STABILITY STRATEGY

A stability strategy is often preferred by many companies that are currently satisfied with its market position. They continue to delve into the same market and sell the same product but may incorporate research and development and innovation to the existing products. This type of strategy ensures a continuous flow of revenue. The company may try to engage their target market by presenting offers and trials to them.



Figure 6.1: Types of Corporate Level Strategy

6.2.2 EXPANSION STRATEGY

The expansion strategy is suitable for a firm that has already established its foothold within a certain market and aspires to grow in other markets or expand its product offerings. They may want to

develop and sell new products, increase their market share or internationalize a business that has already saturated the domestic market. Expansion may involve the diversification of the business functions and thus a larger allocation of resources. This strategy results in greater returns as compared to the previous performance of the company. It can also mean more growth opportunities for the employees.

6.2.3 RETRENCHMENT STRATEGY

Sometimes, an organization retreats from its current position or performance to prevent itself from becoming insolvent. This may occur during an economic recession or crisis, or if the initial business plan failed to produce the desired results. A company may implement a retrenchment strategy at various levels and in different areas of the business. For example, a company may decide to completely stop the production of a particular product and thus eliminate all costs associated with it. This can reduce the number of employed staff or its fixed assets and variable costs.

6.2.4 COMBINATION STRATEGY

This type of strategy is a combination of the previous three types: stability, expansion and retrenchment. A company may adopt a combination strategy after they have weighed the pros and cons of each of their products or business units. The retrenchment strategy works for some of its businesses that do not yield enough in returns compared to the efforts or costs involved. Other products or businesses that may have been performing well can get a further boost with an expansion or stability strategy.

6.3 ADVANTAGES OF CORPORATE STRATEGIES

6.3.1 INCREASE OF THE PROFITABILITY

In case if you enter a joint venture or invest in some companies, there will be a good profit, and also you will have some part of ownership.

One must know that in case if their company is getting involved with many companies, they also need to diversify their corporate strategies according to the situation. One must understand that calculating the actual return in your investment is necessary for the overall growth of the company.

6.3.2 OFFERS A STRATEGIC DIRECTION

With this strategy, one can completely change their business environment. Making up a strategy and discussing the goals of the organization will not only provide functional purposes, but even the company will know how to react best in the difficulty levels. It gives an excellent strategic direction for further development in case a company needs any business units.

6.3.3 IMPROVES DECISION MAKING

It enhances the decision making of any form. As the firm will come out with different approaches, it will not only improve the way of thinking about business but also at the corporate level. It will also motivate the employees as it will give them faith in having a clear direction and also of knowing their organization's *goals*. It will provide a reasonable translation of better results by coming up with different decisions and finalizing the best one for the company. It prepares the company for undesirable situations. As they are already prepared up with substantial corporate strategies that will

6.3.4 IMPROVES MANAGEMENT SKILLS

It makes sure that everything is manageable in an organization. As various opportunities come up for a business, in case they are planning to expand, they need some funding. It not only develops management skills, but it also gives the employees a better understanding of their company's growth. By management skills, a company can do wonders in the corporate sector. By having proper research about various firms, a company can build up a strategy and come up with the best ones to credit economic growth.

6.3.5 MINIMIZES THE RISK

It makes sure that the risk is minimal as various strategies are built by a company to be prepared for the worst. As a business cannot be stable in this economy, and it goes with ups and downs over a duration. A proper strategy can not only save their money, but it also helps to focus on the resources of the company.

6.3.6 PROVIDES SUSTAINABILITY

It develops sustainable development in business. It can easily measure the growth of your business if your company's policies are worth it. One can easily invest in various ventures if their company is capable of handling multiple risks. One can quickly form subsidiaries, and it can soon become an independent business, but it comes with a cost. Introducing a company at global marketing needs a diversified strategy. And there are many activities which one needs to manage if they are already into various ventures.

6.4 LIMITATIONS OF CORPORATE STRATEGIES

- 6.4.1. The process of strategy formulation is not an easy one. The process of forming corporate strategy is complex, cumbersome and complicated.
- 6.4.2. Corporate strategies are useful for long range problems. They are not effective to overcome current exigencies.
- 6.4.3. The corporate strategy formulation process calls for considerable time, money and effort. Developing appropriate corporate strategy is not a simple and economical proposition. For financially weak companies, cost becomes a great hindrance.
- 6.4.4. As the future is uncertain and cannot be predicted accurately, the strategic planning system based on hazy and uncertain estimates is not exact.
- 6.4.5. Implementation of corporate strategy is influenced by organizational factors and motivational factors. The gap between formulation and implementation of corporate strategy does not give desired results to the organization.

6.5 SUMMARY

Corporate level strategies are the 'big picture' plans organizations employ to reach their overarching objectives. These strategies usually span beyond one business unit or product line and focus instead on overall company goals such as growth, stability, and profitability. A corporate strategy is a

long-term plan that outlines clear goals for a company. While the objective of each goal may differ, the ultimate purpose of a corporate strategy is to improve the company. A company's corporate strategy may be to focus on sales, growth or leadership.

6.6 SELF-ASSESSMENT QUESTIONS

1. What do you mean by corporate strategy? Explain its types.
2. What are the advantages and disadvantages of corporate strategy?

6.7 SUGGESTED BOOKS/REFERENCES

1. Mathur, SP Strategic Human Resource Management 1St Edition 2015 , New Age International (P) Ltd Publishers
2. Dr. Ashvine Kumar STRATEGIC HUMAN RESOURCE MANAGEMENT, Book Rivers.
3. Dr. Ayan Das Gupta, Dr. B.S. Mishra, Mrs. S. Shiny, STRATEGIC HUMAN RESOURCE MANAGEMENT, PUBLISHER Book Rivers.
4. Dr. Rekha Joshi, Dr. Rituraj Pant, STRATEGIC HUMAN RESOURCE MANAGEMENT, Redshine Publication.

Structure

- 7.0 Unit Objectives
- 7.1 Introduction
- 7.2 Relevance
- 7.3 Types
- 7.4 Advantages
- 7.5 Limitations
- 7.6 Trade Union
- 7.7 Summary
- 7.8 Self-Assessment Questions
- 7.9 Suggested Books/References

7.0 UNIT OBJECTIVES

The objective of the present unit is to give the introduction of Managing employee relation, Relevance, Types, advantages, Limitations and what are Trade Unions.

7.1 INTRODUCTION

Employee relations is the relationship which exists between employers and employees, employer and trade union/s (as representative/s of workmen/staff) and employer and the state (as the third party). A positive employee relations environment characterized by congenial relationship between management and the workmen based on mutual trust, collaborative orientation and joint problem solving and decision making is a prerequisite for not only industrial peace but also for improved effectiveness and sustained growth of the organization.

According to Ordway, Ten and Metcalfe, employee relations is the composite result of the attitudes and approaches of employers and employees towards each other with regard to planning, supervision, direction and coordination of the activities of an organization with minimum efforts and friction with an animating spirit of cooperation and with proper regard for the genuine well being of all members of an organization. While the employer's objective is to maximize the return on investments/profits so as to provide better working conditions, better compensation benefits like incentive schemes to employees towards even more improved employee – employer relations and thus better results/outcomes, the objectives of employees are better wages, working conditions, better control over work, better grievance redressal and initiation of political action if need be. Fahlbeck suggests that employers follow one of the following three approaches to industrial relations: 'My boat' attitude: Get off, if you do not like it.

- 'Shared boat' attitude: We sail together. Do not rock the boat.
- 'Our boat' attitude: It is our own common enterprise. Let us combine our efforts to better it.
- 'Your boat' attitude: With a sense of ownership and pride, the purpose is to let employees

Whole heartedly contribute to the cause of the enterprise. The role of the state/government then becomes crucial to maintain policies towards harmonious employee relations for realizing the goals of

social and economic development. With ever increasing emphasis on welfare activities by the government, the state is required to protect the interest of the public. The legislative task of balancing the conflicting interests in the arena of employee relations proves to be an extremely difficult one. Therefore, employee relations is the relationship between employee and employer vis-à-vis the government. This relationship may be a cordial and collaborative partnership or a dysfunctional and lose-lose partnership depending on how proactive or reactive it is or how much both parties want to contribute towards the shared business goals or want to hold genuine ownership/accountability and responsibility towards the growth of the business. The attitude may be of an agitational approach or of mutuality of interest. Sometimes both parties are involved in maximizing only their share and try to augment their respective income and power position. In such a case law plays an important role in shaping the structure of employee relations. It represents the foundation from which the present system and procedure flow to deal with the problems of employee relations.



Figure 7.1: Employee relationship Management

7.2 RELEVANCE OF MANAGING EMPLOYEE RELATION

Historical perspective of Employee Relations The term 'Industrial Relations' came into common usage in the 1910s particularly in 1912 upon the appointment of a Commission on IR by the US President William Taft. The Commission was to investigate causes of widespread, often violent labor conflict and make recommendations on methods to promote greater harmony among employers and employees. Post World War-I with the demand for industrial democracy, in the early 1920s universities began to teach IR to understand the dynamics of employer - employee relations. Industrial relations has been the field of study that covers employment relationships in its entirety. In the present day scenario membership in unions/industrial relations is declining due to the following reasons: Automation, globalization, and technology have reduced jobs in unionized manufacturing sectors.

- Unions have been more successful in organizing workers in the public sector.
- Management has become better at resisting union organizing efforts.

Employers now use the term "employee relations," which refers to relationships that exist in both unionized and nonunionized workplaces. Employers hope to manage employee relations successfully with each respective individual, as a means to raise morale and productivity. 'Employee relations' is a concept that is being preferred over the older industrial relations because of the realization that there is much more at the workplace than industrial relations could look or cover. In general, employee relations can be considered to be a study of relations between employees as well as employer and employees so as

to find ways of resolving conflicts and to help in improving productivity of the organization by increasing motivation and morale of the workers. The field is concerned with providing information to employees regarding the goals of the organization so that they have a better understanding of the aims and policies of the management. Employee relations also take care of grievances and the problems of the employees and let them know all about their rights and what to do in case of discrimination. Therefore “new employment relationship” goes beyond the collective bargaining level to include non-union organizations where dialogue might be between employers and their employees, although with alternative bargaining structures. John Dunlop defined industrial relations as a complex of inter-relationships among managers, workers or their organizations or government agencies. These dramatis personnel or actors combine to create a complex of rules & practices, which ensure that they function together without constant conflict

7.2.1 RELEVANCE OF EMPLOYEE RELATIONS IN TODAY’S BUSINESS CONTEXT

Employee relations have a strategic importance in organization if it is well integrated as part of Human Resource Management. Employee relations following the Human Resource development approach focuses on involvement and participation of each employee, with the aim to bring in commitment and mutuality of interest towards the total organization. The strategic ER approach aims for the creation of a sense of belongingness in all, through various interventions in collaboration with the HR function for the creation of an enabling work climate. In today’s context business functioning is highly complex involving the management of not only internal resources such as people, capital etc. but also and most importantly the external environment. With employees at all levels having much more opportunities, in this scenario managing employer – employee relations becomes much more challenging. In such times, employee relations is crucial towards achieving high productivity on a long term basis by minimizing loss of productive man- hours, aiming at a trouble free work environment with fairness and justice through speedy settlement of disputes in all matters pertaining to employees. Through collaborative and participative methods of working employee relations aims at a culture of openness and transparency so that each employee can deliver her/his best. Employee empowerment schemes such as suggestion box, management – employee communications and skip level interactions are such interventions that work in the interest of the overall business.

7.3 TYPES OF EMPLOYEE RELATIONS

Following are the well-known types of employee relations:

7.3.1 VERTICAL EMPLOYEE RELATIONS

Simply put, both vertical and horizontal employee relationships are of a hierarchical nature. This means that the relationship between the manager and the employee is vertical.

An employee-manager relationship is unique because such relationships have some limitations. Managers must strive to be empathetic, communicative, grateful and friendly with their employees. Managers need to understand that they don’t need to get legitimacy from their subordinates but they must be open to new ideas and changes. There is a fine line between an ideal boss-employee relationship.

7.3.2 HORIZONTAL EMPLOYEE RELATIONS

Internal employee relationship is the relationship between team members or employees of the

same level within the company. An example of a great horizontal employee relationship is the relationship between those who engage in casual water cooling discussions. These employees may not be part of the same group or even the same vertical but they have strong relationships due to their casual conversations several times a day.

Horizontal employee relationships can be mapped by active HR professionals to find influential employees within the organization who cannot be given too much space in the classification.

Other Types of Employee Relations are as follows:

1. Employee Branding
2. Recruiting
3. Onboarding
4. Leadership
5. Public Relations
6. Performance Management

7.4 ADVANTAGES

7.4.1 LESS CONFLICT

Knowing how to approach each of your employees and how they react to various situations makes it easier to understand the best way to broach a potentially difficult situation. A strong employee-employer relationship means that you have likely already been through enough conflict together to understand how either party reacts to different situations. It could also mean that you have learned enough about each other to know how to handle each other in these situations. Ultimately this means a lot less conflict, and minimal conflict goes a long way in high-stress jobs.

7.4.2 BETTER EMPLOYEE ENGAGEMENT

Employees yearn for recognition, and they need to know that their efforts are being noticed. Building a strong employee-employer relationship requires the employer to know exactly what their employees are doing and how well they are doing it. This lets the employee know that the employer is aware of their contribution.

Even if employers aren't always praising an employee for their work, something as simple as asking a question about how a specific part of the project is going can go a long way to make employees feel more engaged at the workplace.

7.4.3 REDUCED ATTRITION

Happier employees feel that they have a personal connection with their employers, which means that they are likely to stay in the organizations longer. A major benefit of cultivating a meaningful and strong employee-employer relationship is that employees learn to trust you, and you learn to trust them. This kind of environment breeds healthier attitudes towards work and improves work ethics. Employees who feel trusted by their employer aren't going to seek a change anytime soon.

7.4.4 BETTER UNDERSTANDING OF SKILLSET

Here is another great benefit of having a strong employee-employer relationship: you know your

people, so you know what their skills are and what they are capable of. This means that you know how to put the team together for the project. You also know what kind of projects you can take on.

Understanding who is capable of what kind of work precisely, takes time. When you hire someone, you hope they always give their best. However, once you've built a good relationship with someone, you know how much effort they will actually put into their jobs.

7.4.5 OPEN COMMUNICATION

While you don't necessarily want your employees hugging you or jabbing you in your side with their elbows, you do want to have a pretty free atmosphere. It definitely shouldn't be that the entire floor goes silent when the boss walks in.

Create a healthy employee-employer relationship so that your employees can talk freely to you. This could be about how they think the process can be improved or how they feel about the work they do. This also means that you can communicate openly with your employees and give them your honest feedback.

This leads to a much healthier work environment and ultimately creates a great feedback culture.

7.4.6 EQUALITY

In many cases, employers only spend time with their immediate subordinates. This could mean that you are partial to their views and don't necessarily take the time to listen to all your other employees. A good employee-employer relationship means that you are linked to everyone who works for you. This means that no one gets special treatment, and everyone has access to you. While this is surely possible in small and even some medium-sized organizations, it can be impossible in larger organizations. In this case, you have to create ways of representing yourself as an employer and still remain accessible to your workforce.

7.4.7 LOYALTY

A strong employee-employer relationship fosters loyalty, employees who understand their employer and who feel understood are likely to be more loyal. Taking the time to network with your employees and understanding them helps them feel that they can always come to you for anything. This means that you always have their back. If you can make them feel that, then rest assured that they will always have your back.

7.4.8 EASIER TO CREATE EMPLOYEE DEVELOPMENT PLANS

Creating development plans to improve your workforce is essential. However, creating effective development plans can be a nightmare. Different people in the team likely need different approaches and development plans.

However, if you have a healthy employee-employer relationship, you already know what kind of development plans would work for specific employees. This could mean getting them trained in specific areas or just knowing which employees you are going to promote to positions of responsibility.

7.4.9 FLATTEN THE HIERARCHY

When employees feel like they have become a vital part of the organization and have become a part of a family, they naturally take on more responsibility and ownership. This implies that they don't

necessarily feel like employees, but like stakeholders who are executing a particular task in order to further the interests of *'THEIR'* organization. Take the time to truly bond with your people and create a strong employee-employer relationship. The results are going to be phenomenal.

7.5 LIMITATIONS

7.5.1 LACK OF CLEAR GUIDELINES

The lack of clear guidelines often results in confusion in the workplace. It's difficult for workers to develop their own protocols when rules are not firmly established. The protocols they do write differ from each other, which cause headaches for management. An employer will likely prefer certain procedures over others. This can lead to bias by the employer toward certain employees. This can, in turn, cause anxiety and anger among the non-favored employees.

7.5.2 MISUNDERSTANDING EMPLOYEE RELATIONS

Inappropriate relationships can develop between management and employees when only informal procedures are in place. Inappropriate relationships between management and employees can develop. An employer and worker might become too personally involved. This can lead to gossip and resentment among others at the job. According to the Reference for Business website, office romances can also develop and result in problems. For instance, these relationships can cause the pair to lose focus at work. A break-up can also cause problems due to the likely development of hurt feelings.

7.5.3 LACK OF PAPER TRAIL

Informal procedures can add to the problems that typically occur between employers and employees. This is especially true when a conflict arises. According to the University of Louisville, it's often difficult to mediate a workplace dispute when a paper trail is not present due to the office's reliance on informal procedures. The resolution of the problem is then more difficult as it's harder to prove who has erred and in what respects.

7.5.4 CONDUCT ISSUES

There can be more conduct issues when formal procedures aren't in place at work. Employees and management might have looser attitudes toward their conduct in an informal environment. Among the problems that can occur are vulgar joke-telling, which can be interpreted as sexual harassment. Other less serious issues that can occur due to lack of formal protocol are poor time management and decreased productivity among employees

7.6 TRADE UNIONS

The Indian Trade Union Act, 1926 defines a trade union as any combination whether temporary or permanent formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen, between employers and employers or for imposing restrictive conditions on the conduct of any trade or business and includes any federation of two or more trade unions. Trade unions originated from ordinary workers' perception of weakness and to protect themselves from actions such as lay-offs and termination of employment. The basic objectives of forming trade unions are the following: To protect workers jobs by fighting the might of an employer collectively

- To improve social and economic status of workers by presenting their needs collectively
- To improve working conditions of workers
- To ensure more humane treatment from managers and supervisors

Employees form unions because they think that unionization would be socio-economically beneficial to them. Higher wages, better or expanded benefits, greater job or employment security, and improved working hours and conditions are some of the perceived economic benefits. A sense of community, a joint catering to personal issues and needs relating to their jobs and lifestyles can all be integrated as social benefits. Political benefit also comes as a sum of numbers. When negotiating for the employment contract or policy /legal matters the voice of a single employee is quite weak as compared to the management / the organization. The union represents a collective force which brings in more power to the employee's voice. Management may be able to do without individual employees, but they cannot do without their entire workforce. Unions let workers have a greater say in ensuring fair treatment from the organization.

7.6.1 How involving trade unions in strategic business plans can be of advantage to employers?

Unions represent not only the workers in particular businesses, but many others in similar, related organizations. This provides them with a broad perspective on many workplace issues, and industry knowledge that can be very useful to companies. Informing and consulting with experienced union representatives can also – with input from workers – help companies make better-informed business decisions, for example in relation to shift patterns or the type of equipment to invest in. Some benefits of having unions are:

7.6.2 They help build high-trust workplaces where workers are healthier, better skilled and more able to resolve grievances – all of which leads to a more committed and productive workforce. Unions can also help maintain productivity during periods of employer innovation. Collective bargaining arrangements provide an important means of consulting with workers over change and reducing the chances of staff resistance.

7.6.3. Business Strategy & Trade Unions

A company's business strategy is about its intention to do business in a particular way which has been decided upon after taking into account the changing conditions of external and internal environments of an organization.

In order to ensure success of this business plan, all employees must understand its meaning and significance. However as the trade union leaders are closer to the employees any communication routed with the union leaders kept in alliance or through the leaders itself reach the employees in much more acceptable way.

For example if a company cannot pay out the annual bonus of employees in a particular year due to a genuine concern of not having made profits the best way to send out this communication to the employees will be through the trade union. Also this collective body can facilitate the generation of new ideas on how to cope up with certain types of problems such as external competition, coping up harmoniously with falling financial health. Unions have direct contact with employees so they can provide an alternative and easy to implement solutions. Some of the areas where trade union and employer partnership can bring in better results are through proper planning and execution of job cuts due to implementation of technology, skill enhancement for workers for long term benefits towards productivity.

7.7 SUMMARY

This unit begins with an introduction to employee relations. It covers the working of employee relations in sync with human resource management in order to create a culture of performance by enhancing camaraderie and belonging in employees. It also covers a brief description of trade unions and their involvement in strategic planning and how the involvement can make it easy for an organization to implement its strategic plan. It also points out that employers don't prefer trade unions because of slow decision making because of their inexperience in understanding the macro environment such as market share, profits, competition and their bureaucratic structure.

7.8 SELF-ASSESSMENT QUESTIONS

1. Examine the Managing Employee Relationship.
2. What are the types of employee relations?
3. Write down the advantages and disadvantages of employee relations?

7.9 SUGGESTED BOOKS/REFERENCE

1. William J. Rothwell & H.C.Kazanas , Planning & Managing Human Resources , Jaico Publishing House.
2. Dr. Ashvine Kumar STRATEGIC HUMAN RESOURCE MANAGEMENT, Book Rivers.

Structure

- 8.0 Unit Objectives
- 8.1 Introduction to Collective Bargaining
- 8.2 Framework and Types
- 8.3 Advantages
- 8.4 Limitation
- 8.5 Summary
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8.0 UNIT OBJECTIVES

The main aim of this unit is to give Introduction to Collective Bargaining, its Framework and Types, and also elucidate its Advantages and Limitations.

8.1 INTRODUCTION

Collective Bargaining: The Concept “collective bargaining” benefits all negotiations that take place between an organization or a group of organizations whether it be employer & employer, employer & employee or employer & trade union. It is used as below to:

Determine the working environment and terms in the contract

- Facilitate employer - employee relations
- Regulate relations between employers and trade unions
- Collective bargaining is a process by which workers' organizations protect workers interests, especially their safety and benefits. It is a forum that promotes mutually agreeable formulation of rules and guidelines.

As the name suggests, the collective bargaining process involves a group of stakeholders and is not individualistic in nature. The process of collective bargaining is sometimes viewed as one of unions sharing governance with management. In other cases economic and political factors and forces together determine the results of collective bargaining.

Collective Bargaining

Negotiations between a group of workers
and a firm(s) over pay and working conditions



Figure 8.1: Collective Bargaining

8.1.1 DEFINITIONS OF COLLECTIVE BARGAINING

As defined by Encyclopedia Britannica, collective bargaining is 'the ongoing process of negotiation between representatives of workers and employers to establish the conditions of employment. The collectively determined agreement may cover not only wages, but also hiring practices, lay-offs, promotions, job functions, working conditions and hours, worker discipline and termination, and benefit programs'. As per Encyclopedia of Social Sciences it is 'a process of discussion and negotiation between two parties, one or both of whom is a group of persons acting in consent. The resulting bargain is an understanding as to the terms and conditions under which a service is to be performed. More specifically, collective bargaining is a procedure by which employers and a group of employees agree upon the conditions of work.' The International Labour Organization (ILO) defines it as 'Negotiations about working conditions and terms of employment between an employer, a group of employers, or one or more employers' organizations, on the other hand, and one or more representative workers' organizations on the other hand, with a view to reaching an agreement.

Importance of collective bargaining Collective bargaining is beneficial in some of the ways as suggested below: Economic viability and growth is an imperative factor in any business. The collective bargaining process ensures that all parties involved in the process are growing and their interests are safeguarded mutually. It helps establish and sustain fair employment practices. It helps resolve disputes and helps build industrial democracy.

8.2 TYPES OF COLLECTIVE BARGAINING



Figure 8.2: Types of Collective Bargaining

8.2.1 CONJUNCTIVE OR DISTRIBUTIVE BARGAINING

In this form of collective bargaining, both the parties viz. The employee and the employer try to maximize their respective gains. It is based on the principle, "my gain is your loss, and your gain is my loss" i.e. one party wins over the other.

The economic issues such as wages, bonus, and other benefits are discussed, where the employee wishes to have an increased wage or bonus for his work done, whereas the employer wishes to increase the workload and reduce the wages.

8.2.2 CO-OPERATIVE OR INTEGRATIVE BARGAINING

Both the employee and the employer sit together and try to resolve the problems of their

common interest and reach to an amicable solution. In the case of an economic crisis, such as a recession, which is beyond the control of either party, they may enter into a mutual agreement with respect to the working terms.

For example, the workers may agree for the low wages or the management may agree to adopt the modernized methods, so as to have an increased production.

8.2.3 PRODUCTIVITY BARGAINING

This type of bargaining is done by the management, where the workers are given the incentives or the bonus for the increased productivity. The workers get encouraged and work very hard to reach beyond the standard level of productivity to gain the additional benefits.

Through this form of collective bargaining, both the employer and the employee enjoy the benefits in the form of increased production and the increased pay respectively.

8.2.4 COMPOSITE BARGAINING

In this type of collective bargaining, along with the demand for increased wages the workers also express their concern over the working conditions, recruitment and training policies, environmental issues, mergers and amalgamations with other firms, pricing policies, etc. with the intention to safeguard their interest and protect the dilution of their powers.

Thus, the purpose of Collective Bargaining is to reach a mutual agreement between the employee and the employer with respect to the employment terms and enjoy a long term relationship with each other.

8.3 ADVANTAGES OF COLLECTIVE BARGAINING

8.3.1 IT IS PRO-EMPLOYEES

Advocates for collective bargaining posit that with collective bargaining, it will be easier for employees to fight for their rights as hard-working people. By being members of trade unions, they will have a voice through the representatives of the unions whose aim is to work for the betterment of its employee members such as higher wages, shorter working hours, safer workplaces and better health care.

8.3.2 IT KEEPS ABUSIVE EMPLOYEES POWERLESS

In collective bargaining, employees who normally will not have the means and confidence to fight for their rights if they are not part of a trade union will have individuals who will challenge employers who take advantage of their workers. Supporters of collective bargaining say that employees have better chances to get compensated accordingly or leave their jobs if they want to without having to worry they will be sued or not get their wages.

8.3.3 IT PREVENTS EMPLOYEES FROM GOING ON STRIKES

When there are big issues between employees and employers that are not settled, a popular option for employees is to go on strikes. These actions hamper operations and consequently cripple businesses. In the end, consumers suffer. With collective bargaining, there is no need for workers to stop working because they have representatives with them who will work for their benefits, collective

bargaining protects employers as well. This is because collective bargaining will result in an agreement. And normally, this will also be agreed upon if the negotiations are beneficial for both parties. With collective bargaining, employers are also protected in a way since business operations will not be totally affected.

8.3.4 IT GIVES PROTECTION TO ALL EMPLOYEES

People who are in favor of collective bargaining say that in the contracts signed by the employers and trade union representatives, all employees in the company will benefit from whatever conditions are stipulated in the agreement, regardless if they are members of the trade union or not. Additionally, this gives employees the right to question the policies of the company they belong to.

8.3.5 IT PROVIDES SECURITY AND STABILITY

On the part of employees, this will give them security of tenure since they will not have to worry about getting terminated unlawfully and in case they will be, they have a support system as well as representatives to fight for their rights as employees. Conversely, business owners will be able to project the expenses to finance operations and compensation packages and benefits. This way their businesses will be more stabilized.

8.4 DISADVANTAGES OF COLLECTIVE BARGAINING

8.4.1 IT IS PRONE TO INEQUALITY

Critics of collective agreement say that this can lead to either the employers or employees getting less of what they deserve. If representation is weak on the side of employers, chances are, the business will lose a substantial amount of money from over-compensation or excessive benefits. On the other hand, if representation for employees is weak, they might not get employment benefits they should be enjoying.

8.4.2 IT CAN BE BIASED TO EMPLOYERS

Some groups not in favor of collective bargaining argue that this process gives too much power to employees and leave the employers with tied hands when it comes to running their businesses. Since trade unions can demand from employers and ask for collective bargaining negotiations, critics are worried that this practice may become a habit even if in truth, there is nothing irregular with how these employers run their businesses.

8.4.3 IT TAKES A LONG PERIOD OF TIME

Another disadvantage claimed by anti-collective bargaining is the time it takes for the negotiations to finish and materialize. They talk about bureaucracy and what it does to the people involved in the process. Negotiations can take months and even years to finish, excluding the time it will take to execute the stipulations in the agreement contracts.

8.4.4 IT CAN BE UNFAIR TO SENIOR EMPLOYEES AND MEMBER EMPLOYEES

If the issue is about salaries and benefits, say equality in wages, employees who have been working for long years for an organization are taken advantage of since they will be getting the same

benefits with that of their junior and newer colleagues. For critics, this is not appropriate. Also, they contend that since all the benefits included in the collective bargaining agreement will be handed down even to non-member of the trade union, for example, this is not fair to members who pay for their dues.

8.4.5 IT CAN WIDEN THE GAP BETWEEN EMPLOYERS AND EMPLOYEES

Although collective bargaining is aimed to come up with solutions beneficial to both the management and employees, there are cases where nothing is agreed upon. When talks become futile, the situation might aggravate instead of mitigate. For the opposing group, this can, at times, create a barrier between employers and employees instead of a healthier relationship.

Collective bargaining has both advantages and disadvantages which can work for or against the parties involved. Although mutual benefits can be achieved legally with this, abuse and inequality can also take place. So long as the benefits outweigh the setbacks and employees get what they deserve without negative effects on the company's resources and growth, collective bargaining can be a good thing.

8.5 SUMMARY

Collective bargaining emerged initially as purely Metter between the plant level union and the plant management. The negotiations either at the state or at the industry level are yet not frequent. The collective bargaining has not decentralized beyond the plant level because crafts unions are absent. There are three important reasons as to why collective bargaining has not gone beyond the plant level: a) the varying sizes not permit uniform employment conditions; b) the absence of homogeneous labor market owing to lack of uniform skills and pattern of training which does not promote free mobility of labor so that uniform employment conditions could be evolved for the industry as a whole. c) the plant union leadership which at present enjoys enormous powers and faces prospects of political climb is reluctant to get integrated into an industry wise union where its power is likely to be restricted.

8.6 SELF-ASSESSMENT QUESTIONS

1. What do you mean by collective bargaining? Explain its types.
2. What are the advantages and disadvantages of collective bargaining?

8.7 SUGGESTED BOOKS/REFERENCE

1. Susan Hayter, The Role of Collective Bargaining in the Global Economy, Edward Elgar Publishing Limited.
2. A Deshpande, Industrial Relations and Labour Law, Nirali Prakashan.
3. Dr. Ashvine Kumar STRATEGIC HUMAN RESOURCE MANAGEMENT, Book Rivers

Structure

- 9.0 Unit Objectives
- 9.1 Introduction
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9.0 UNIT OBJECTIVES

This unit shows Strategic human resource management involving HR departments working with other organizational units to identify their aims and develop tactics that help both their and the company's core goals.

9.1 INTRODUCTION

Strategic human resource management is the link between a company's workforce and its plans, goals, and ambitions. Strategic human resource management has the following objectives:

1. First, make your organization's structure meet its goals.
2. Boost operational efficiency.
3. Enhance originality, adaptability, and strategic edge.

HR must be a major strategic collaborator in formulating and executing corporate policies for implicit human resource management to succeed. Strategic HR is part of examining how human capital might directly influence a team's growth. To satisfy the demands of the long ambitions, Recruiters must take a strategic approach to employee development and retention. For several businesses, dealing with Dilemmas may be a challenge. Numerous various aspects of HR really can confound businesses and lead people to make poor decisions that delay operations for both their workers and their company. The consequence was that the human resources department's objectives correspond with and serve to further the objectives of the whole company. Instead of being viewed as a requirement for compliance with the law or pay, Strategic Leadership is recognized as a collaborator in organizational success. HR Strategy uses the skill and potential within the human resources division to strengthen and enhance the performance of many other divisions.

9.1.1 RESOURCE-BASED STRATEGY

Resource-based theory can be difficult to understand because the word "assets" is employed throughout common English in various ways. This is critical to separate strategic resources from all other types of resources. For example, cash is a precious asset for most people.

A person's home, as well as an automobile, are two examples of key resources.

Conversely, while studying companies, ordinary resources like money or automobiles are not regarded as strategic resources. Resources like money and automobiles have been valued, but other businesses may easily obtain them. Therefore, a company cannot develop a long-term competitive advantage upon shared resources. High Commitment Management: High-performance management seeks to influence the company's overall performance through its employees in terms of growth, earnings, client satisfaction, and efficiency, including, eventually, its creation of more value for shareholders.

9.1.2 ACHIEVING STRATEGIC FIT

A strategic alignment between business strategy and human resource management plan aids worker retention and motivation, increasing organizational productivity and giving a company a competitive advantage.

9.1.3 HIGH INVOLVEMENT MANAGEMENT

Five characteristics are mentioned below:

- Selective hiring
- Extensive Training
- Decision Power
- Information Sharing
- Incentive Compensation

9.1.4 HIGH-PERFORMANCE MANAGEMENT

Even though no group is the same and there is no easy way to gauge a firm's effectiveness, there appears to be a consensus on what makes a successful group function.

Rules and guidelines, authority and independence, dispute, collaboration, effectiveness, management, aptitude, abilities, behavioral ethics, compensation, and inspiration are all components of high-performing workplace teams.

9.1.5 MANPOWER PLANNING

Manpower planning, often known as human resource planning, entails placing the correct amount and type of personnel in the appropriate locations at the appropriate times to carry out tasks for which they're qualified.

Planning for human resources also involves specifics such as how and when you should hire new staff. In addition, the institution's objectives, future economic forecasts, and evolving technology developments are all considered during the overall process. With the appropriate workforce at their

fingertips for economic development aids the group's readiness for the foreseeable.

9.1.6 TRAIN THE EMPLOYEES ON TECHNOLOGY

Employee usage is required for any new employee-facing technology to enable participation and industry learning, whether it be an eLearning system or another. If not, any tool—no matter how great—will rarely produce the desired outcomes or return on investment. It will accumulate electronic sludge. New technologies eventually depend on effective change strategy and operational flexibility.

9.1.7 EMPLOYEE MOTIVATION

In the absence of any individuals or workers, organizations are not. It has been seen that when workers give the jobs their everything and are highly committed to them, a firm will expand over time. Therefore, every organization needs its workers' outstanding skills and persistent efforts to succeed.

Improve industrial relations: Workers' rights refer to the interactions between employers and employees in organizational contexts. The study of employment law focuses on the interaction among managers and supervisors, especially members of unionized work teams.

These relationships among companies, workers, and the state, as well as the organizations and groups that manage these relationships, are called industrial relations.

9.2 TYPES OF THE STRATEGIC HUMAN RESOURCES OF MANAGEMENT

An individual's approach to solving an institution's biggest problems has been outlined in the Human resource strategy. The said strategy enhances the significance of hiring, management consulting, remuneration, long-term planning, and business culture and requires HR input during policy creation.

Types of strategic hrm are mentioned below:

9.2.1. Recruitment and Selection

9.2.2. Offering employee job

9.2.3. Learning and Development

9.2.4. Creating regulations that impact the whole company's working environment.

9.2.5. Compensation and Advantages

9.2.6. Resolving job difficulties of current workers.

9.3 ADVANTAGES OF SHRM

9.3.1 ALIGNS HR WITH BUSINESS GOALS

One of the biggest advantages of SHRM is that it aligns HR practices and policies with the organization's business strategy. By doing so, HR becomes more strategic and contributes to the organization's overall success.

9.3.2 ATTRACTS AND RETAINS TOP TALENT

SHRM involves developing strategies to attract, retain, and develop top talent. This leads to a

high-performing workforce that is committed to the organization's goals and objectives.

9.3.3 IMPROVES ORGANIZATIONAL EFFECTIVENESS

SHRM involves developing and implementing HR practices and policies that are designed to improve organizational effectiveness and efficiency. This can lead to increased profitability and growth.

9.3.4 ENHANCES EMPLOYEE ENGAGEMENT

SHRM involves developing strategies to increase employee engagement and motivation. This leads to a more committed and productive workforce.

9.3.5 SUPPORTS COMPLIANCE

SHRM ensures that HR practices and policies are compliant with applicable laws and regulations. This helps organizations avoid costly legal and reputational risks.

9.4 DISADVANTAGES OF SHRM

9.4.1 TIME-CONSUMING AND COSTLY

Implementing SHRM requires a significant investment of time and resources. This can be a challenge for smaller organizations or those with limited budgets.

9.4.2 RESISTANCE TO CHANGE

SHRM often involves significant changes to HR practices and policies. Employees may be resistant to these changes, which can lead to resistance and lower morale.

9.4.3 DIFFICULTY IN MEASURING OUTCOMES

It can be difficult to measure the outcomes of SHRM initiatives, particularly in the short term. This can make it difficult to demonstrate the value of SHRM to stakeholders.

9.4.4 LACK OF FLEXIBILITY

SHRM requires a long-term perspective and may limit an organization's ability to be flexible and respond to short-term changes in the business environment.

9.4.5 OVEREMPHASIS ON METRICS

In some cases, SHRM may lead to an overemphasis on metrics and the use of quantitative data to measure HR outcomes. This may lead to a focus on short-term goals and a lack of attention to qualitative factors that are important for employee well-being and satisfaction.

9.5 ORGANIZATIONAL RESTRUCTURING

9.5.1 STAFFING CONSIDERATIONS-INVOLVE HUMAN RESOURCES

We operate in a complex employment, statutory, regulatory, and procedural environment. It is critical that you involve UW Human Resources when you are planning changes to your organizational structure that may result in adding new positions, eliminating or reducing existing positions, significantly changing work assignment, and/or modifying reporting relationships for current employees.

Such changes can result in the need to:

- adjust compensation (upward or downward)
- change a professional staff position's duties in a way that requires review of its civil service exemption status
- change a professional staff position's payroll titles
- change a position's FLSA overtime eligibility status
- change the bargaining unit assignment as a result of changes to a position's job classification
- layoff or reduce employees

Your Human Resources consultant will review the factors affecting your need for reorganization, including your reorganization plan, if you have developed one. Your HR consultant will also review before-and-after organizational charts and proposed job descriptions for new positions, if you have already prepared them. Your HR consultant will assess the scope of the reorganization and bring in the necessary HR partners to help you understand impact on staffing, procedural requirements, implementation costs, and communication requirements.

9.5.2 LABOR RELATIONS CONSIDERATIONS

Reorganizations that affect classified staff covered by a labor contract often raise concerns about:

- "skimming," the practice of shifting work away from a bargaining unit
- the obligation to bargain over issues associated with changes to the wages, hours and working conditions of employees in your organization

Your HR consultant will help you identify, understand, and plan for potential labor relations issues that may arise.

9.5.3 CHANGE MANAGEMENT CONSIDERATIONS

Managing change effectively is no easy task. Take advantage of UW expertise by contacting Professional & Organizational Development (POD). POD can connect you with an organizational development or change management consultant to provide a framework for change, including:

1. Setting the Tone – Creating the climate for the change and determining what is changing.
2. Communication – Preparing and delivering a single message and vision for change.
3. Recognizing and Rewarding Positive Behavior – Implementing and sustaining the change, enabling action, and celebrating short-term wins.

9.5.4 COMMUNICATIONS CONSIDERATIONS

Ensuring that employees, clients, and partners know what is happening, why it is happening, and how it affects them is critical to successful organizational change. The Layoff & Reduction Communications Planning web pages can help you develop your communications plan.

9.6 SUMMARY

Companies often undergo restructuring to improve their competitiveness by cutting costs, improving efficiency, and boosting profits. The financial aspects of corporate restructuring strategies may be aided by extensive valuations of firm assets, which can help optimize the advantages of reorganization. Restructuring is when a company makes significant changes to its financial or operational structure, typically while under financial duress.

9.7 SELF-ASSESSMENT QUESTIONS

1. Evaluate the contribution of strategic human resource management to the achievement of an organization's objectives.
2. Explain the importance of strategic human resource management in organizations.

9.8 SUGGESTED BOOKS/REFERENCE

1. Mathur, SP Strategic Human Resource Management 1St Edition 2015 , New Age International (P) Ltd Publishers.
2. A Deshpande, Industrial Relations and Labour Law, Nirali Prakashan.
3. Dr. Ashvine Kumar STRATEGIC HUMAN RESOURCE MANAGEMENT, Book Rivers.

BLOCK-3

INTRODUCTION

This Block comprises four units namely Unit 10, Unit 11, Unit 12 and Unit 13.

UNIT 10: Strategies of wages and Compensation

UNIT 11: Corporate Ethics

UNIT 12: Competencies of HR Professional in a SHRM

UNIT 13: Evaluating the Effectiveness of SHRM

Structure

- 10.0 Unit Objectives
- 10.1 Introduction
- 10.2 Framework and Types
- 10.3 Importance
- 10.4 Summary
- 10.5 Self-Assessment Questions
- 10.6 Suggested Books/Reference

10.0 UNIT OBJECTIVES

The objective of this unit is to define Strategies of wages and Compensation and Explain its types. It also presents how to develop effective compensation strategies.

10.1 INTRODUCTION

Compensation strategies are plans that describe how a company determines employee benefits and pay. These plans include information on the company's goals for providing compensation and remuneration ranges for roles within the company. It also outlines how the company evaluates employees when determining compensation. Implementing an effective compensation strategy can provide a company with a competitive advantage. It can also encourage employee loyalty.

10.2 TYPES OF COMPENSATION STRATEGY

10.2.1 BASE PAY

This is the initial salary an employee receives without benefits, bonuses, or raises.

10.2.2 BONUS

A bonus is the amount added to an employee's pay as a reward for excellent performance.

10.2.3 COMMISSION

This is the amount an employee receives for completing a task, which typically involves selling products or services.

10.2.4 OVERTIME PAY

Overtime is the amount employees receive for working extra hours.

10.2.5 PAID TIME OFF (PTO)

PTO is the money employees receive while away from work.

10.2.6 FLEXIBLE SCHEDULES

This enables employees to work at a more convenient period other than regular nine-to-five hours.



Figure 10.1: Implementation of Compensation Strategies

10.3 IMPORTANCE OF COMPENSATION STRATEGIES

Compensation strategies help to formalize staff remuneration. Here are common reasons to develop and implement a compensation strategy where you work:

10.3.1 ENSURE COMPANY GOALS

Developing a compensation strategy can encourage employees to work toward reaching the company's objectives. By structuring compensation to reward performance that aligns with the company's objectives, you can motivate new hires and tenured employees. This can also lead to improved productivity and a more positive work environment.

10.3.2 IMPROVE THE RECRUITMENT PROCESS

A company's compensation strategy can also impact recruitment and encourage employees to continue in their positions. For example, if the company where you work has competitive compensation strategies, candidates may prefer this company over its competition. Having an attractive compensation strategy can also help you target employees that can provide the best results in a company.

10.3.3 ENSURE BUDGET MANAGEMENT

Following a compensation strategy can help a company operate within its budget. For example, with a compensation strategy that states \$400,000 is available for promotion bonuses, you can plan promotions to ensure you stay within this amount. Similarly, if a company's strategy is to offer \$500,000 to \$600,000 in raises every year, you can estimate how many employees to offer a raise.

10.3.4 ENSURE EQUITY IN THE COMPANY

Having an effective compensation strategy can ensure pay equity, which is equal pay for equal value of work. As a strategy outlines the compensation packages and how employees earn them, companies that implement a plan can be more transparent about compensation. Creating and following a compensation strategy where top performers receive the highest compensation can also encourage others to perform at higher productivity levels.

How to develop effective compensation strategies- Developing a company's compensation structure is easy if you know the steps. If the company where you work needs a compensation strategy, follow these steps to create one:

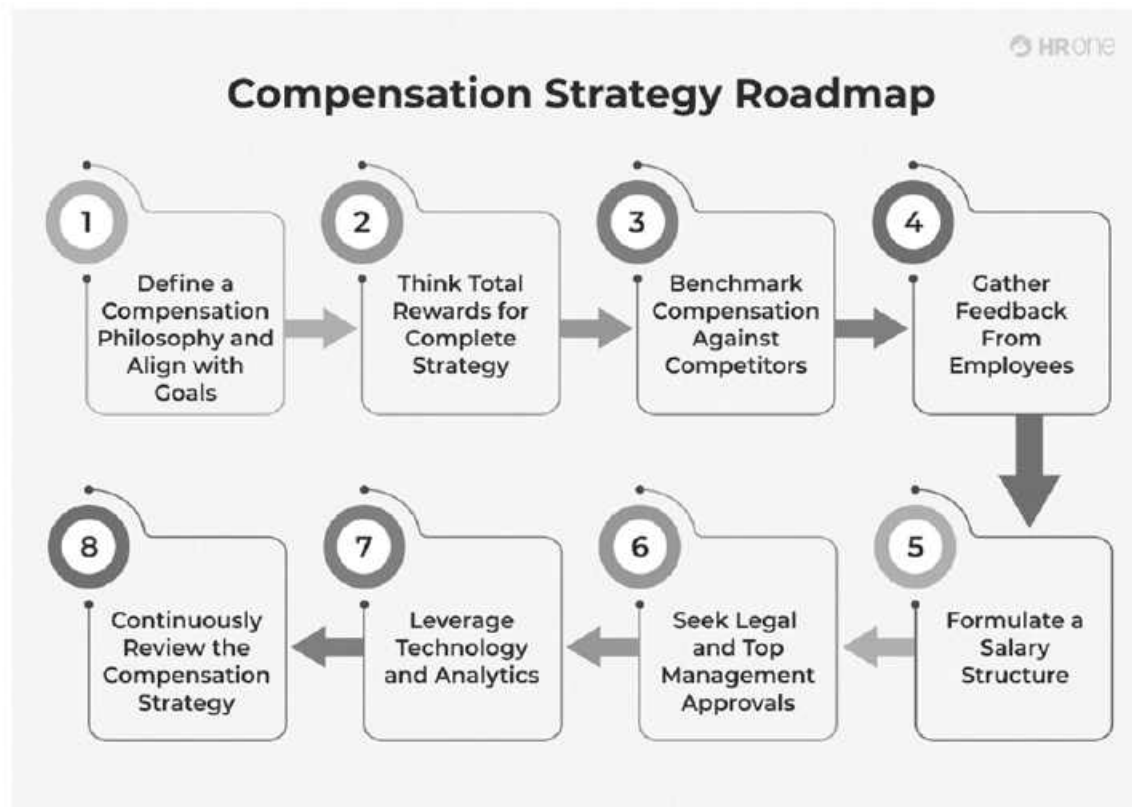


Figure 10.2: Compensation Strategy Road Map

Assess the company's goals- Start by evaluating the company's goals and what it wants to achieve using a compensation strategy. For example, a company may require a compensation strategy to reduce employee turnover or attract quality candidates. As a compensation strategy is part of a company's overall strategy, it's important for your plan to align with company goals.

Identify the company's competitive advantage and current strategy- Next, recognize what makes the company unique. By determining the company's current advantage over its competition, you can understand whether to use it to plan for compensation. For example, suppose a marketing agency offers discounts on client products to employees who meet a performance target on a particular campaign. Identifying this advantage can help them plan to update their strategy by including incentives or other employee benefits, such as management training.

Seek employee input- When developing a compensation strategy, consider employee satisfaction and morale. You can inform employees of the plan to create an effective compensation strategy, as it directly affects them. By discussing current compensation packages and requesting employee feedback, you can

also determine how to make compensation more attractive. For example, employees may provide ideas on how to update the compensation strategy and ensure pay equity.

Research compensation data and evaluate the talent market- Next, analyze the talent market and your competitors' strategies. Doing this provides insights into what strategy to create. For example, researching compensation data can help you discover more diverse compensation strategies than what others may offer. Consider the duties and qualifications of employees when comparing compensation strategies with other companies.

Determine your priority for competition- As companies may have several goals for implementing compensation strategies, consider prioritizing the company's most important need. For example, you may develop a strategy that focuses on hiring quality talent over addressing employees who currently receive appealing benefits. Alternatively, you may focus on creating a strategy that targets employees more than potential candidates to ensure high retention rates. Determining your priority also involves considering the budget for your compensation strategy.

Select compensation packages- Next, identify what rewards to offer employees. For example, you may offer a vacation package to entry-level hires and retirement packages to senior employees. Depending on the company's needs and budget, you may also offer the same compensation packages across departments or have different rewards for different departments. Assess various ways of using the compensation budget by referring to your research and the feedback employees provided.

Create compensation ranges- After determining packages for employees, consider creating compensation ranges instead of set values. For example, you may provide two to four weeks of paid vacation to employees who meet a performance target. Doing this enables you to adjust your offers based on employee performance, experience, and qualifications.

Check compensation strategy for legal compliance- After developing a compensation strategy, ensure you confirm it aligns with all federal and provincial or territorial laws. For example, suppose your compensation strategy is to offer four per cent to six per cent of earnings to eligible employees for two weeks of vacation. Check that this strategy aligns with laws on annual vacation and vacation pay by the Canada Labour Code. You can collaborate with a legal professional to ensure the company can legally implement your compensation strategy.

Seek upper management approval- Next, present your compensation strategy to the management team for approval. When meeting with upper management, prepare a report that outlines competitor strategies, compensation data, and employee feedback. You also want to show your proposal's benefits to improve the likelihood of getting a response. Depending on your strategy, the management team may adopt your proposal or request updates that align with the company's goals.

Compensation strategy- After receiving approval, write a document explaining the parameters concerning the compensation strategy. You may collaborate with human resources professionals to include the strategy in the company's employee handbook. Writing the compensation strategy is important for future reference.

Monitor and review the compensation strategy- Finally, implement the compensation strategy and track the results relating to the company's goals. Doing this can help you determine the plan's impact. For example, if employee retention increases by 40 per cent because of your compensation strategy, the compensation plan you developed is successful. Regardless of the goals reached by implementing a compensation plan, review and update it regularly. You may have annual or biannual reviews to achieve this.

10.4 SUMMARY

Compensation strategies are plans that describe how a company determines employee benefits and pay. These plans include information on the company's goals for providing compensation and remuneration ranges for roles within the company. It also outlines how the company evaluates employees when determining compensation. Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction.

10.5 SELF-ASSESSMENT QUESTIONS

1. Define Strategies of wages and Compensation. Explain its types.
2. How to develop effective compensation strategies?

10.6 SUGGESTED BOOKS/REFERENCES

1. Joseph J. Martocchio, Strategic Compensation: A Human Resource Management Approach, 9/e, Publisher(s) Pearson.
2. Dr. Ashvine Kumar STRATEGIC HUMAN RESOURCE MANAGEMENT, Book Rivers.
3. Randall S. Schuler And Susan E. Jackson, Strategic Human Resource Management, Wiley India Pvt Ltd

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- 11.0 Unit Objectives
- 11.1 Introduction
- 11.2 Types
- 11.3 Summary
- 11.4 Self-Assessment Questions
- 11.5 Suggested Books/Reference

11.0 UNIT OBJECTIVES

The purpose of this unit is to explain business ethics so as to ensure a consistent moral attitude within the company, from executive-level management to the new hire. Business ethics helps to ensure everyone in a workplace is treated with respect, fairness and honesty.

11.1 INTRODUCTION

Corporate ethics are a set of beliefs to which a company adheres that govern its behavior in the ways it conducts business. Some corporations have well defined ethical parameters and others don't, or they sacrifice ethical behavior to profit and determine that gaining profit and power are the most desired motives. When discovered in this type of activity, there is often a strong backlash that results in losing profits. This suggests that even if the decision to adopt defined corporate ethics is purely motivated by profit, it may be good business.



Figure 11.1: Corporate Ethics

11.1.1 WHAT ARE BUSINESS ETHICS

The term business ethics refers to the set of moral principles that guides a company's conduct. These principles govern every aspect of the company's operations, including its interaction with the government and other businesses, its treatment of its employees and its relationship with its customers. Whenever any ethical dilemmas or controversies arise, a business references these foundational principles to help resolve those situations.

11.1.2 WHY IS BUSINESS ETHICS IMPORTANT

Business ethics ensure that companies operate according to all applicable laws. This maintains the company's respect among its peers and customers and protects it from legal liability. A company's ethics also help it attract quality team members. Businesses that care for their teams according to the highest ethical standards are often attractive to job seekers. Ethical treatment can also increase employee retention and reduce hiring and training costs.

A business that treats its customers or clients ethically can build trust and create long standing relationships. These customers are likely to return and may recommend the business to people within their sphere of influence. Also, a business known for its effective ethical principles can gain respect and elevate the quality of its brand.

11.2 TYPES OF BUSINESS ETHICS

There are various types of business ethics. Both the nature of the company's business and its location can affect its code of ethics. The following are some common business ethics:



Figure 11.2: Types of Business Ethics

11.2.1 PERSONAL RESPONSIBILITY

Personal responsibility is a vital attribute for employees in both entry-level and senior positions. This could entail completing tasks your manager has assigned or simply fulfilling the duties of your job description. If you make a mistake, you acknowledge your fault and do whatever you need to do to fix it.

11.2.2 CORPORATE RESPONSIBILITY

Businesses have responsibilities to their employees, their clients or customers and their board of directors. Some of these may be contractual or legal obligations, others may be promises.

For example, a commitment to conduct business fairly and to treat people with dignity and respect. Whatever those obligations are, the business has a responsibility to keep them.

11.2.3 LOYALTY

Loyalty is a valuable quality for both corporate leaders and team members. It's important for team members to be loyal to their coworkers, managers and the company. This might involve speaking positively about the business in public and only addressing personnel or corporate issues in private. Customer or client loyalty is important to a company not only to maintain good business relations but also to attract business by cultivating a positive reputation.

11.2.4 RESPECT

Respect is an important business ethic, both in the way the business treats its clients, customers and employees and in the way its team members treat one another. When you show respect to someone, that person feels like a valued member of the team or an important customer. It indicates that you care about their opinions, you keep your promises to them and you work quickly to resolve any issues they may have.

11.2.5 TRUSTWORTHINESS

A business cultivates trustworthiness with its clients, customers and employees through honesty, transparency and reliability. Team members should feel they can trust their companies to keep to the terms of their employment. Clients and customers should be able to trust the business with their money, data, contractual obligations and confidential information. Being trustworthy encourages people to conduct business with you and helps you maintain a positive reputation.

11.2.6 FAIRNESS

When a business exercises fairness, it applies the same standards for all team members, regardless of rank. The same expectations of honesty, integrity and responsibility placed upon the entry-level employee also apply to the chief executive officer (CEO). Fairness means that a business strives to treat its customers with equal respect, offering the same goods and services to all based on the same terms.

11.2.7 SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Corporate social and environmental responsibility means that a company recognizes its impact outside of the marketplace. Many companies look for ways to help their communities through volunteer work or financial investments. They may also adopt measures to reduce waste and promote a safe and healthy environment.

11.3 SUMMARY

Ethics begins at the highest level that implies that anyone in charge should work and live

ethically to give more people who work for them a prime example. It is important to develop ethical behavior throughout the corporate world to build confidence and to provide sincere products or services.

11.4 SELF-ASSESSMENT QUESTIONS

1. Evaluate corporate ethics?
2. What are the types of corporate ethics?

11.5 SUGGESTED BOOKS/REFERENCES

1. Mathur, SP Strategic Human Resource Management 1St Edition 2015 , New Age International (P) Ltd Publishers
2. Randall S. Schuler And Susan E. Jackson, Strategic Human Resource Management, Wiley India Pvt Ltd

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12.0 UNIT OBJECTIVES

This unit defines several competencies of HR professionals in SHRM.

12.1 INTRODUCTION

Competency models define what performance success should look like within the organization for each individual job. The model is applied to recruitment practices, talent management, training and performance assessment.

A competency model is a collection of competencies considered essential to an organization and a particular function which in this case is job groups and types within human resources. Individual competencies are usually defined and supported by key behaviors. Competency models can apply to all employees and professionals, while other models may apply to specific occupations or positions. Competencies and their models provide a map for professionals. It's important to remember that not every competency in the occupation-specific model may be relevant to an individual's position and career.

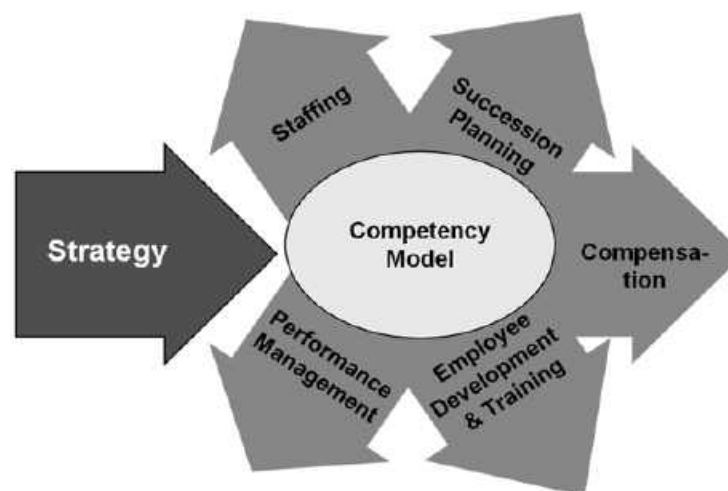


Figure 12.1: An HR Competency Model

An Example of an HR Competency Model

When the Society of Human Resource Management launched their SHRM HR certification, they

included a list of competencies not just for the HR leader but for all business leaders within your and my organization. Their list of competencies included four HR specific competencies which are 1) People, 2) Organization, 3) Workplace and 4) Strategy.

12.2 TYPES

Seven HR Competencies Essential for the Modern Human Resources Professional

12.2.1 ROLE MODEL

HR professionals have to set the standard when it comes to leadership, ethics and business practices. Because of this, our profession can be a lonely one especially in an office where we are a sole practitioner. We must set the bar when it comes to ethical behaviors and creating an inclusive and welcoming workplace culture and environment.

12.2.2 HR SUBJECT MATTER EXPERT

Depending on our role within human resources, we are often cast as the expert on employment law, human resources and compliance topics. We are often the objective voice of reason in advising employee terminations, documentation and other employee relations workplace scenarios. While I am supportive of foundational knowledge of human resources and employment law, experience is the best teacher here.

12.2.3 COLLABORATOR

Since our role in human resources often involves engaging and working together across the business and with many different individuals from all backgrounds and positions within our organization, we have to be master collaborators and project managers in order to transform our business. This is a challenge since in most work teams and scenarios, we are a peer or a subordinate and must collaborate to help our team members or individuals come to the conclusions that we have sometimes known all along to effectively drive change.

12.2.4 BUSINESS ACUMEN

No matter what your role is within human resources, as modern HR professionals, we must seek to know and understand the business. Not only does it help us in communicating the value and benefit of human resources but we can truly be business partners if we understand the business. When it comes to gaining knowledge in the areas of business acumen, it might mean taking business classes and getting your MBA. It also might mean working with your CFO or COO to understand the financial statements. It also could be spending time really understanding your business by immersing yourself in every single business and leadership meeting.

12.2.5 COMMUNICATION

Communication is essential especially offline and online activities including social media, email and in person communication. It's more than presenting powerpoint slides. It's more than customer service. It's about managing it all and doing so quickly, efficiently and effectively because we know the market. It's about navigating and handling some very tricky situations, employee investigations and coaching discussions sometimes with our boss. We can always be better at communication especially

when now we are expected to speak emoji and texting shorthand.

12.2.6 HUMAN SPONGE

As the role of human resources grows in importance in our businesses, we must absorb knowledge beyond basic business practices and strategies and be committed to presenting new ideas from areas, subjects and departments that are outside of our comfort zone. The new modern HR professional will be well-versed in many topics, flexible and open to new learnings and ways of doing things. At present, HR should be looking forward towards technology, analytics and artificial intelligence.

12.2.7 VISION

Most importantly, the modern HR professional must have the vision to see, influence and evaluate the world differently. Our leaders might not realize it yet but HR has a pivotal role as our central focus is our employees, their skills and abilities. We need to have the vision to not only see and understand that these changes are and will be happening but must have the ability to speak confidently but also with care in order to truly influence and drive change.

12.3 SUMMARY

From verbal and written communication to active listening and persuasion, HR leaders require strong communication skills to exchange information in an effective manner. Strong communication skills also aid with delivering feedback and engaging in diplomatic efforts and Relationship Management. The behavioral competencies are grouped into three clusters: Leadership (Leadership & Navigation, Ethical Practice, and Diversity, Equity, and Inclusion), Interpersonal (Relationship Management, Communication, and Global Mindset), and Business (Business Acumen, Consultation, and Analytical Aptitude).

12.4 SELF-ASSESSMENT QUESTIONS

1. What are Competencies of HR Professional in a SHRM .Explain its types.

12.5 SUGGESTED BOOKS/REFERENCES

1. David D. Dubois, Deborah Jo King Stern, Linda K. Kemp, William J. Rothwell, Competency-Based Human Resource Management, John Murray Press.
2. Mathur, SP Strategic Human Resource Management 1st Edition 2015 , New Age International (P) Ltd Publishers
3. Randall S. Schuler And Susan E. Jackson, Strategic Human Resource Management, Wiley India Pvt Ltd

Structure

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- 13.2 Characteristics of SHRM
- 13.3 Functions of SHRM
- 13.4 How SHRM Works
- 13.5 Objectives of SHRM
- 13.6 Advantages
- 13.7 Disadvantages
- 13.8 Summary
- 13.9 Self-Assessment Questions
- 13.10 Suggested Books/References

13.0 UNIT OBJECTIVES

This unit revolves around Evaluating the Effectiveness of SHRM, Objectives of SHRM, Characteristics, Functions of SHRM and How it Works.

13.1 INTRODUCTION

SHRM involves identifying and analyzing the organization's current and future business needs and then developing and implementing HR strategies to meet those needs. It encompasses a wide range of activities, including workforce planning, talent acquisition, performance management, employee development, compensation and benefits, and employee relations.

The goal of SHRM is to create a workforce that is not only capable but also motivated to contribute to the organization's success. By aligning HR practices with the overall strategy of the organization, SHRM can help to improve the organization's performance, increase employee engagement and retention, and ultimately contribute to the achievement of the organization's goals and objectives.

13.2 CHARACTERISTICS OF STRATEGIC HUMAN RESOURCE MANAGEMENT

There are several key characteristics of Strategic Human Resource Management (SHRM), including:

13.2.1 ALIGNMENT WITH BUSINESS STRATEGY

SHRM involves aligning the HR function with the strategic objectives of the organization. This means that HR policies and practices are designed to support the overall business strategy of the

organization.

13.2.2 LONG-TERM FOCUS

SHRM takes a long-term view of the organization's human resource needs. Rather than focusing on short-term HR needs, SHRM considers the organization's future workforce needs and develops strategies to meet those needs.

13.2.3 INTEGRATION WITH OTHER BUSINESS FUNCTIONS

SHRM involves the integration of HR with other business functions such as finance, marketing, and operations. This integration helps to ensure that HR strategies are aligned with the overall business strategy and that HR policies and practices are coordinated with other business functions.

13.2.4 EMPHASIS ON TALENT MANAGEMENT

SHRM places a strong emphasis on talent management, including attracting, developing, and retaining talented employees. This includes strategies for recruiting, training, and developing employees to ensure that they have the skills and knowledge necessary to contribute to the organization's success.

13.2.5 PERFORMANCE-BASED APPROACH

SHRM takes a performance-based approach to managing employees. This means that HR policies and practices are designed to reward employees based on their performance and contributions to the organization.

13.2.6 PROACTIVE APPROACH

SHRM takes a proactive approach to managing human resources. Instead of simply reacting to changes in the external environment, SHRM involves anticipating changes and developing HR strategies to prepare for them.

13.2.7 FOCUS ON EMPLOYEE ENGAGEMENT

SHRM recognizes the importance of employee engagement in achieving organizational goals. This involves creating a work environment that motivates and engages employees to perform at their best.

13.2.8 CONTINUOUS IMPROVEMENT

SHRM involves continuous improvement of HR policies and practices. This means regularly reviewing and evaluating HR strategies to identify areas for improvement and making changes as necessary to ensure that the organization's HR function is always operating at peak performance.

13.2.9 FLEXIBILITY

SHRM recognizes that organizations need to be flexible in responding to changes in the external environment. This means that HR policies and practices need to be flexible enough to adapt to changing circumstances and evolving business needs.

13.2.10 DATA-DRIVEN APPROACH

SHRM takes a data-driven approach to HR management. This involves collecting and analyzing data on key HR metrics such as employee turnover, engagement, and productivity to inform HR strategies and decision-making.

These characteristics help to ensure that HR strategies and policies are aligned with the organization's overall strategic objectives, and that HR practices are designed to support the organization's success over the long term.



Figure 13.1: Characteristics of Strategic Human Resource Management

13.3 FUNCTIONS OF STRATEGIC HUMAN RESOURCE MANAGEMENT

Strategic Human Resource Management (SHRM) encompasses a variety of functions that are designed to align HR practices with the strategic goals and objectives of the organization. Some of the key functions of SHRM include:

13.3.1 ALIGNMENT OF HR WITH BUSINESS STRATEGY

The primary function of Strategic Human Resource Management is to ensure that HR practices and policies are aligned with the overall business strategy of the organization. This involves understanding the business strategy and its implications for HR, and developing HR practices and policies that support the achievement of business goals and objectives.

13.3.2 WORKFORCE PLANNING

This involves identifying the current and future workforce needs of the organization and developing strategies to meet those needs. Workforce planning helps to ensure that the organization has

the right talent with the necessary skills and experience to support its strategic objectives.

13.3.3 TALENT ACQUISITION

SHRM involves developing strategies for attracting and recruiting the best talent to support the organization's strategic objectives. This includes developing employer branding and sourcing strategies, as well as recruiting methods that are aligned with the organization's overall HR strategy.

13.3.4 PERFORMANCE MANAGEMENT

SHRM involves developing performance management systems that are designed to align employee performance with the organization's strategic objectives. This includes setting goals and objectives, providing regular feedback, and developing employee performance plans that are aligned with the organization's overall strategy.

13.3.5 EMPLOYEE DEVELOPMENT

SHRM involves developing training and development programs that are designed to help employees acquire the skills and knowledge they need to support the organization's strategic objectives. This includes providing training on new technologies, processes, and systems, as well as leadership and management development programs.

13.3.6 COMPENSATION AND BENEFITS

SHRM involves developing compensation and benefits programs that are designed to attract and retain the best talent, while also supporting the organization's strategic objectives. This includes developing competitive compensation and benefits packages, as well as performance-based incentives and rewards.

13.3.7 EMPLOYEE RELATIONS

SHRM involves developing and implementing employee relations strategies that are designed to create a positive work environment and improve employee engagement. This includes developing policies and procedures for employee communications, conflict resolution, and employee feedback.

By effectively implementing these Strategic Human Resource Management functions, organizations can ensure that their HR practices and policies are aligned with their overall strategic objectives, and that they are able to attract, retain, and develop the best talent to support those objectives.

13.4 HOW SHRM WORKS?

Here are the key steps involved in the SHRM process:

13.4.1 IDENTIFY ORGANIZATIONAL STRATEGY

The first step in implementing SHRM is to identify the organization's strategic goals and objectives. This involves understanding the organization's mission, vision, and values, as well as its long-term goals and objectives. This information provides the foundation for developing an HR strategy that is aligned with the overall organizational strategy.

13.4.2 DEVELOP HR STRATEGY

Based on the organization's strategic goals and objectives, HR leaders develop an HR strategy that aligns with the overall organizational strategy. This involves identifying the HR practices and policies that are necessary to support the organization's goals and objectives. The HR strategy should take into account factors such as workforce planning, talent acquisition, performance management, employee development, compensation and benefits, and employee relations.

13.4.3 IMPLEMENT HR PRACTICES AND POLITICS

Once the HR strategy has been developed, HR leaders work to implement HR practices and policies that align with the strategy. This may involve updating existing HR practices and policies, as well as developing new ones as needed. For example, if the HR strategy calls for a greater focus on employee development, HR leaders might implement new training and development programs to help employees acquire the skills and knowledge they need to support the organization's strategic objectives.

13.4.4 MONITOR AND EVALUATE

After HR practices and policies have been implemented, HR leaders monitor and evaluate their effectiveness in supporting the organization's strategic goals and objectives. This involves collecting and analyzing data on key HR metrics such as employee engagement, turnover, and productivity. By tracking these metrics, HR leaders can determine whether their HR practices and policies are having the desired impact, and make adjustments as necessary.

13.4.5 CONTINUOUS IMPROVEMENT

Based on the results of the monitoring and evaluation process, HR leaders make changes to HR practices and policies to improve their effectiveness in supporting the organization's strategic goals and objectives. This involves a continuous improvement process that is designed to ensure that the organization's HR practices and policies are always aligned with its strategic objectives.

Overall, Strategic Human Resource Management works by aligning HR practices and policies with the strategic goals and objectives of the organization, and by implementing a continuous improvement process that ensures that HR practices and policies are always aligned with the organization's strategic objectives. By following these steps, organizations can ensure that their HR function is fully aligned with their overall business strategy, and that they have the talent and resources they need to achieve their strategic goals and objectives.



Figure 13.2: SHRM Process

13.5 OBJECTIVES OF SHRM

Here are the objectives of Strategic Human Resource Management (SHRM) in more detail:

13.5.1 ALIGNMENT OF HR WITH BUSINESS STRATEGY

The primary objective of SHRM is to ensure that HR practices and policies are aligned with the overall business strategy of the organization. This means understanding the organization's mission, vision, and values, as well as its long-term goals and objectives. By aligning HR with business strategy, SHRM can help ensure that HR practices and policies are focused on achieving the organization's strategic goals and objectives.

13.5.2 DEVELOP A HIGH-PERFORMING WORKFORCE

SHRM involves developing and implementing strategies to attract, retain, and develop a high-performing workforce that is capable of supporting the organization's strategic objectives. This involves identifying and addressing skills gaps, developing training and development programs, and implementing performance management systems that align individual employee goals and objectives with the organization's strategic goals and objectives. By developing a high-performing workforce, SHRM can help ensure that the organization has the talent and resources it needs to achieve its strategic goals and objectives.

13.5.3 ENHANCE ORGANIZATIONAL AGILITY

SHRM involves developing a flexible and agile workforce that can adapt to changing market conditions and emerging trends. This includes developing strategies to address talent shortages, implementing workforce planning processes, and developing recruitment and retention strategies that are responsive to changing business needs. By enhancing organizational agility, SHRM can help ensure that the organization is able to respond quickly and effectively to changing market conditions and emerging trends.

13.5.4 IMPROVE ORGANIZATIONAL EFFECTIVENESS

SHRM includes developing and implementing HR practices and policies that are designed to improve organizational effectiveness and efficiency. This may involve streamlining HR processes, improving communication and collaboration across the organization, and developing performance metrics to track progress towards strategic goals and objectives. By improving organizational effectiveness, SHRM can help ensure that the organization is able to operate more efficiently and effectively, which can lead to increased profitability and growth.

13.5.5 ENSURE LEGAL AND REGULATORY COMPLIANCE

SHRM includes ensuring that the organization's HR practices and policies are compliant with applicable laws and regulations. This involves staying up-to-date on changes to employment laws and regulations, developing policies and procedures to address compliance issues, and implementing training programs to ensure that employees are aware of their rights and responsibilities. By ensuring legal and regulatory compliance, SHRM can help ensure that the organization avoids costly legal and reputational risks.

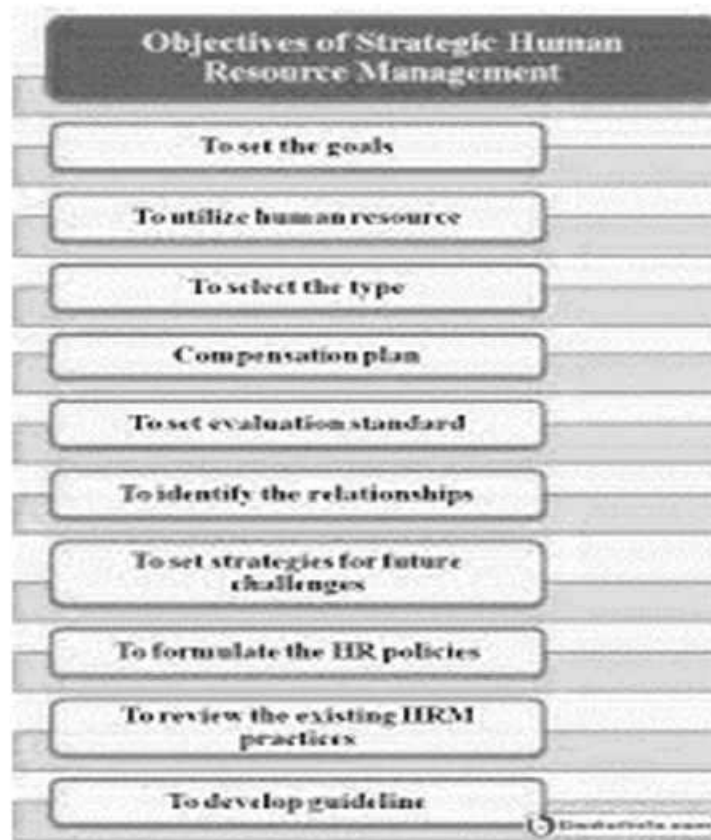


Figure 13.3: Objectives of Strategic Human Resource Management

Overall, the objectives of Strategic Human Resource Management are to ensure that the organization has the talent and resources it needs to achieve its strategic goals and objectives, and that HR policies and practices are aligned with those goals and objectives. By achieving these objectives, organizations can improve their competitiveness, enhance their organizational effectiveness, and ensure their long-term success.

Advantages and Disadvantages of Strategic Human Resource Management

13.6 ADVANTAGES OF SHRM

13.6.1 ALIGNS HR WITH BUSINESS GOALS

One of the biggest advantages of SHRM is that it aligns HR practices and policies with the organization's business strategy. By doing so, HR becomes more strategic and contributes to the organization's overall success.

13.6.2 ATTRACTS AND RETAINS TOP TALENT

SHRM involves developing strategies to attract, retain, and develop top talent. This leads to a high-performing workforce that is committed to the organization's goals and objectives.

13.6.3 IMPROVES ORGANIZATIONAL EFFECTIVENESS

SHRM involves developing and implementing HR practices and policies that are designed to

improve organizational effectiveness and efficiency. This can lead to increased profitability and growth.

13.6.4 ENHANCES EMPLOYEE ENGAGEMENT

SHRM involves developing strategies to increase employee engagement and motivation. This leads to a more committed and productive workforce.

13.6.5 SUPPORTS COMPLIANCE

SHRM ensures that HR practices and policies are compliant with applicable laws and regulations. This helps organizations avoid costly legal and reputational risks.

13.7 DISADVANTAGES OF SHRM

13.7.1 TIME-CONSUMING AND COSTLY

Implementing SHRM requires a significant investment of time and resources. This can be a challenge for smaller organizations or those with limited budgets.

13.7.2 RESISTANCE TO CHANGE

SHRM often involves significant changes to HR practices and policies. Employees may be resistant to these changes, which can lead to resistance and lower morale.

13.7.3 DIFFICULTY IN MEASURING OUTCOMES

It can be difficult to measure the outcomes of SHRM initiatives, particularly in the short term. This can make it difficult to demonstrate the value of SHRM to stakeholders.

13.7.4 LACK OF FLEXIBILITY

SHRM requires a long-term perspective and may limit an organization's ability to be flexible and respond to short-term changes in the business environment.

13.7.5 OVEREMPHASIS ON METRICS

In some cases, SHRM may lead to an overemphasis on metrics and the use of quantitative data to measure HR outcomes. This may lead to a focus on short-term goals and a lack of attention to qualitative factors that are important for employee well-being and satisfaction.

13.8 SUMMARY

Organizational effectiveness comes from strong workplace culture, open communication, competent leadership, reliable succession planning and plenty of opportunities for growth. All of those factors can and should be measured. SHRM is important because it helps businesses achieve their goals. By aligning HR programs and policies with the company's business strategy, SHRM can help businesses improve employee performance, develop the workforce and create a positive work environment.

13.9 SELF-ASSESSMENT QUESTIONS

1. Examine how the effectiveness of the human resources management is monitored in an organization.
2. Make justified recommendations to improve the effectiveness of human resources management in an organization.

13.10 SUGGESTED BOOKS/REFERENCES

1. Charles R. Greer, Strategic Human Resource Management: A General Managerial Approach, 2/E, Pearson Education.
2. S P Mathur, Strategic Human Resource Management 1St Edition 2015 , New Age International (P) Ltd Publishers
3. Dr. Ashvine Kumar STRATEGIC HUMAN RESOURCE MANAGEMENT, Book Rivers.
4. Randall S. Schuler And Susan E. Jackson, Strategic Human Resource Management, Wiley India Pvt Ltd

INTRODUCTION

This block comprises of four units. The first unit introduces the subject and approaches to industrial relations (IR). It also provides an overview of evolution of IR in India, role of states trade unions in India. The second unit explains the concept of disciplinary procedure, grievances handling procedure, labour turnover, absenteeism, worker's participation in management. It also explains the concept of resignation, dismissal, retrenchment and voluntary retirement schemes. The third unit deals with trade union, its origin & growth. It further highlights various functions & role of trade unions in collective bargaining. It also throws light on the problems of trade unions. The fourth unit describes various industrial acts like Industrial Dispute Act, Factories Act, Payment of Wages Act, Workmen Compensation Act, Payment of Gratuity Act and Employees Provident Fund Act etc.

Structure

- 14.0 Unit Objectives
- 14.1 Introduction
- 14.2 Meaning and Nature of Industrial Relations
 - 14.2.1 Distinction Between Human Relations and Industrial Relations
 - 14.2.2 Importance of Good Industrial Relations
 - 14.2.3 Causes of Industrial Disputes and Poor Industrial Relations
 - 14.2.4 Objectives of Industrial Relations
- 14.3 Approaches to Industrial Relations
- 14.4 ILO in IR
- 14.5 Evolution of IR in India
- 14.6 Role of State Trade Unions
- 14.7 Employer's Organizations
- 14.8 Summary
- 14.9 Self Assessment Exercise
- 14.10 Further Readings

14.0 UNIT OBJECTIVES

After studying this lesson, you will be able to:

- explain the meaning & importance of industrial relations;
- identify the features of ILO and evolution of IR in India;
- describe the various approaches to industrial relations;
- understand the role of state trade unions

14.1 INTRODUCTION

Industrial relation is a dynamic socio economic process. Dale Younder in his book, Personnel Management and Industrial Relations has discussed industrial relations as 'a designation of a whole field of relations that exist because of the necessary collaboration of men and women in the employment processes of industry'.

It has two faces as cooperation and conflict. Industrial relations are invariably a combination of cooperation, collaboration and conflict between labour and management. The relationship changes from thesis to antithesis and then to synthesis. Thus, the relationship revolves into a form of cycle, starting with cooperation soon changes into conflict and after its resolution, again changes into cooperation. However, efforts should be made to seek the maximum degree of cooperation and collaboration between them so that organizational objectives may be achieved efficiently. Some degree of conflict always

remains because of the following reasons:

- a) Both labour as well as management has different orientations and perceptions which generate generally negative images about each other.
- b) Both the groups claim complete rationality for their demands because there are no mutually accepted norms to guide their behavior in the pursuits of their objectives.
- c) Both the groups do not come on negotiation table with a clean state. They bring with them some carry over effect from the past which signifies the existence of conflict between the labour and the management.

Industrial relations constitute one of the most delicate and complex problems of the modern industrial society. There are various incidents which had their impact on this bonding of employees and management bonding. We can take example of strike by employees of MARUTI at Manesar plant. This was the one of the most burning issue of modern industrialization which forced all management gurus and HR experts to rethink about the industrial relations. This phenomenon of a new complex industrial set-up is directly attributable to the emergence of 'Industrial Revolution'. The pre industrial revolution was characterized by a simple process of manufacturing and trading which was related with small investment and local market and few numbers of employees. Therefore there was a proximity among the managers and the employees and they have healthy relations too as they were near to discuss their issues. Due to personal and direct relationship between the employer and the employee it was easier to secure cooperation of the latter. Any grievance or misunderstanding on the part of either party could be promptly removed. Also, there was no interference by the State in the economic activities of the people. That is why there was simple, direct and personal industrial relation existing that time. This situation underwent a marked change with the advent of industrial revolution – size of the business increased which need huge financial investment and human resources, a new class of learned and professional degree holders managers also emerged causing divorce between ownership and management, and relations between the employer and the employee became entranced and gradually antagonistic. This new set-up rendered the old philosophy of industrial relation irrelevant and gave rise to complex, indirect, and impersonal industrial relations.

Industry today is neither viewed as a venture of employers alone nor profit if considered as its sole objective. Now it is seemed as a venture based on purposeful cooperation between management and labour in the process of production and maximum social good is regarded as its ultimate end and both management and employees contribute in their own way towards its success. This is time of societal marketing in which not only labour and management relationship but welfare of society is to be ensured besides earning profit. Similarly, labour today is no more an unorganized mass of ignorant works ready to obey without resentment or protest the arbitrary and discretionary dictates of management. The management has to deal with employees today not as individuals but also as members of organized social groups who are very much conscious about their rights and have substantial bargaining strength. Hence, the objective of evolving and maintaining sound industrial relations is not only to find our ways and means to solve conflicts to resolve differences but also to secure the cooperation among the employees in the conduct of industry. This is a big challenge for the HR managers to ensure this objective of keeping conflicts away and securing cooperation of employees for the attainment of various goals and profit. But maintaining smooth industrial relation is not an easy task. Almost all the industrialized countries of the world face the problem of establishing and maintaining good management worker relationships in their industries. As here in India, we have seen the example of MARUTI PLANT at Manesar, each country has sought to find our solution, depending upon its economic, social and political environment. However, industrial conflict still arises and therefore establishment and maintenance of satisfactory industrial relations forms an important plank in the personnel policies of modern organization. Industrial conflict also keeps the good industrialist away from the investment

which ultimately results in slow growth rate and under developed economy of the country.

14.2 MEANING AND NATURE OF INDUSTRIAL RELATIONS

Meaning of Industrial Relation

Industrial relations are an integral aspect of social relations arising out of employer-employee interactions in modern industries, which are regulated by the state in varying degrees, in conjunction with organised social forces and influenced by the existing institutions. This involves a study of the legal system, and the workers and employers organizations at the institutional level and of the patterns of industrial organization (including management), capital structure (including technology), compensation of the labour forces, and a study of market forces-all at the economic level.

Industrial societies necessarily create industrial relations defined as complex of interrelations among workers, managers and government. According to Casselman's Labour Dictionary, Industrial relations denote the relations between employers and employees in industry. In a broad sense, the term also includes the relations between the various unions, between the state, and the unions as well as those between employers and the states.

The above definition reveals that industrial relations arise out of employer-employee interaction in modern industries which are regulated by the Government in varying degrees. The concept of industrial relations has been extended to denote the relations of the state with employers, workers and their organizations. The subject, therefore, includes individual's relations and joint consultation between employees and workpeople at their workplace; collective relations between employers and their organizations and trade unions and the part played by the state in regulating these relations.

The term industrial relations refer to all types of relationships between the parties concerned with industry. The parties related to industry are the workers and the management representing the owners. Therefore the term should not be restricted to mean merely the relationship between union and management, but a vast complex of relationship between management and employees, union and management, union and employees and between employees themselves. However the major parties to industrial relations are workers and management. Both the parties have a common interest in industry but many times they are found to be pulling in different direction which leads to industrial unrest. Therefore it has become necessary to secure the cooperation of both the parties to improve their relation which is a pre condition to growth and stability of industry. State interference in the regulation of labour management relations has been constantly growing and thus the area of industrial relations has been extended to relations among the state, employees and employers. Thus in the broad sense, industrial relations cover all such relationships that a business enterprise maintains with various sections of the society such as workers, state, customers and public who come into its contact. While in the narrow sense, it refers to all types of relationships between employer and employees, trade union and management, works and union and between workers and workers. It also includes all sorts of relationships at both formal and informal levels in the organization.

The term 'industrial relations' has been variously defined. J.T. Dunlop defines industrial relations as "the complex interrelations among managers, workers and agencies of the governments". According to Dale Yoder "industrial relations is the process of management dealing with one or more unions with a view to negotiate and subsequently administer collective bargaining agreement or labour contract".

In industrial relations, therefore, one seeks to study how people get on together at their work, what difficulties arise between them, how their relations including wages and working conditions etc., are regulated. Industrial relations, thus, include both 'industrial relations' and 'collective relations' as well

as the role of the state in regulating these relations. Such a relationship is therefore complex and multidimensional resting on economic, social, psychological, ethical, occupational, political and legal levels. There are mainly two set of factors that determine the state of industrial relations – whether good or poor in any country. The first set of factors, described as ‘institutional factors’ include type of labour legislation, policy of state relating to labour and industry, extent and stage of development of trade unions and employers’ organizations and the type of social institutions. The other set of factors, described as ‘economic factors’ include the nature of economic organization capitalist, socialist technology, the sources of demand and supply in the labour market, the nature and composition of labour force etc.

Nature of Industrial Relation

Industrial relations now-a-days are not solely determined by direct relationship between employers and employees. State participation in the regulation of labour management relations has been constantly growing. Hence the era of industrial relations has been extended to relations of the state with employers, employees and their organizations. They are complex and multidimensional resting on economic, historical, social, psychological, ethical, political, legal and other variables.

Industrial relations in the modern times call for inter disciplinary approaches to their study. If we make industrial disputes the centre of the circle, it will have to be divided into many segments. A study of the conditions of the work, mainly of the levels of the wages and security of employment, comes under the purview of economic, their origin and development under history, the resultant social conflicts under sociology, the attitudes of the combatants, the government and the press under social psychology, their cultural interactions under cultural anthropology, state policies bearing on the issues involved in the conflict under political sciences, the legal aspects of disputes under law, the technological aspects (like control of temperature and introduction of rationalisation) of disputes under technology etc.

Aspects of Industrial Relations

Industrial relations refer to continuing relationship that emerges out of the day to day association between the labour and the management. There are two important aspects of such relationship:

- I. Relations between individual employee(s) and manger(s) called **personal relations**.
- II. Collective relations between labour unions and management called **labour relations or labour-management relations**. The pattern of labour-management relations is shaped by State intervention.

14.2.1 DISTINCTION BETWEEN HUMAN RELATIONS AND INDUSTRIAL RELATIONS

The term ‘human relation’ is widely used for inter-personal relationships among individuals as well as the behavior of individuals as members of groups. The term ‘industrial relations’ is used widely in industrial organizations and refers to the relations between the employers and workers in an organization, at any specified time.

Thus, while problem of human relations are personal in character and are related to the behavior of individuals where moral and social element predominate, the term ‘industrial relations’ is comprehensive covering human relations and the relations between the employers and workers in an organization as well as matters regulated by law or by specific collective agreement arrived at between trade unions and the management.

14.2.2 IMPORTANCE OF GOOD INDUSTRIAL RELATIONS

Maintenance of harmonious industrial relations is of vital importance for the survival and growth of the industrial enterprise. Good industrial relations result in increased efficiency and hence prosperity, reduced turnover and other tangible benefits to the organization. The significance of industrial relations can be summarized as below:

1. Industrial relations help in settling employees problems through collective bargaining, mutual cooperation and mutual agreement amongst the parties i.e., management and employees' unions.
2. This helps in establishing industrial democracy in the organization which motivates them to contribute their best to the growth and prosperity of the organization.
3. Good industrial relations lead to increased efficiency and hence higher productivity and income. This will result in economic development of the economy.
4. Good industrial relations, built-in mutual cooperation and common agreed approach motivate one to contribute one's best, result in higher productivity and hence income, give more job satisfaction and help improve the morale of the workers.
5. Good and harmonious industrial relations create a sense of belongingness and group-cohesiveness among workers, and also a congenial environment resulting in less industrial unrest, grievances and disputes.
6. It ensures optimum use of resources, both human and materials, eliminating all types of wastage.
7. Industrial relations involve setting up machinery to solve problems confronted by management and employees through mutual agreement to which both these parties are bound which results in banning of the unfair practices being used by employers or trade unions.
8. Industrial relations necessitate passing of certain labour laws to protect and promote the welfare of labour and safeguard interests of all the parties against unfair means or practices.
9. Good industrial relations help in improvement of cooperation, team work, performance and productivity and hence in taking full advantages of modern inventions, innovations and other scientific and technological advances.
10. It helps the work force to adjust them to change easily and quickly.

14.2.3 CAUSES OF INDUSTRIAL DISPUTES AND POOR INDUSTRIAL RELATIONS

According to Section 2 of Industrial Dispute Act, 1947, "Industrial dispute means any dispute or difference between employers and employees or between employers and workmen or between workmen and workmen, which is connected with the employment or non employment or the terms of employment or with the conditions of labour of any person." Industrial disputes are symptoms of industrial unrest which may take either unorganized or organized form. Industrial disputes may be individual disputes related to compensation for wrongful termination. Disputes relating to wages, bonus, profit sharing and hours of work are related to collective disputes.

Whenever industrial disputes arise, workers generally resort to strikes, boycotts and gherao etc while management use lock-out and termination of services as their weapons to put pressure on employees. The main causes of industrial disputes and poor industrial relations are as follows:

- Perhaps the main cause or source of poor industrial relations resulting in inefficiency and labour unrest is mental laziness on the part of both management and labour;

- Management does not bother to devise the best method but leaves it mainly to the subordinates to work it out for themselves;
- Contempt on the part of the employers towards the workers is another major cause. Inadequate fixation of wage or wage structure;
- Unhealthy working conditions;
- Indiscipline shown by workers;
- Demand for higher gratuity and other retire benefits;
- Demand for higher bonus;
- Inappropriate introduction of automation without providing the right climate;
- Unduly heavy workloads;
- Inadequate welfare facilities;
- Dispute on sharing the gains of productivity;
- Unfair labour practices, like victimization and undue dismissal;
- Retrenchment, transfer, layoffs promotions, dismissals and lock-outs on the part of management and strikes on the part of the workers;
- Inter-union rivalries; and
- General economic and political environment, such as rising prices, strikes by others, and general indiscipline having their effect on the employees' attitudes.

14.2.4 OBJECTIVE OF INDUSTRIAL RELATIONS

Objectives:

1. To protect the interests of employees as well as management by securing the highest level of mutual understanding and goodwill among them.
2. To avoid industrial conflicts and minimize the occurrence of strikes, lockouts and gheraos.
3. To establish a proper channel of communication between workers and management.
4. To ensure constructive contribution of trade unions.
5. To ensure workers' participation in decision-making and to minimize labour turnover.
6. To increase the morale and discipline of workers.
7. To ensure better working conditions, living conditions and reasonable wages.
8. To develop employees to adapt themselves for technological, social and economic changes.
9. To make positive contributions for the economic development of the country.

Industrial conflicts are the results of several socio-economic, psychological and political factors. Various lines of thoughts have been expressed and approaches used to explain this complex phenomenon. One observer has stated, "An economist tries to interpret industrial conflict in terms of impersonal market forces and laws of supply and demand. To a politician, industrial conflict is a war of different ideologies – perhaps a class-war. To a psychologist, industrial conflict means the conflicting interests, aspirations, goals, motives and perceptions of different groups of individuals, operating within and reacting to a given socio-economic and political environment".

Psychological approach

According to psychologists, problems of industrial relations have their origin in the perceptions of the management, unions and rank and file workers. These perceptions may be the perceptions of persons, of situations or of issues involved in the conflict. The perceptions of situations and issues differ because the same position may appear entirely different to different parties. The perceptions of unions and of the management of the same issues may be widely different and, hence, clashes may arise between the two parties. Other factors also influence perception and may bring about clashes.

The reasons of strained industrial relations between the employers and the employees can be understood by studying differences in the perception of issues, situations and persons between the management groups and labour groups.

The organizational behavior of inter-groups of management and workers is of crucial importance in the pattern of industrial relations. The group-dynamics between the two conflicting groups in industrial relations tend to shape the behavioural pattern.

Sociological approach

Industry is a social world in miniature. The management goals, workers' attitudes, perception of change in industry, are all, in turn, decided by broad social factors like the culture of the institutions, customs, structural changes, status-symbols, rationality, acceptance or resistance to change, tolerance etc. Industry is, thus inseparable from the society in which it functions. Through the main function of an industry is economic, its social consequences are also important such as urbanization, social mobility, housing and transport problem in industrial areas, disintegration of family structure, stress and strain, etc. As industries develop, a new industrial-cum-social pattern emerges, which provides general new relationships, institutions and behavioural pattern and new techniques of handling human resources. These do influence the development of industrial relations.

Human relations approach

Human resources are made up of living human beings. They want freedom of speech, of thought of expression, of movement, etc. When employers treat them as inanimate objects, encroach on their expectations, throat-cuts, conflicts and tensions arise. In fact major problems in industrial relations arise out of a tension which is created because of the employer's pressures and workers' reactions, protests and resistance to these pressures through protective mechanisms in the form of workers' organization, associations and trade unions.

Through tension is more direct in work place; gradually it extends to the whole industry and sometimes affects the entire economy of the country. Therefore, the management must realize that efforts are made to set right the situation. Services of specialists in Behavioural Sciences (namely, psychologists, industrial engineers, human relations expert and personnel managers) are used to deal with such related problems. Assistance is also taken from economists, anthropologists, psychiatrists, pedagogists, and etc. In resolving conflicts, understanding of human behavior – both individual and

groups – is a pre-requisite for the employers, the union leaders and the government – more so for the management. Conflicts cannot be resolved unless the management must learn and know what the basic what the basic needs of men are and how they can be motivated to work effectively.

It has now been increasingly recognized that much can be gained by the managers and the worker, if they understand and apply the techniques of human relations approaches to industrial relations. The workers are likely to attain greater job satisfaction, develop greater involvement in their work and achieve a measure of identification of their objectives with the objectives of the organization; the manager, on their part, would develop greater insight and effectiveness in their work.

In brief the different approaches are used to provide principles for good industrial relations. These principles are given as follows:

- The willingness and ability of management and trade unions to deal with the problems freely, independently and with responsibility.
- Recognition of collective bargaining.
- Desirability of associations of workers and managements with the Government while formulating and implementing policies relating to general economic and social measures affecting industrial relations.
- Fair redressal of employee grievances by the management
- Providing satisfactory working conditions and payment of fair wage.
- Introducing a suitable system of employee education and training.
- Developing proper communication system between management and employees.
- To ensure better working conditions, living conditions and reasonable wages.
- To develop employees to adapt themselves for technological, social and economic changes.
- To make positive contributions for the economic development of the country.

14.4 ILO IN INDUSTRIAL RELATIONS

The International Labour Organisation (ILO) was set up in 1919 by the Versailles Peace Conference as an autonomous body associated with the League of Nations. The ILO was the only international organisation that survived the Second World War even after the dissolution of its parent body. It became the first specialized agency of the United Nations in 1946 in accordance with an agreement entered into between the two organizations. India has been a member of the ILO since its inception. A unique feature of the ILO, as distinct from other international institutions, is its tripartite character.

The aims and objectives of ILO are set out in the preamble to its Constitution and in the Declaration of Philadelphia (1944) which was formally annexed to the Constitution in 1946. The preamble affirms that universal and lasting peace can be established only if it is based upon social justice, draws attention to the existence of conditions of labour involving injustice, hardship and privation of a large number of people, and declares that improvement of these conditions is urgently required through such means as the regulation of hours of work, prevention of unemployment, provision of an adequate living wage, protection of workers against sickness, disease, and injury arising out of employment, protection of children, young persons and women, protection of the interests of migrant workers, recognition of the principle of freedom of association, and organisation of vocational and technical education. The Preamble also states that the failure of any nation to adopt human conditions of labour is an obstacle in the way of other nations desiring to improve labour conditions in their own countries.

The three main functions of the ILO are;

- to establish international labour standards;
- to collect and disseminate information on labour and industrial conditions; and
- to provide technical assistance for carrying out programmes of social and economic development.

From the very beginning, the ILO has been confronted with the tremendous task of promoting social justice by improving the work and conditions of life in all parts of the world.

The ILO consists of three principal organs, namely, the International Labour Conference, the Governing Body and the International Labour Office. The work of the Conference and the Governing Body is supplemented by that of Regional Conferences, Regional Advisory Committees, Industrial Committees, etc. The meeting of the General Conference, held normally every year, are attended by four delegates from each member State, of whom two are government delegates and one each representing respectively the employers and the work people of the State. The International Labour Conference is the supreme organ of the ILO and acts as the legislative wing of the Organisation. The General Conference elect the Governing Body, adopt the Organization's programmes and budget, adopt international labour standards in the form of conventions and Recommendations and provide a forum for discussion of social and labour issues. The Governing Body is the executive wing of the Organisation. It appoints the Director-General, draws up the agenda of each session of the Conference and examines the implementation by member countries of its Conventions and Recommendations. The International Labour Office, whose headquarters are located at Geneva, provides the secretariat for all conferences and other meetings and is responsible for the day-to-day implementation of the administrative and other decisions of the Conference, the Governing Body, etc. The Director-General is the chief executive of the International Labour Office. An important aspect of its work relates to the provision of assistance to member States. It also serves as a clearing house of information on all labour matters.

In order to achieve its objective, the ILO has relied on its standard-setting function. The international labour standards take the form of Conventions and Recommendations. A Convention is a treaty which, when ratified, creates binding international obligations on the country concerned. On the other hand, a Recommendation creates no such obligations but is essentially a guide to national actions. The ILO adopted a series of Conventions and Recommendations covering hours of work, employment of women, children and young persons, weekly rest, holidays leave with wages, night work, industrial safety, health, hygiene, labour inspection, social security, labour-management, relations, freedom of association, wages and wage fixation, productivity, employment, etc. One of the fundamental obligations imposed on governments by the Constitutions of the ILO is that they must submit the instruments before the competent national or State or provincial authorities within a maximum period of 18 months of their adoption by the Conference for such actions as might be considered practicable. These dynamic instruments continue to be the principal means at the disposal of the ILO to strive for establishing a just, democratic and changing social order necessary for lasting peace. In fact, these instruments have been included in the category of "international labour legislation". These Conventions and Recommendations taken together are known as the "International Labour Code". Wilfred Jenks describes the International Labour Code as the corpus juris of social justice.

14.5 EVOLUTION OF IR IN INDIA

India is primarily an agricultural country. Immediately after India became a Sovereign Democratic Republic, the concept of planned economic development through planning was accepted and the Planning Commission was set up in March 1950. The advent of the era of planning brought in its wake a set of new problems and popular expectations. The 11 successive plans laid down certain

principles regarding: (i) worker's right of association and organization, (ii) the machinery and procedure for settlement of disputes and the implementation of awards and agreements. The plans have had two distinctive objectives in regard to industrial relation; (i) the avoidance of industrial disputes and creation of machinery for settlement of industrial disputes and (ii) The creation of necessary atmosphere for the development of labour management co-operation and harmonious relations through the adaptation of suitable institutional frame work.

The application of the concept of social justice is the primary objective of the state as envisaged in our constitution. Social justice is one of the aspirations of the Indian constitution. Supreme Court has also enforced labour laws in India. The ILO has played a key role in promoting international labour standards. It was set up in 1919. India is a founder member of ILO.

The central laws relating to the subject of labour relations are currently the Industrial Dispute Act 1947, the Trade Unions Act 1926, the Factories Act, 1948, The Employees' Compensation Act 1923, The Employees' State Insurance Act 1948, The Maturity Benefit Act 1961, The Employees' Provident Fund and Misc. Provisions Act 1952, the Payment of Wages Act, 1936, The Minimum Wages Act 1948, The Apprentices Act 1961, The Payment of Bonus Act, 1965 and the Industrial Employment (Standing Orders) Act 1946, Sales Promotion Employees (Conditions of Service) Act, 1976. There are state level laws too.

Indian government has ensured that there is work for all who are available for and seeking work and such work is as productive as possible, there is freedom of choice of employment and fullest possible opportunities for each worker irrespective of race, colour, sex, religion, social origin and political opinion. On the basis of above said policy, workers are given the right to work of one's choice, right against discrimination, prohibition of child labour, right to social security, right to redressal of grievances, right to organize and form trade unions and right to collective bargaining and right to participation in management, right to guaranteed wages etc.

The emergence of globalization, liberalization and privatization has brought new challenges. Therefore labour laws were being amended several times to maintain good industrial relations in India. In view of this second National Commission on Labour had recommended some headway to remove the irritants and stumbling blocks. Disinvestment/privatization and VRS are almost accepted facts of modern industrial relations. Social security and employment guarantee schemes like MNREGA, Asha workers, Anganwadi workers are being provided for unorganized and agricultural sectors. The establishment of 'special economic zones' is another area which shows the emergence of business scenario and attitude of government towards IR. The attitude of judiciary is also changing. The recent judgements of the Supreme Court on contract labour, disciplinary action and absenteeism and strikes shows the viewpoint of lobal competition and economic reforms.

14.6 ROLE OF STATE AND TRADE UNIONS IN INDUSTRIAL RELATIONS

Role of state in industrial relations- In recent years the State has played an important role in regulating industrial relations but the extent of its involvement in the process is determined by the level of social and economic development while the mode of intervention gets patterned in conformity with the political system obtaining in the country and the social and cultural traditions of its people. The degree of State intervention is also determined by the stage of economic develop. For example, in a developing economy like ours, work-stoppages to settle claims have more serious consequences than in a developed economy and similarly, a free market economy may leave the parties free to settle their relations through strikes and lockouts but in other systems varying degrees of State participation is required for building up sound industrial relations.

In India, the role played by the State is an important feature in the field of industrial relations and State

intervention in this area has assumed a more direct form. The State has enacted procedural as well as substantive laws to regulate industrial relations in the country.

Role of trade unions in maintaining industrial relations- The trade unions have a crucial role to play in maintaining smooth industrial relations. It is true that the unions have to protect and safeguard the interests of the workers through collective bargaining. But at the same time they have equal responsibility to see that the organization does not suffer on account of their direct actions such as strikes, even for trivial reasons. They must be able to understand and appreciate the problems of managements and must adopt a policy of 'give and take' while bargaining with the managements. Trade unions must understand that both management and workers depend on each other and any sort of problem on either side will do harm to both sides. Besides public are also affected, particularly when the institutions involved are public utility organizations.

14.7 EMPLOYER'S ORGANIZATION

As workers get together for joint action through trade unions, likewise employers organize themselves in furtherance of common objectives of evolving common attitudes to labour or approaches to national policies, as also for standardization of wages and other conditions of employment in the industry within a local area. The main objectives of employer's organization are as follows:

- i. to promote collective bargaining in different levels
- ii. to develop healthy and stable industrial relations
- iii. to bring a unified employers' viewpoint on various issues of industrial relations
- iv. to represent employers' organization in the meetings of ILC and SLC boards in conformity with tripartite approach to labour matters

Origin, growth and Development- The origin, growth and development of employers' organization have three distinct phases: the period prior to 1930, the period from 1930 to 1946 and the post-Independence period.

1. **Pre 1930 period-** The period was characterized mainly by the formation of associations of merchants in the form of chambers of commerce. During the latter half of the last century, industrial associations also came into being with the aim of protecting the commercial interests of their members and securing concessions from the government. The regional associations like The Bombay Mill Owners Associations, The Bengal Mill Owners Association, and The Ahmadabad Mill Owner Associations were formed.
2. **1931-1946-** Organizing chambers of commerce and industrial association for dealing with variety of problems connected with industry was the rule prior to 1930. Some of these chambers dealt with labour matters too. The All India Organization of Industrial Employers (AIOE) and the Employers' Federation of India (EFI) came into existence in 1933 to comprehend and deal with problems of industrial labour in a concerted manner. The All India Manufacturers' Organization (AIMO) was formed in 1941.
3. **Post Independence period-** The period since independence witnessed the growth of planning, expansion of industrial activities, extension of democratic apparatus and several labour laws etc which acted as spur for strengthening and expansion of employers' organization. At present employers' organization are organized at three levels: (a) employers operating through their local organizations otherwise, (b) industrial associations which cut across state boundaries; and (c) federation which comprise representatives both of industries and centers. The period witnessed significant developments and several employers' organizations and federations were setup.

Role and Functions of Employers' Organizations- The main role and function of an employers' organization is to protect and promote the interest of its members. Its activities are designed and directed in such a manner that their members stand to gain. Organizations have to work on broader plane, labour problems are the only a part of their overall responsibilities. Economic, commercial, fiscal matters and policies are equally or even more important for them. The organizations represent their members view in formation of government's policies, rules and regulation and giving advice to members on the interpretations and extent of applicability of agreements and new acts and regulations.

Employers' organizations involve themselves in politics also for legislative support to realize their objectives. Political activity by employers' organization may be as inimical to peace in industry as that by workers associations. Along with their economic gains they also keep in view the needs of the developing economy, the requirement of planned growth, importance of maintenance of peace in industry and social responsibilities.

Employers' Federations- The main employers' organizations are as follows:

1. Employers' Federation of India (EFI)
2. The All India Organization of Employers (AIOE)
3. The All India Manufacturers Organization (AIMO)
4. Council of Indian Employers (CIE)
5. Federation of Indian Chambers of Commerce and Industry (FICCI)
6. The Associated Chamber of Commerce and Industry of India (ASSOCHAM)
7. Standing Conference of Public Enterprises (SCOPE)

14.8 SUMMARY

Industrial relations are an integral aspect of social relations arising out of employer-employee interactions in modern industries, which are regulated by the state in varying degrees, in conjunction with organised social forces and influenced by the existing institutions. This involves a study of the legal system, and the workers and employers organizations at the institutional level and of the patterns of industrial organization (including management), capital structure (including technology), compensation of the labour forces, and a study of market forces-all at the economic level. It has two faces as cooperation and conflict. Industrial relations are invariably a combination of cooperation, collaboration and conflict between labour and management. Thus, the relationship revolves into a form of cycle, starting with cooperation soon changes into conflict and after its resolution, again changes into cooperation. However, efforts should be made to seek the maximum degree of cooperation and collaboration between them so that organizational objectives may be achieved efficiently. The term 'human relation' is widely used for inter-personal relationships among individuals as well as the behavior of individuals as members of groups. The term 'industrial relations' is used widely in industrial organizations and refers to the relations between the employers and workers in an organization, at any specified time.

According to psychologists, problems of industrial relations have their origin in the perceptions of the management, unions and rank and file workers. These perceptions may be the perceptions of persons, of situations or of issues involved in the conflict. According to sociologists, industry is an inseparable from the society in which it functions. Through the main function of an industry is economic, its social consequences are also important such as urbanization, social mobility, housing and transport problem in industrial areas, disintegration of family structure, stress and strain, etc. According to human relation approach, major problems in industrial relations arise out of a tension which is created

because of the employer's pressures and workers' reactions, protests and resistance to these pressures through protective mechanisms in the form of workers' organization, associations and trade unions.

The International Labour Organisation (ILO) was set up in 1919 by the Versailles Peace Conference as an autonomous body associated with the League of Nations. The three main functions of the ILO are to establish international labour standards; to collect and disseminate information on labour and industrial conditions; and to provide technical assistance for carrying out programmes of social and economic development. From the very beginning, the ILO has been confronted with the tremendous task of promoting social justice by improving the work and conditions of life in all parts of the world.

In recent years the State has played an important role in regulating industrial relations but the extent of its involvement in the process is determined by the level of social and economic development while the mode of intervention gets patterned in conformity with the political system obtaining in the country and the social and cultural traditions of its people. The degree of State intervention is also determined by the stage of economic develop. The trade unions have a crucial role to play in maintaining smooth industrial relations. It is true that the unions have to protect and safeguard the interests of the workers through collective bargaining. But at the same time they have equal responsibility to see that the organization does not suffer on account of their direct actions such as strikes, even for trivial reasons.

The main objectives of employer's organization are to promote collective bargaining in different levels, to develop healthy and stable industrial relations, to bring a unified employers' viewpoint on various issues of industrial relations. The main role and function of an employers' organization is to protect and promote the interest of its members. Its activities are designed and directed in such a manner that their members stand to gain. Organizations have to work on broader plane, labour problems are the only a part of their overall responsibilities.

14.9 SELF ASSESSMENT EXERCISE

1. What are the reasons for industrial disputes?
2. Explain the various provisions of industrial laws.
3. Discuss the role of trade unions in industrial relations.

14.10 FURTHER READINGS

1. Bhagoliwal TN, Personal Management and Industrial Relations, Agra Publ.
2. Arun Monappa, Industrial Relations, Tata Mc Graw Hill.
3. Michael V P, HRM and Human Relations, Himalaya.
4. Mamoria and Mamoria, Dynamics of Industrial Relations in India, Himalaya.
5. Chhabra TN, Fundamentals of Human Resource Management, Sun India Publication New Delhi.

Structure

- 15.0 Unit Objectives
- 15.1 Meaning and Definition of Employee Discipline
- 15.2 Indiscipline
- 15.3 Grievances Handling
- 15.4 Grievances Handling Procedure
- 15.5 Labour Turnover
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15.0 UNIT OBJECTIVES

After studying this lesson, you will be able to:

- explain the meaning & importance of discipline and indiscipline;
- identify the features of grievance handling and its procedure;
- describe the various approaches of labour turnover like separation, retrenchment, voluntary retirement and dismissal;
- understand the meaning and causes of absenteeism.

15.1 MEANING AND DEFINITION OF EMPLOYEE DISCIPLINE

Discipline may be defined as an attitude of mind which aims at inculcating restraint, orderly behaviour and respect for and willing obedience to a recognized authority. In any industry discipline is a useful tool for developing, improving and stabilizing the personality of workers. Industrial discipline is

essential for the smooth running of an organisation, for increasing production and productivity, for the maintenance of industrial peace and for the prosperity of the industry and the nation. It is a process of bringing multifarious advantages to the organisation and its employees.

Meaning

Webster's Dictionary gives three meanings to the word "discipline". First, it is the training that corrects, moulds, strengthens or perfects individual behaviour; second, it is control gained by enforcing obedience; and third, it is punishment or chastisement.

According to Dr. Spiegel, "discipline is the force that prompts an individual or a group to observe the rules, regulations and procedures which are deemed to be necessary to the attainment of an objective; it is force or fear of force which restrains an individual or a group from doing things which are deemed to be destructive of group objectives.

Discipline is a product of culture and environment and a basic part of the management of employee attitudes and behaviour. It is a determinative and positive willingness which prompts individuals and groups to carry out the instructions issued by management, and abide by the rules of conduct and standards or work which have been established to ensure the successful attainment of organizational objectives. It is also a punitive or a big stick approach which imposes a penalty or punishment in case of disciplinary violations.

There are two types of discipline, one is positive and the other is negative. *Positive Discipline* employs constructive force to secure its compliance. It is immeasurably more effective and plays a greater role in business management. *Negative Discipline*, on the other hand, includes both the application of penalties for violation and the fear of penalties that serve as a deterrent to violation. Positive discipline prevails only where the employees have a high morale. In other situations, negative discipline becomes unavoidable.

Aims and objectives- The main aims and objectives of discipline are:

- To obtain a willing acceptance of the rules, regulations and procedures of an organisation so that organizational objectives can be attained;
- To develop among the employees a spirit of tolerance and a desire to make adjustments;
- To give and seek direction and responsibility;
- To create an atmosphere of respect for human personality and human relations;
- To increase the working efficiency morale of the employees; and
- To impart an element of certainty despite several differences in informal behaviour patterns and other related changes in an organisation.

15.2 INDISCIPLINE

The term 'indiscipline' generally means the violation of formal or informal rules and regulations in an organisation. Indiscipline, if unchecked, will affect the morale of the organisation. Hence indiscipline is to be checked by appropriate positive means to maintain industrial peace.

Causes for indiscipline in organizations- It is more complex and difficult to identify the causes of indiscipline. The policies and procedures of organizations, the attitude of the management towards workers, the attitude of workers, individual behaviors etc. are the causes for indiscipline.

The important causes for indiscipline are:

- Ineffective leadership to control, coordinate and motivate workers.
- Low wages and poor working conditions.
- Lack of timely redressal or workers' grievances.
- Lack or defective grievance procedure.
- Character of the workers such as gambling, drinking, violent nature etc.
- Political influence.

Principle of Effective Discipline- Disciplinary actions have serious repercussions on the employees and on the industry, and, therefore, must be based on certain principles in order to be fair, just and acceptable to be the employee and their unions. Therefore, in any discipline maintenance system, certain principles are to be observed such as:

1. The rules of discipline, as far as possible, should be framed in cooperation and collaboration with the representatives of employees for their easy implementation. Employees in a group should be associated in the process of discipline enforcement. The group as a whole can control an individual works much more effectively than the management can through a process of remote control or by imposing occasional penalties. Informal groups are likely to exert social pressures on wrong-doers avoiding the need for negative disciplinary actions.
2. The rules and regulations should be appraised at frequent and regular intervals to ensure that they are appropriate, sensible and useful.
3. The rules and regulations should be flexible to suit different categories of employees in the organisation, i.e., both the blue-collar workers and white-collar employees.
4. The rules must be uniformly enforced for their proper acceptance. They must be applied fairly and impersonally. In other words, all defaulters should be treated alike, depending upon the nature of their offence and past record. Any discrimination or favoritism in this regard is likely to create discontent among the employees. Further, there should be a definite and precise provision for appeal and review of all disciplinary actions.
5. The rules of discipline embodied in the standing orders, or in the company's manual, must be properly and carefully communicated to every employee preferably at the time of induction for their easy acceptance. It serves as a warning and a learning process and helps to improve future behaviors of the employees in the enterprise.
6. Every kind of disciplinary penalty, even if it is a rebuke or a warning, should be recorded. In some of the American industries they have what is known as the "pink slip system". Pink slips are issued as warning signals to a defaulting employee. A person who has been issued with a stated number of pink slips will be liable to be laid-off or discharged, and no elaborate procedure has to be followed.
7. The responsibility for maintaining employee discipline should be entrusted to a responsible person (e.g. a line executive), through it is the personnel officer who should be given the responsibility of offering advice and assistance. The line executive should issue only verbal and written warnings. In serious matters, which warrant suspension, discharge etc., the industrial relations departments should be consulted.

8. Disciplinary actions should be taken in private because its main objectives is to ensure that a wrong behaviour is corrected and not that the wrongdoer is punished. If disciplinary actions are taken in the presence of other employees, it may offend the sense of dignity of the employee and impair his social standing with his colleagues. Similarly, an immediate supervisor should never be disciplined in the presence of his subordinates. If this happens, it would lower his status and authority, and make it difficult, if not impossible, for him to discipline his subordinates under certain circumstances.
9. A punitive actions must satisfy the principle of natural justice. The management must act without bias and without vindictiveness, and its disciplinary actions must be based on justice and fairplay. The punishment should be commensurate with the gravity of the offence. An individual is presumed to be innocent until he is proved to be guilty. The burden of proof is on the employer and not on the employee.

Approaches to Discipline Enforcement- The different approaches to discipline include-

- Human Relations Approach
- Human Resources Approach
- Group Discipline Approach
- The Leadership Approach and

Under human relations approach, the employee is treated as human being and his acts of indiscipline will be dealt from the view point of human values, aspirations, problems, needs, goals, behaviors etc. In this approach the employee is helped to correct his deviations.

Under human resources approach, the employee is considered as 'resource' as an asset to the organisation. This approach analysis the cause of indiscipline from management activities such as defects in selections, training, motivations, leadership etc., after indentifying the defects, corrective steps are carried out by the management.

Under group discipline approach, group as a whole, sets the standard of disciplines and punishments for the deviations. In this approach, trade unions also act as agencies in maintaining discipline in work situation.

Under the leadership approach, in disciplinary cases are dealt on the basis of legislations and court decisions. The Industrial Employment (Standing Orders) Act, 1946 to a certain extent, prescribed the correct procedure that should be followed before awarding punishment to an employee.

Code of Discipline- The Fifteenth Indian Labour Conference discussed the question of discipline in industry and lain down the following general principles:

- There should be no lock-out or strike without notice.
- No unilateral action should be taken in connection with any industrial matter.
- There should be no recourse to go-slow tactics.
- No deliberate damage should be caused to plant or property.
- Acts of violence, intimidation, coercion or instigation should not be resorted to.

- The existing machinery for settlement of disputes should be utilized.
- Awards and agreements should be speedily implemented.
- Any agreement which disturbs cordial industrial relations should be avoided.

The Code embodies four parts. Part I contains the duties and responsibilities of employees, workers and the government in maintaining discipline in industry. Part II enlists the common obligations of management and unions. Part III deals with the obligations of management only, while Part IV relates to those of the unions only. In additions, Annexure-A to the Code embodies the national level agreement on the criteria for the recognition of unions. A supplementary document contains the rights of recognized unions and a model grievance procedure. Thus, the Code is highly comprehensive and ethical in its approach to the industrial relations system. It has been reproduced below.

Part –I: To maintain discipline in industry (both in public and private sectors)

There has to be: (i) a just recognition by employers and workers of the rights and responsibilities of either party, as defined by the laws and agreements (including bipartite and tripartite agreements arrived at all levels from time to time); and ii) a proper and willing discharge by either party of its obligation consequent on such recognition.

Part – II: To ensure better discipline in industry, management and union(s) agree

- that no unilateral actions should be taken in connection with any industrial matter and that disputes should be settled at appropriate level;
- that the existing machinery for settlement of disputes should be utilized with the utmost expedition.
- that there should be no strike or lock-out without notice;
- that affirming their faith in democratic principles, they bind themselves to settle all future differences, disputes and grievances by mutual negotiation, conciliation and voluntary arbitration;
- that neither will have recourse to (a) coercion, (b) intimidation, (c) victimization, and (d) go-show;
- that they will avoid (a) litigation, (b) sit-down and stay-in-strikes, and (c) lock-outs;
- that they will promote constructive cooperation between their representatives at all levels and as between workers themselves and abide by the spirit of agreements mutually entered into;
- that they will establish upon a mutually agreed basis a Grievance Procedure which will ensure a speedy and full investigation leading to settlement;
- that they will abide by various stages in the Grievance Procedure and take no arbitrary action which would by-pass this procedure; and
- that they will educate the management personnel and workers regarding their obligations to each other.

Part-III Management agrees

- not to increase work-loads unless agreed upon or settled otherwise;
- not to support or encourage any unfair labour practice such as: (a) interference with the right of employees to enroll or continue as union members; (b) discriminations, restraint or coercion

against any employee because of recognized activity of trade unions; and (c) victimization of any employee and abuse of authority in any form;

- to take prompt actions for (a) settlement of grievance, and (b) implementation of settlements, awards, decisions and orders;
- to display in conspicuous places in the undertaking the provision of this Code in local language(s);
- to distinguish between actions justifying immediate discharge and those where discharge must be preceded by a warning, reprimand, suspension or some other form of disciplinary action and to arrange that all such disciplinary action should be subject to an appeal through normal Grievance Procedure;
- to take appropriate disciplinary action against its officers and members in cases where enquiries reveal that they were responsible for precipitate action by workers leading to indiscipline; and
- to recognize the unions in accordance with the criteria (Annexure A given below) evolved at the 16th session of the Indian Labour Conference held in May, 1958.

Part-IV: Union(s) agree

- not to encourage any form of physical duress;
- not to permit demonstrations which are not peaceful and not to permit rowdiness in demonstration;
- that their members will not engage or cause other employees to engage in any union activity during working hours, unless as provided for by law, agreement or practice;
- to discourage unfair labour practices such as: (a) negligence of duty, (b) careless operation, (c) damage to property, (d) interference with or disturbance to normal work, and (e) insubordination;
- to take prompt actions to implement awards, agreements, settlements and decisions;
- to display in conspicuous places in the union offices, the provision of this Code in the local language(s); and
- to express disapproval and to take appropriate action against office bearers and members for indulging in action against the spirit of this Code.

The Code does not have any legal sanction but the following moral sanctions are behind it:

1. The Central Employers' and Workers' Organizations shall take the following steps against their constituent units guilty of breaches of Code:
 - to ask the unit to explain the infringement of the Code;
 - to give notice to the unit to set right the infringement within a specific period;
 - to warn, and in case persistent violation of the Code; and

- not to give countenance, in any manner, to non-members who did not observe the Code; and
 - not to give countenance, in any manner, to non-members who did not observe the Code.
2. Grave, willful and persistent breaches of the Code by any party should be widely publicized.
 3. Failure to observe the Code would entail derecognition normally for a period of one year-this period may be increased or decreased by the implementing Committee concerned.
 4. A dispute may not ordinarily be referred for adjudication if there is a strike or lockout without proper notice or in breach of the code as determined by an Implementation.

The Code of Discipline worked well at the beginning of its introduction and had a considerable impact on the industrial relations scene. But, however, the impact of the Code was not sustained over a long period of time due to several problems in its application and implementation. The spirit of the Code has not been imbibed by the central organisations which were signatories to it.

According to the National Commission on Labour, the Code has had only limited success and was obviously not the answer to the industrial relations problems. The Code began to rust and the parties were more eager to take it off; they developed an attitude of indifference. As regards the future of the Code, the Commission was in favour of giving a legal form to its important provisions regarding recognition of unions, grievance procedure, unfair labour practices, and the like. With the removal of these provisions from the Code to give them a statutory shape, the Code will have no useful function to perform.

Discipline is a two-way traffic and a breach of discipline on the part of either party in industry will cause unrest. The approach to managing discipline depends to a great extent upon managerial philosophy, culture and attitude towards the employees. A negative approach to discipline relies heavily on punitive measures and in the line with the traditional managerial attitude of "hire and fire" and obedience to orders. On the other hand, a constructive approach stress on modifying forbidden behaviour by taking positive steps like educating, counseling etc., The concept of positive discipline promotion aims at the generation of a sense of self-discipline and disciplined behaviour in all the human beings in a dynamic organizational setting, instead of discipline imposed by force or punishment. In brief, the approach to the disciplinary action in most cases should be corrective rather than punitive.

15.3 GRIEVANCES HANDLING

A grievance is a sign of the employees' discontent with job and its nature. It is caused due to the difference between employee expectation and management practice.

Beach defines a grievance as, 'any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the notice of the management.

Jucius defines a grievance as 'any discontent or dissatisfaction, whether exposed or not, whether valid or not, arising out of anything connected with the company which an employee thinks, believes or even feels to be unfair, unjust and inequitable'.

A grievance is a problem submitted by an employee or by a few employees of different types. It may be conce4ring a situation or may likely to affect the terms and conditions of employment of one worker or a few workers.

In the Indian context, 'grievance' may be said to "the representation by a worker, a group of workers or the unions to the management relation to the terms and conditions of employment, breach of

the freedom of association or the provisions of standing orders or non-implementation of the Government orders, conciliation agreements or adjudicators' awards". It may also include representation against non-compliance with provision of a collective agreement in an establishment where it has been signed.

Grievances usually result in definite and considerable losses to employee morale, efficiency and productivity. The accumulation of grievance leads to strikes, lock outs and other forms of conflicts. Therefore, proper disposal of grievances deserves special and adequate consideration in any programme of harmonizing industrial relations.

Areas of Grievances

Grievances resulting from working conditions

- Poor physical conditions of work place.
- Lack of proper tools, machines and equipments.
- Frequent changes in schedules or procedures.
- Rigid production standards
- Improper matching of the worker with the job.
- Poor relationship with the supervisor.

Grievances resulting from management policy and practices

- Poor payment
- Lack of job security
- Inadequate benefits such as medical benefits, leave travel concession etc.
- Leave facilities
- Seniority
- Transfer
- Promotion
- Lack of career planning and development
- Hostility towards labour union
- Defective leadership style
- Communication gap

Grievances resulting from alleged violations of

- Violation collective bargaining agreement
- Violation of Central/State laws

- Violation of common rules

Grievances resulting from personal maladjustment

- Over ambition
- Excessive self-esteem

Methods of Identifying Grievances

The following methods can help the employer to identify the grievances:

1. **Directive observation:** Knowledge of human behaviour is requisite quality of every good manager. From the changed behaviour of employees, he should be able to sniff the causes of grievances. This he can do without its knowledge to the employee. This method will give general pattern of grievances. In addition to normal routine, periodic interviews with the employees, group meetings and collective bargaining are the specific occasions where direct observation can help in unfolding the grievances.
2. **Grip boxes:** The boxes (like suggestion boxes) are placed at easily accessible spots to most employees in the organisation. The employees can file anonymous complaints about their dissatisfaction in these boxes. Due to anonymity, the fear of managerial action is avoided. Moreover management's interest is also limited to the free and fair views of employees.
3. **Open door policy:** Most democratic by nature, the policy is preached most but practiced very rarely in Indian organizations. But this method will be more useful in absence of an effective grievance procedure, otherwise the organisation will do well to have a grievance procedure. Open door policy demands that the employees, even at the lowest rank, should have easy access to the chief executive to get his grievances redressed.
4. **Exit interview:** Higher employee turnover is a problem of every organisation. Employees leave the organisation either due to dissatisfaction or for better prospects. Exit interviews may be conducted to know the reasons for leaving the job. Properly conducted exit interviews can provide significant information about the strengths and weaknesses of the organisation and can pave way for further improving the management policies for its labour force.

Principles or Guidelines for Grievance Handling

1. In handling grievances, a considerable amount of time must be spent in talking to employees; gathering data from them and passing on various types of information. Such talks to be most effective, should conform to definite patterns and adhere to well tested rules.
2. The manager must seek to develop an attitude towards employees that should be helpful in gaining their confidence. The management should also display a sincere interest in the problems of employees and their constructive willingness to be to help to them with a view to gain not only their confidence but also their utmost loyal by and genuine cooperation.
3. The procedure adopt by the management in handling the grievances must be apparent.
4. Grievances should be handled in terms of their total effect on the organisation and not solely their immediate or individual effect.

15.4 GRIEVANCES HANDLING PROCEDURE

Grievance procedure is the most significant channel through which dissatisfaction of employees can be communicated to management. A grievance procedure is an ordered multistep process that the

employer and employee jointly use to redress grievances and resolve disputes that arise. Thus a formal procedure which attempts to resolve the differences of parties involved, in an orderly, peaceful and expeditious manner, may be defined as grievance procedure or grievance redressal machinery. The steps in this machinery vary from organisation to organisation.

For handling grievances, as a first step, the management is required to designate the persons for each of the various departments to be approached by the workers and the department heads for handling grievances as the second step. A Grievance Committee may also be constituted with representatives of workers and management.

The model grievance procedure gives the various steps through which a grievance should be processed.

First, the grievance is taken to the departmental representative of the management who has to give an answer within 48 hours. Failing this, the aggrieved worker/ employee can meet the departmental head along with the departmental representative of the management and this step is allotted three days. Above this, the grievance is taken up by the Grievance Committee which should make its recommendations to the manager within seven days. The final decision of the management has to be communicated to the workers or employee concerned within three days of the Grievance Committee's recommendations. If the employee is not satisfied, he can make an appeal for revision and the management has to communicate its decision within a week. In the case of non-settlement, the grievance may be referred to voluntary arbitration. The formal conciliation machinery will not be invoked till the final decision of the top management has been found unacceptable by the aggrieved employee.

In the case of any grievance arising out of discharge or dismissal, the workman or employee has the right to appeal either to the dismissing authority or to a senior authority specific by the management within a week from the date of dismissal or discharge.

Although the grievance procedure gives the employees opportunity to raise their grievances to the highest possible level of management, yet they should be resolved as close as possible to their source. The main object of grievance procedure is to resolve the grievance at earliest possible stage. The management must convince itself that justice is not only done, but seen to be done and the presence of a trade union representative with the aggrieved party helps to ensure fair play not only for the employee concerned, but also for his management.

Steps in handling grievances

It is important that grievance must be handled in a systematic manner. The following steps should be taken in handling grievances:

1. Defining, describing or expressing the nature of the grievances as clearly and fully as possible;
2. Gathering all facts that serve to explain when, how, where, to whom and why the grievance occurred;
3. Establishing tentative solutions or answers to the grievances;
4. Gathering additional information to check the validity of the solutions and thus ascertain the best possible solution;
5. Applying the solution, and
6. Following up the case to see that it has been handled satisfactorily and the trouble has been eliminated.

15.5 LABOUR TURNOVER

In every organization, employees constantly join and leave for one reason or the other. The relation between the number of persons joining the organization and leaving due to resignation, retirement or retrenchment to the average number on the payroll is called labour turnover. Labour turnover can be defined as the ratio of the number of employees that leave a company through attrition, dismissal, or resignation during a period to the number of employees on payroll during the same period. The rate of labour turnover may be calculated by the following formula:

Labour Turnover Rate = number of workers joined and left during the year/ Average number of workers on the payroll x 100

Labour turnover arises because of accession in the organization and separation from the organization. These concepts are defined below:

Accession: It means addition of employees due to their appointment in the organization.

Separation: It means separation of employees from the organization. It includes (a) retirement or death; (b) quit i.e. when an employee resigns on his own; (c) layoff, i.e. when an employer removes an employee declaring him to be surplus and (d) discharge, i.e. termination of an employee because of misconduct or poor performance.

Measures to Control Labour Turnover

Excessive labour turnover is not desirable because it shows that labour force is not contented. Therefore, every effort should be made to remove the avoidable causes. The following steps may be taken to reduce the labour turnover.

- (1) A suitable personnel policy should be framed for employing (the right man for the right job and giving a fair and equal treatment to all workers.
- (2) Good working conditions which may be conducive to health and efficiency should be provided.
- (3) Fair rates of pay and allowances and other monetary benefits should be introduced.
- (4) Maximum non-monetary benefits i.e. fringe benefits should be introduced.
- (5) Distinctions should be made between efficient and inefficient workers by introducing incentive plans whereby workers may be rewarded more as compared to inefficient workers.
- (6) An employee suggestion scheme should be introduced whereby workers who suggested improvements in the method of production should be suitably rewarded.
- (7) Labour management relationships should be improved by encouraging labour participation in management.

15.6 ABSENTISM

By absenteeism we mean a condition that arises when an employee fails to come to work when he is scheduled to work. The study of absenteeism is very important because excessive absenteeism tells upon the productivity of the organization.

Absenteeism is voluntary non attendance at work, without valid reason. Absenteeism means either habitual evasion of work, or willful absence as in a strike action. It does not include involuntary or occasional absence due to valid causes, or reasons beyond one's control, such

as accidents or sickness.

Absenteeism is an employee's intentional or habitual absence from work. While employers expect workers to miss a certain number of workdays each year, excessive absences can equate to decreased productivity and can have a major effect on company finances, morale and other factors. This article looks at the causes of absenteeism, the costs of lost productivity and what employers can do to reduce absenteeism rates in the workplace.

Causes of Absenteeism- People miss work for a variety of reasons, many of which are legitimate and others less so. Some of the common causes of absenteeism include (but are not limited to):

- **Bullying and harassment** – Employees who are harassed by coworkers and/or bosses are more likely to call in sick to avoid the situation
- **Burnout, stress and low morale** – Heavy workloads, stressful meetings/presentations and feelings of being unappreciated can cause employees to avoid going into work. Personal stress (outside of work) can lead to absenteeism.
- **Childcare and eldercare** – Employees may be forced to miss work in order to stay home and take care of a child/elder when normal arrangements have fallen through (for example, a sick caregiver or a snow day at school) or if a child/elder is sick.
- **Depression** - The leading cause of absenteeism is depression. Depression can lead to substance abuse if people turn to drugs or alcohol to self-medicate their pain or anxiety.
- **Disengagement** - Employees who are not committed to their jobs, coworkers and/or the company are more likely to miss work simply because they have no motivation to go.
- **Illness** - Injuries, illness and medical appointments are the most commonly reported reasons for missing work (though not always the actual reason). Not surprisingly, each year during the cold and flu season, there is a dramatic spike in absenteeism rates for both full-time and part-time employees.
- **Injuries** - Accidents can occur on the job or outside of work, resulting in absences. In addition to acute injuries, chronic injuries such as back and neck problems are a common cause of absenteeism.
- **Job hunting** – To attend the job interview may be a reason for absenteeism.
- **Partial shifts** - Arriving late, leaving early and taking longer breaks than allowed are considered forms of absenteeism and can affect productivity and workplace morale.

In brief absenteeism is caused due to sickness, accidents, poor control, gender biased, lack of interest and miscellaneous causes.

Control of Absenteeism: The management may use the following measures to control absenteeism:

- **Proper Induction:** Train the new employees properly.
- **Investigation:** Analyse the various causes of absenteeism.
- **Punishment:** Take disciplinary action.
- **Counseling:** Employees should be interviewed and provided suggestions.
- **Preventions of accidents:** Take adequate safety measures.
- **Effective Supervision:**

15.7 WORKER'S PARTICIPATION IN MANAGEMENT

Workers participation in management is an essential ingredient of industrial democracy. The concept of workers participation in management is based on "Human Relations" approach to management which brought about new set of values to labour and management.

Traditionally, the concept of Workers' Participation in Management (WPM) refers to participation of non-managerial employees in the decision-making process of the organisation. Workers' participation in management meets the psychological needs of the workers to a greater extent. That way it may also be treated as the process of delegation of authority in the general areas of managerial functions.

According to one view, workers participation is based on the fundamental concept that the ordinary worker invests his labour in, and ties his fate to, his place of work and, therefore, he has a legitimate right to have a share in influencing the various aspects of company policy".

To quote the version of British Institute of Management, "Workers' participation in management is the practice in which employees take part in management decisions and it is based on the assumption of commonality of interest between employer and employee in furthering the long term prospects of the enterprise and those working in it".

According to G.S. Walpole, participation in management gives the workers a sense of importance, pride and accomplishment; it gives him the freedom and the opportunity for self-expression; a feeling of belonging to his place of work and a sense of workmanship and creativity. It provides for the integration of his interest with those of the management and makes him a joint partner in the enterprise".

Dr. Alexander considers a management to be participative, "if it gives scope to the workers to influence its decision making process on any level or sphere or if it shares with them some of its managerial prerogatives".

Clegg says, "It implies a situation where workers representatives are, to some extent, involved in the process of management decision making, but where the ultimate power is in the hands of the management".

It should be borne in mind that when individuals are provided with opportunities for expression and share in decision-making, they show much initiative and accept responsibility substantially. The rationale of workers' participation in management lies in that it helps in creating amongst the workers a sense of involvement in their organisation, a better understanding of their role in the smooth functioning of industry and provides them a means of self-realization, thereby, promoting efficiency and increased productivity.

Thus the concept workers' participation in management encompasses the following:

- It provides scope for employees in the decision making of the organisation.
- The participation may be at the shop level, departmental level or at the top level.
- The participation includes the willingness to share the responsibility by works as they have a commitment to execute their decisions.
- The participation is conducted through the mechanism of forums which provide for association of workers representatives.
- The basic idea is to develop self control and self discipline among works, so that the management becomes "Auto Management".

Objectives- The scheme has economic, psychological, ethical and political objectives.

- Its psychological objective of the scheme is to secure full recognition of the workers. Association of worker with management provides him with a sense of importance, involvement and a feeling of belongingness. He considers himself to be an indispensable constituent of the organisation.
- Socially, the need for participation arises because modern industry is a social institution with the interest of employer, the share-holders, the community and the workers equally invested in it.
- The ethical objective of participation is to develop workers free personality and to recognize human dignity.
- The political objective of participation is to develop workers conscious of their democratic rights on their work place and thus bring about industrial democracy.

Levels of Participation- Workers' participation is possible at all levels of management; the only difference is that of degree and nature of application. For instance, it may be vigorous at lower level and faint at top level. Broadly speaking there is following five levels of participation:

1. **Information participation:** It ensures that employees are able to receive information and express their views pertaining to the matters of general economic importance.
2. **Consultative participation:** Here works are consulted on the matters of employee welfare such as work, safety and health. However, final decision always rests at the option of management and employees' views are only of advisory nature.
3. **Associative participation:** It is extension of consultative participation as management here is under moral obligation to accept and implement the unanimous decisions of employees.
4. **Administrative participation:** It ensure greater share of works in discharge of managerial functions. Here, decision already taken by the management come to employees, preferably with alternatives for administration and employees have to select the best from those for implementation.
5. **Decisive participation:** Highest level of participation where decisions are jointly taken on the matters relation to production, welfare etc. is called decisive participation.

Forms of Workers' Participation in Management- The forms of workers participation in management vary from industry to industry and country to country depending upon the political system, pattern of management relations and subject or area of participation. The forms of workers participation may be as follows:

1. Joint Consultation Model
2. Joint Decision Model
3. Self Management, or Auto Management Scheme
4. Workers Representation on Board

1. **Joint consultation model:** In joint consultation model the management consults with the workers before taking decisions. The workers represent their view through 'Joint consultative Committees'. This form is followed in U.K., Sweden and Poland.
2. **Joint decision model:** In this form both the workers and management jointly decide and execute the decisions. This form of participation is followed in U.S.A. and West Germany.

3. **Self management of auto management:** In this model, the entire control is in the hands of workers. Yugoslavia is an example to this model. Where the state industrial units are run by the workers under a scheme called 'Self Management or Auto Management Scheme'.
4. **Workers' representation on board:** Under this method, the workers elect their representative and send them to the Board to participate in the decision making process.

The participation of workers may be formal or informal. In the formal participation, it takes the forms of formal structures such as Works Committee, Shop Councils, Production Committee, Safety Committee, Joint Management Councils, Canteen Committee etc. The informal participation may be such as the supervisor consulting the workers for granting leave, overtime, and allotment of worked or transfer of workers from one department to another.

Workers' Participation in Management in India

Workers participation in management in India was given importance only after independence. Industrial Disputes Act of 1947 was the first step in this direction, which recommended for the setting up of Works Committees. The Joint Management Councils were established in 1950 which increased the participation of labour in management. The management scheme, 1970 gave birth to 'Board of Management'. Since July 1975, the two-tire participation model called 'Shop Council' at the shop level and 'Joint Councils' at the enterprise level were introduced.

Based on the review and performance of previous schemes a new scheme was formulated in 1983. The new scheme of workers participation was applicable to all central public sector enterprises, except those specifically exempted. The scheme with equal number of representatives will operate both at shop as well as plant level. The various functions of participative forum laid down in the scheme could be modified with the consent of parties. The scheme could not make such head way due to lack of union leaders consensus of the mode of representation and workers' tendency to discuss ultra-vires issues e.g. pay scales, wages etc.

Prior to WPM Bill, 1990 all the schemes of participation were non-statutory and concentrated on particular levels. For effective and meaningful participation at all levels, a bill was introduced in Parliament on 25th May, 1990. The bill provide for effective participation at all level by formulating schemes of participation. For electing representatives for participation it also provides for secret ballot. The appropriate government may also appoint inspectors to review participation schemes and the bill also has provision of punishment for those who contravene any of the provision of the Act.

Thus the workers' participation schemes in India provide wide scope for application and upliftment of workers. But in practice, these schemes have not met with success though they are successful in some private sector units. The factors responsible for the failure are:

- Attitude of the management towards the scheme is not encouraging. The preventatives of workers are not given due recognition by the management.
- The attitude of trade unions towards the schemes is negative as they consider these schemes are reducing the power of Trade Unions. Some Trade Unions boycott Joint Management Council meetings.
- The success these schemes require certain conditions.
- Management should appreciate the scheme and accept them in full faith.
- Trade unions have to cooperate with the schemes.
- Workers have to be educated.

Thus workers' participation in management in India has yet to succeed. It can be done by educating the workers, creating an environment in the organisation for coordination of workers and management.

15.8 SEPARATION

Separation may arise in a number of ways, including resignation, retrenchment, retirement or dismissal. Each brings with it specific sensibilities that must be addressed carefully.

Managing separation is important in terms of staff morale, organizational planning and risk management. Most industrial awards contain clauses regulating termination of employment including redundancy and managers should seek advice if in any doubt about the processes required.

Managers responsible for separations should be aware of the potential difficulties inherent in the processes, and should ensure that the appropriate procedures are applied. The advantages of managing the separation process well can include the following:

- Maintaining the morale of employees
- Managing the workforce to meet the organization's needs
- Receiving feedback through an effective exit interview process
- Gaining relevant information regarding the strengths and weaknesses of the person to assist in refilling the position or in redeployment
- Provision of support if required

15.9 RESIGNATION

Awards and Employment Agreements provide standard procedures for an employee to notify his/her employer of intention to resign. In such cases, the employee is expected to give the Manager/Supervisor advance notice of his/her termination date. The amount of notice may differ for varying categories of staff and the staff member should check the Award or Employment Agreement before giving notice.

Advance notice will allow the club time to adjust working schedules and secure a replacement. Staff members who leave in good standing may be given consideration if they wish to return to work at a future date.

Resignation is inevitable as individuals move on and only heightens the need for good leadership development, succession planning and individual promotion so that no resignation presents the organization with enormous difficulty in filling the position again.

15.10 DISMISSAL

The most stressful and dissatisfied method of separation is that of dismissal or discharge. It is the termination of the employment by an employer because of variety of reasons but is often perceived as being the employee's fault, and is therefore considered disgraceful and a sign of failure. Dismissal of key person, typically at the senior management level is the most difficult to handle. The key person often has support from within or outside. Dismissed employees likely to go through the following stages:

1. Shock and disbelief
2. Rage and anger
3. Defensive reaction as displacement, repression
4. Despair and depression
5. Reflective grief
6. Positive behavior

There may be lot of reasons why an employee is being dismissed. It may be the employer seeking a lack of value in the employee, a series of incidents that when put into larger picture make the employer look negative or a single incident that is considered very severe. Other reasons are:

- Problem of attendance,
- Poor work performance,
- Problematic conduct,
- Off jobsite conduct tardiness,
- No call no show,
- Unauthorized breaks,
- Incompetence & negligence,
- Unprofessional mannerism,
- Foul language,
- Sleeping while on duty
- Harassment of other employee (sexual or racial),
- Violation of employers' policies,
- Illegal usage of office property or material.

15.11 RETRENCHMENT

Retrenchment means to cut down the size of employees or rightsizing of employees to reduce the cost of company. The employer makes a position redundant when its duties are no longer needed to be done by anyone. Once the position is redundant, the person doing its duties may either be redeployed by giving another job or retrenched i.e. lose their job and not offered another. When retrenching or making position redundant, an employer is responsible for following the Fair Work Act 2009, conditions under the National Employment Standards (NES) and any other employee awards or contracts.

Retrenchment is very common and logical pathway to improve profitability during poor economic conditions like recession time. But before going for retrenchment a company should think about mid-term or short-term measures also. Like salary reduction and cut down the facilities provided to employees etc.

15.12 VOLUNTARY RETIREMENT

In all organizations whether public, private or government, there is retirement age. On completion of a specified number of years of service, an employee retires from the job. But voluntary retirement is a decision made by the employee to leave the job. Such decisions are taken due to following reasons:

- Personal dissatisfaction with the job, employer or working conditions.
- Personal reasons not related to job that make holding or performing the job impossible or more difficult like family obligations, education, health or moving to a new location.
- Taking up a new job for want of better condition, better hours, shorter work place distance or better compensations or career progression.
- Fearing or anticipating involuntary termination, employees want to take matter into his hands in order to leave honorably. This also happens with mutual consent sometimes.

15.13 SUMMARY

Discipline may be defined as an attitude of mind which aims at inculcating restraint, orderly behaviour and respect for and willing obedience to a recognized authority. The term 'indiscipline' generally means the violation of formal or informal rules and regulations in an organisation. The important causes for indiscipline are: Ineffective leadership to control, coordinate and motivate workers, Low wages and poor working conditions, Lack of timely redressal or workers' grievances, Lack or defective grievance procedure, Character of the workers such as gambling, drinking, violent nature etc. A grievance is a sign of the employees' discontent with job and its nature. It is caused due to the difference between employee expectation and management practice. Beach defines a grievance as, 'any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the notice of the management. Absenteeism is caused due to sickness, accidents, poor control, gender biased, lack of interest and miscellaneous causes. Labour turnover arises because of accession in the organization and separation from the organization. Accession means addition of employees due to their appointment in the organization. Separation means separation of employees from the organization. It includes (a) retirement or death; (b) quit i.e. when an employee resigns on his own; (c) layoff, i.e. when an employer removes an employee declaring him to be surplus and (d) discharge, i.e. termination of an employee because of misconduct or poor performance. Voluntary retirement is a decision made by the employee to leave the job. Retrenchment means to cut down the size of employees or rightsizing of employees to reduce the cost of company. The most stressful and dissatisfied method of separation is that of dismissal or discharge. It is the termination of the employment by an employer because of variety of reasons but is often perceived as being the employee's fault, and is therefore considered disgraceful and a sign of failure.

15.14 SELF ASSESSMENT EXERCISE

1. Define Discipline.
2. Explain the meaning of separation, dismissal, retrenchment and resignation.
3. Define absentism. What are the causes of absentism?
4. What do you mean by worker's participation in management?
5. Explain the procedure of grievance handling.

15.15 FURTHER READINGS

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Structure

- 16.0 Unit Objectives
- 16.1 Introduction
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- 16.4 Objectives of Trade Unions
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16.0 UNIT OBJECTIVES

After studying this lesson, you will be able to:

- explain the meaning & importance of trade unions;
- identify the evolution of trade unions in the world;
- describe the various objectives, problems and functions of trade unions;
- understand the meaning of collective bargaining.

16.1 INTRODUCTION

Trade union movement is an offshoot of industrialization. The growth of modern industrial organizations involving use of modern technology and employment of workers has been followed by growth of trade unions throughout the world. This phenomenon has not been observed in advanced countries of the world, but also in the developing economies.

A strong trade union can improve the efficiency of workers and promote industrial peace. The labour unrest which may be inarticulate involving extensive absenteeism, frequent job changes, wandering from one plant or locality to another, can be avoided.

16.2 TRADE UNIONISM

Trade unionism is a worldwide movement and the highly strategic position occupied by trade unions in modern industrial society has been widely recognized. In most cases, employees' associations or trade unions seem to have emerged as 'protest movements' reaching against the working relationships and condition created by industrialization. When industrialization begins, organization members have to be generally recruited from the ranks of former agricultural labour and artisans who have to adapt

themselves to the changed conditions of industrial employment. They have to be provided with new types of economic security – wages / salaries, benefits and services etc. Often they may have to learn to live together in newly developing industrial townships and cities and also to adopt themselves to new working conditions and new pattern of work-rules imposing discipline and setting pace of work to which they are unfamiliar. Their old habits and traditions do not suffice to guide them in their daily work-behaviour and in consequence they may be disorganized and frustrated. Thus the growth of modern industrial organizations involving the employment of a large number of workers / employees in new type of working conditions and environment makes them helpless in bargaining individually for their terms of employment. As observed by Frank Tannenbaum, "The emergence of trade unionism lies in the Industrial Revolution which disrupted the older way of life and created a new society forged by the shop, the factory, the mine and the industry."

Meaning of Trade Union, Organized Labour and Labour Movement

The term 'Trade Union' has been defined in various ways because of wide differences in the use of this term in different countries. A trade union is "a continuous association of wage-earners for the purpose of maintaining or improving the condition of their working lives". Since this definition does not cover all the extensions of trade union activities in modern times, a trade union with some modification may be redefined as "a continuous association of wage-earners or salaried employees for maintaining the conditions of their working lives and ensuring them a better and healthier status in industry as well as in the society".

The term 'Organized Labour' is used to distinguish workers/ employees who are members of trade unions or employee association from those who are unorganized, i.e. who are not members of any union.

The term 'Labour Movement' is generally applied to all the various types of long-term association of workers / employees that the formed in industrialized or industrializing economies. According to Encyclopedia of Social Sciences, labour movement is conceived as "all of the organized activity of wage-earners to better their own condition s either immediately or in the more or less distant future". According to G.D.H. code, "Labour movement implies, in some degree, a community of outlook. Thus the labour movement in a country emerges from a common need to serve a common interest. A trade union is thus an essential basis of labour movement. The labour movement without trade unions cannot exist. Trade unions are the principal institutions in which the employees learn the lesson of self-reliance and solidarity."

Difference between Labour Movement and Trade Union Movement

There is lot of confusion on the use of the terms 'labour movement' and 'trade union movement'. Often the two are used interchangeably. However, there is a slight distinction between the two. The 'labour movement' is 'for the worker'; whereas the 'trade union movement' is 'by the workers'. This distinction needs to be noticed all the more because till the workers organized themselves into trade unions, efforts were made mainly by the social reformers to improve the working and living conditions of labour. These efforts should be taken as forming a part of the labour movement and not that of the trade union movement. The labour movement thus conveys a higher degree of consciousness amongst workers than conveyed by mere trade union movement.

Origins and background of the trade union movement

Early forms of labour organisations

Union oriented, mainly in Great Britain the U.S.A in the late 18th and early 19th centuries, as, associations of workers using the same skill. There is no connection between trade unions and medieval craft guilds, for the latter were composed of master craftsmen who owned capital and often employer

several workers. The early unions were formed a partly as social clubs but soon became increasingly concerned with improving wages and working conditions, primarily by the device of collective bargaining. Progressing from trade to trade within the same city or area, the clubs formed local associations which, because they carried on their main activities on a purely local level, were almost self-sufficient. With industrial development, however, local associations sooner or later followed the expansion of production beyond the local market and developed into national unions of the same trade. These in turn formed national union federations.

Factors favouring unionism

The unions of the early 19th century were almost exclusively based upon a particular craft. But as mass production industries – which required large numbers of rapidly trained, semiskilled workers – developed, a trend toward large-scale union organisation grew, and toward the end of the 19th century Great Britain was including unskilled workers. Industrial unions attempted to organize all works employed in producing a given product or service, sometimes including even the general office or white-collar workers. General unions included skilled workers and labourers of all grades from different industries, even though they usually started from a base in one particular industry. But changing technologies, union mergers, and ideological factors led to the development of various kinds of unions that would not fit easily into any of the above categories.

International Trade Union Organisation

The large trade union movements of various countries for many years have maintained loose alliances by joining international organisations of labour; federations of unions, rather than individual unions, usually hold membership. In 1901, the International Federation of Trade Unions was established, chiefly under the guidance of German unions. It proved to be ineffective and disappeared during World War I. In 1919 it was revived at Amsterdam, but immediately came into collision with the Red International of Labour Unions, established by the new government of the Soviet Union.

World Federation of Trade Unions (WFTU)

The WFTU was founded in 1945 on a worldwide basis, representing trade union organisations in more than 50 Communist and Non-Communist countries. From the outset, the American Federation of Labour declined to participate. In January 1949, with the WFTU under Communist control, British, USA and Netherlands trade union organisations withdrew and went on to found the ICFTU; by June 1951 all Non-Communist trade unions and the Yugoslav Federation had withdrawn.

By the 1990s, after the collapse of the European Communist regimes, membership became uncertain; unions broke their links with the Communist parties and most were later accepted into the ICFTU. Most of the national trade union centers in Africa and Latin America moved to the ICFTU after 1989, and the French Confederation Generale du Travail has proposed withdrawal to its members. In a move towards decentralization, regional offices have been set up in New Delhi (India), Havana (Cuba), Dakar (Senegal), Damascus (Syria) and Moscow (Russia).

World Confederation of Labour (WCL)

Founded in 1920 as the International Federation of Christian Trade Unions, it went out of existence in 1940 as a large proportion of its 3.4 million members were in Italy and Germany, where affiliated unions were suppressed by the Fascist and Nazi regimes. Reconstituted in 1945 and declining to merge with the WFTU or ICFTU, its policy was based on the papal encyclicals *Return novarum* (1891) and *Quadragesimo anno* (1931), and in 1968 it became the WCL and dropped its openly confessional approach. Today, it has Protestant, Buddhist and Moslem member confederations, as well as a mainly Roman Catholic membership. In its concern to defend trade union freedoms and assist trade union development, the WCL differs little in policy from the ICFTU above. A membership of 11 million

in about 90 countries is claimed. The biggest group is the Confederation of Christian Trade Unions (CSC) of Belgium (1.2 million). The WCL is organized on a federative basis which leaves wide discretion to its autonomous constituent unions. Its governing body is the Congress, which meets every 4 years. The Congress appoints (or re-appoints) the Secretary-General at each 4-yearly meeting. The General Council which meets at least once a year, is composed of the members of the Confederal Board (at least 22 members, elected by the Congress) and representatives of national confederations, international trade federations, and trade union organisations where there is not confederation affiliated to the WCL.

International Confederation of Free Trade Unions (ICFTU)

The founding congress of the ICFTU was held in London in December 1949 following the withdrawal of some Western trade unions from the World Federation of Trade Unions (WFTU), which had come under Communist Control. The constitution, as amended, provides for cooperation with the UN and the ILO, and for regional organisation to promote free trade unionism, especially in developing countries. The ICFTU represents some 124m. Workers across 196 affiliated organizations in 136 countries. The Congress meets every 4 years. It elects the executive Board of 50 members nominated on an area basis for a 4-years period; 5 seats are reserved for women nominated by the Women's Committee; and the Board meets at least once a year. Various Committees cover economic and social policy, violation of trade union and other human rights, trade union cooperation projects and also the administration of the International Solidarity Fund. There are joint ICFTU-International Trade Secretariat Committees for coordinating activities. The ICFTU has its headquarters at Belgium; branch offices in Geneva and New York, and regional organizations in America (Caracas), Asia (Singapore) and Africa (Nairobi)

International Labour Organisation (ILO)

The International Labour Organisation (ILO) was set up in 1919 by the Versailles Peace Conference as an autonomous body associated with the League of Nations. The ILO was the only international organisation that survived the Second World War even after the dissolution of its parent body. It became the first specialized agency of the United Nations in 1946 in accordance with an agreement entered into between the two organizations. India has been a member of the ILO since its inception. A unique feature of the ILO, as distinct from other international institutions, is its tripartite character.

The aims and objectives of ILO are set out in the preamble to its Constitution and in the Declaration of Philadelphia (1944) which was formally annexed to the Constitution in 1946. The preamble affirms that universal and lasting peace can be established only if it is based upon social justice, draws attention to the existence of conditions of labour involving injustice, hardship and privation of a large number of people, and declares that improvement of these conditions is urgently required through such means as the regulation of hours of work, prevention of unemployment, provision of an adequate living wage, protection of workers against sickness, disease, and injury arising out of employment, protection of children, young persons and women, protection of the interests of migrant workers, recognition of the principle of freedom of association, and organisation of vocational and technical education. The Preamble also states that the failure of any nation to adopt human conditions of labour is an obstacle in the way of other nations desiring to improve labour conditions in their own countries.

The three main functions of the ILO are

- to establish international labour standards;
- to collect and disseminate information on labour and industrial conditions; and

- to provide technical assistance for carrying out programmes of social and economic development.

From the very beginning, the ILO has been confronted with the tremendous task of promoting social justice by improving the work and conditions of life in all parts of the world.

The ILO consists of three principal organs, namely, the International Labour Conference, the Governing Body and the International Labour Office. The work of the Conference and the Governing Body is supplemented by that of Regional Conferences, Regional Advisory Committees, Industrial Committees, etc. The meeting of the General Conference, held normally every year, are attended by four delegates from each member State, of whom two are government delegates and one each representing respectively the employers and the work people of the State. The International Labour Conference is the supreme organ of the ILO and acts as the legislative wing of the Organisation. The General Conference elect the Governing Body, adopt the Organization's biennial programme and budget, adopt international labour standards in the form of conventions and Recommendations and provide a forum for discussion of social and labour issues. The Governing Body is the executive wing of the Organisation. It appoints the Director-General, draws up the agenda of each session of the Conference and examines the implementation by member countries of its Conventions and Recommendations. The International Labour Office, whose headquarters are located at Geneva, provides the secretariat for all conferences and other meetings and is responsible for the day-to-day implementation of the administrative and other decisions of the Conference, the Governing Body, etc. The Director-General is the chief executive of the International Labour Office. An important aspect of its work relates to the provision of assistance to member States. It also serves as a clearing house of information on all labour matters.

16.3 TRADE UNION MOVEMENT IN INDIA: AFTER INDEPENDENCE AND IN THE ERA OF LIBERALISATION

The trade union movement's origin in a sense can be traced back to very early date to the time when villages had panchayats and guilds for settling disputes between the masters and their members. The panchayats prescribed the code of conduct which was rigidly observed by its members. Its non-observance resulted in expulsion from the community. Trade unions, as understood today, however originated in the first quarter of the present century, although the groundwork was laid during the last quarter of the 19th century. In Mumbai, as early as in 1975, a movement was started by reformers under the leadership of Sorabji Shapurji. They protested against the appalling conditions of the factory workers and appealed for introduction of adequate legislation to prevent them. The credit of laying the foundation of the organized labour movement in India is at time accorded to Mr. N.M. Lokhande, a factory worker himself. An agitation was organized by him in 1884 in Mumbai. This resulted in certain amenities being extended to the mill workers which led to the organization of the Mumbai Millhands Association.

Actually a real organized labour movement in India started at the end of the First World War. Rising prices, without a corresponding increase in wages, despite the employers making huge profits, led to a new awakening. Many trade unions were formed throughout India. There were a number of strikes during 1919 to 1922. To this was added the influence of the Russian Revolution, the establishment of the ILO (International Labour Organisation) and the All-India Trade Union Congress. This speeded up the pace of the trade union movement. Following the Second World War, there was a spiraling of prices. The workers once again became restive. This further indirectly strengthened the movement in India.

The labour world in India is dominated mainly by four central organization of labour. These unions are, in fact, federations of affiliated union /units which function on regional, local and craft bases. These are:

1. **All-India Trade Union Congress (AITUC):** An important event in the history of trade union movement in India was the organization of the All-India Trade Union Congress in 1920. Mr. Nehru took a prominent part in the organization of this Congress. It followed the pattern of the trade unions in the United Kingdom. The effort toward unified action in the matter of labour was, however, short-lived and soon it came under the domination of the Communists and Radicals. This alienated any prominent people who did not subscribe to the views and ideology of the communists. At present, it is the second largest union of workers and is still controlled by Communists and fellow-travellers.
2. **Indian National Trade Union Congress (INTUC):** In May, the Indian National Trade Union Congress was organized by the Congress party on its labour front. This was formed with the help of the Hindustan Mazdoor Sewak Sangh which consisted of those who believed in Gandhian methods and had left the AITUC in 1937 under the leadership of Mr. M.N. Roy. The INTUC received the blessings of the top Congress leaders at the Centre like Mr. Nehru and Sardar Patel. The prominent leaders of ATLA and HMSS were elected office-bearers of INTUC. One of the important points of the constitution of Indian National Trade Union Congress is that every affiliated union has to agree to submit to arbitration every individual dispute in which settlement is not reached through negotiations. There must be no strikes till other means of settlement are exhausted. In 1948, the Government of India declared that INTUC, and not AITUC, was the most representative organization of labour in the country entitled to represent Indian labour in I.L.O.
3. **Hind Mazdoor Sangha (HMS) :** The socialists in the Congress disapproved not only the Communist run AITUC but also the Congress-sponsored INTUC, particularly because it advocated compulsory arbitration as a method of resolving industrial disputes. For sometime the activities of socialist leaders were coordinated by the Hind Mazdoor Panchayat. Subsequently when they left the Congress, they met in Kolkata in December, 1948 and a new federation by the Hind Mazdoor domination by employers, Government and political parties.

United Trade Union Congress (UTUC): The dissidents from the Socialist Leaders' Conference held at Kolkata in December, 1948 proceeded to establish yet another federation of trade unions in April-May 1949 under the name of United Trade Union Congress. The UTUS is more radical than HMS but less revolutionary in its objectives and policies than AITUC.

16.4 OBJECTIVES OF TRADE UNIONS

- One of the main reasons of workers joining a trade union been their belief to get wages increased and maintained at a reasonable standard through collective action and their realization that individual bargaining was utterly useless for this purpose.
- Since the employee, as an individual, feels specially weak, he prefers to join an organization that may afford him an opportunity to join others for the achievement of those objectives that he considers as socially desirable.
- The employees may join the unions to ensure a just and fair dealing by management.
- Through collective strength, they restrain the management from taking any such action which may be irrational, illogical, discriminatory or contrary to their general interests.
- Another reason of employees joining some union may be the broader realization on their part that unions fulfill the important need for adequate machinery for proper maintenance of labour-management relations.

- Employees may join the unions because of their belief that it is an effective way to secure adequate protection from various types of hazards and income insecurity such as accident injury, illness, unemployment etc.
- The employees may join the unions because of their feeling that this would enable them to communicate their views, ideas, feelings and frustrations to the management effectively.
- Individuals may join the unions in the hope of finding a job through their influence in the company management.

16.5 FUNCTIONS OF TRADE UNIONS

- Functions relating to members
- Functions relating to organization
- Functions relating to the union; and
- Functions relating to the society.

Functions relating to trade union members

1. To safeguard workers against all sorts of exploitation by the employers, by union leaders and by political parties.
2. To protect workers from the atrocities and unfair practices of the management.
3. To ensure healthy, safe and conducive working conditions, and adequate conditions of work.
4. To exert pressure for enhancement of rewards associated with the work only after making a realistic assessment of its practical implications.
5. To ensure a desirable standard to living by providing various types of social service – health, housing, educational, recreational, cooperative, etc. and by widening and consolidating the social security measures.
6. To guarantee a fair and square deal and social security measures.
7. To remove the dissatisfaction and redress the grievances and complaints of workers.
8. To encourage worker's participation in the management of industrial organization and trade union, and to foster labour-management cooperation.
9. To make the workers conscious of their rights and duties.
10. To impress upon works the need to exercise restraint in the use of rights and to enforce them after realistically ascertaining their practical implications.
11. To stress the significance of settling disputes through negotiation, joint consultation and voluntary arbitration.
12. To raise the status of trade union members in the industrial organization and in the society at large.

Functions relating to industrial organization

1. To highlight industrial organization as a joint enterprise between workers and management and to promote identity of interests.
2. To increase production quantitatively and qualitatively, by laying down the norms or production and ensuring their adequate observance.
3. To help in the maintenance of discipline.
4. To create opportunities for worker's participation in management and to strengthen labour-management cooperation.
5. To help in the removal of dissatisfaction and redressal of grievances and complaints.
6. To promote cordial and amicable relations between the workers and management by settling disputes through negotiation, joint consultation and voluntary arbitration, and by avoiding litigation.
7. To create favourable opinion of the management towards trade unions and improve their status in industrial organization.
8. To exert pressure on the employer to enforce legislative provision beneficial to the workers, to share the profits equitably, and to keep away from various types of unfair labour practices.
9. To facilitate communication with the management.
10. To impress upon the management the need to adopt reformatory and not punitive, approach towards workers' faults.

Functions relating to trade unions organization

1. To formulate policies and plans consistent with those of the industrial organization and society at large.
2. To improve financial position by fixing higher subscription, by realizing the union dues and by organizing special fund-raising campaigns.
3. To preserve and strengthen trade union democracy.
4. To train members to assume leadership position.
5. To improve the network of communication between trade union and its members.
6. To curb inter-union rivalry and thereby help in the creating of unified trade union movement.
7. To resolve the problem of factionalism and promote unity and solidarity within the union.
8. To eradicate casteism, regionalism and linguism within the trade union movement.
9. To keep away from unfair labour practices.
10. To save the union organization from the exploitation by vested interests –personal and political.
11. To continuously review the relevance of union objectives in the context of social change, and to change them accordingly.
12. To prepare and maintain the necessary records.
13. To manage the trade union organization on scientific lines.
14. To publicise the trade union objectives and functions, to know people's reaction towards them, and to make necessary modifications.

Functions relating to society

1. To render all sorts of constructive cooperation in the formulation and implementation of plans and policies relating to national development.
2. To actively participate in the development of programmes of national development, e.g., family planning, afforestation, national integration, etc.
3. To launch special campaigns against the social evils of corruption, nepotism, communalism, casteism, regionalism, linguism, price rise, hoarding, black marketing, smuggling, sex, inequality, dowry, untouchability, illiteracy, dirt and disease.
4. To create public opinion favourable to government's policies and plans, and to mobilize people's participation for their effective implementation.
5. To create public opinion favourable to trade unions and thereby to raise their status.
6. To exert pressure, after realistically ascertaining its practical implications, on the government to enact legislation conducive to the development of trade unions and their members.

16.6 PROBLEMS OF TRADE UNIONS AND LABOURS

The following are some of the most important problems of the trade unions in India:

1. Multiplicity of Trade Unions and Inter-union Rivalry
 2. Small Size of Unions
 3. Financial Weakness
 4. Leadership Issues
 5. Politicalisation of the Unions
 6. Problems of Recognition of Trade Unions
1. **Multiplicity of trade unions-** Multiple rival unionism is one of the great weaknesses of the Indian trade union movement. "Multiple unions are mainly the result of political outsiders wanting to establish unions of their own, with a view to increasing their political influence". The existence of different conflicting or rival organisations, with divergent political views, is greatly responsible for inadequate and unhealthy growth of the movement. Within a single organisation one comes across a number of groups comprising or 'insiders and outsiders', 'new-comers', and 'old-timers', moderates' and radicals', and 'high' and low caste' people. This develops small unions. Inter-union and intra-union rivalry undermines the strength and solidarity of the workers in many ways.

Multiplicity of unions lead to inter-union rivalries, which ultimately cuts at the very root of unionism, weakens the power of collective bargaining, and reduces the effectiveness of workers in securing their legitimate rights. Therefore, there should be "One union in one Industry".

Inter-union rivalry

Another vexing problem is that of intra-union rivalry. Trade rivalry is acute and pervades the entire industrial scene in India. Practically every important industry, there exists parallel and competing unions, e.g. on the Indian Railways, there are two parallel Federations – the Indian Railway Men's Federation and Indian National Federation of Railway-men.

2. Small Size of unions- The small size of unions is due to various factors, namely:

- The fact that by seven workers may form a union under the Trade Union Act of 1926, and get it registered and a large number of small unions have grown.
- The structure of the trade union organization in the country – which is in most cases the factory or the unit of employment; so whenever employees in a particular factory or mine are organized, a new union is formed.
- Unionism in India started with the big employers and gradually spread to smaller employers. This process is still continuing and has pulled down the average membership. Though the number of unions and union membership are increasing average membership is declining.

The small size of unions creates problems such as:

- Lack of funds to help its members.
- Lack of ability among the leaders and members.
- Low bargaining power.
- Rivalry between the unions
- Lack of unity among workers.

3. Financial weakness- The financial weakness of the union may be attributed to the small size of union and poor ability of its members to contribute. The other reasons are low subscriptions and irregular payments of subscriptions by the members.

4. Leadership issues- Another disquieting feature of the trade unions is the 'outside' leadership, i.e. leadership of trade unions by persons who are professional politicians and lawyers and who have no history of physical work in the industry. There are several reasons for this phenomenon, namely.

- The rank and the file are largely illiterate as such they cannot effectively communicate with the management;
- The union's lack of formal power tends to put a premium on the dharismatic type of the leader, usually a politician, who can play the role of the defender of the workers against the management;
- For ensuring a measure of 'equation of power' in collective bargaining where the workers are generally uneducated and have a low status.
- For avoiding victimisation of worker-office-bearers of the trade unions; and
- For lack of financial resources to appoint whole time office-bearers.

These political leaders are inevitably concerned with "maximizing their individual standing as political leaders rather than with, maximizing the welfare of their members". Further, in bigger unions, direct contact with the rank and file membership and the top leaders is missing because of their hold on a number of trade unions in varied fields; they fail to pay adequate attention to any one union. Again, often these union leaders are not adequately aware of the actual needs and pressing problems of the members. They therefore cannot put forth the case of the union effectively.

5. Politicalisation of the unions- One of the biggest problems of the country's trade union movement faces is the influence of the political parties. i.e., the most distressing feature is its

political character. Harold Crouch has observed, "Even to the most casual observer of the Indian trade union scene, it must be clear that much of the behaviour of Indian unions, whether it be militant or passive behaviour can be explained in political terms.

It should be noted that decisions in the trade union fields are taken by the respective political parties to which the unions are attached and, therefore, with the changing political situation, the decisions also change. With the split in the political ideology, there develops factional split in the same trade union professing the same political ideology. The divisions and sub-divisions, thus made, have affected adversely the trade union movement. It has become fragmented and disjointed. Each section pulls itself in different directions; with the result that "instead of becoming a unity and mighty torrential river, the movement is sub-divided into numerous rivulets".

6. **Problems of recognition of trade unions-** This is one of the basic issues in our industrial relation system because employers are under no obligation to give recognition to any union. In the initial stages, the attitudes of the employers towards the trade unions have been very hostile. The employers many a times have refused recognition to trade unions either on the basis that unions consist of only a minority of employees; or that two or more unions existed.

PROBLEMS OF LABOURS- Problems of the labour class can be summarized as below:

1. Poverty is the biggest problem of the labour class.
2. Un-education is a great concern for labor class. They quit their schools in the beginning of their childhood and then they never try to be educated again.
3. Due to poverty and uneducation, labour class faces a problem of population growth also.
4. Unskilled labour is very much available. There is no programmes for their up gradation or learning new techniques.
5. Safety in the plant is major concern as many times the machinery is not properly maintained and old machines are not replaced which result in the accidents.
6. Labour class is suffering of various diseases due to unhygienic living conditions of their houses. They are also suffering due to malnutrition.
7. They are asked to do Overtime work.
8. Minimum wages are not being paid to labours. Even their compensation is also not given at proper time.
9. There is no fix work load. Uneven work load is also a matter of concern.
10. They are not supported by law also as it takes time and it cost much to them.

16.7 ROLE OF TRADE UNIONS IN COLLECTIVE BARGAINING

In the work situation, an individual worker has to face many problems such as, low wages, long hours of work, loss incentive etc. These problems of an individual or few individuals cannot attract the attention of the employer because of their less bargaining power. The growth of trade union increased the bargaining strength of workers and enables them to bargain for their better conditions collectively.

Collective bargaining is a source of solving the problems of employees in the work situation collectively. It provides a good climate for discussing the problems of workers with their employers. The employees put their demands before the employers and the employers also give certain concession to them. Thus it ensures that the management cannot take unilateral decision concerning the work

ignoring the workers. It also helps the workers to achieve responsible wages, working conditions, working hours, fringe benefits etc. It provides them a collective strength to bargain with employer. It also provides the employers some control over the employees.

The term collective bargaining is made up of two words, 'collective' – which means a 'group action' through representation and 'bargaining', means 'negotiating', which involves proposals and counter-proposals, offers and counter-offers. Thus it means collective negotiations between the employer and the employee, relating to their work situations. According to the Encyclopedia of social sciences, "Collective bargaining is a process of discussion and negotiation between two parties, one or both of whom is a group of persons acting in concert. The resulting bargain is an understanding as to the terms and conditions which a continuing service is to be performed. More specifically, collective bargaining is a procedure, by which employer and a group of employees agree upon the conditions of work".

The I.L.O. workers manual defines collective bargaining as, "negotiation about working conditions and terms of employment between an employer, a group of employers or one or more employer's organizations, on the one hand, and one or more representative workers organisation on the other with a view of reaching an agreement. We can summarize the important features of collective bargaining as follows:

- It is a collective process in which representatives of employers and employees participate mutually.
- It is a flexible and dynamic process wherein no party adopt a rigid attitude.
- It is a bipartite process whereas the representatives of workers and management get an opportunity for clear and face to face negotiation.
- It is a continuous process which can establish regular and stable relationship between worker's organisatoin and management.
- It is a practical way to establish an industrial democracy.
- It is a good method of promoting industrial jurisprudence.
- It is good form of interdisciplinary system (i.e. a function embodying economic psychological, administrative, ethical and other aspects.)
- It is a process that includes efforts from preliminary preparations to the presentation of conflicting view points, collection of necessary facts, understanding of view points, taking correct decisions etc.

Role of trade unions in collective bargaining- Now days trade unions have evolved as a powerful body seeking the welfare of the employees. Therefore it interrupts in all the policies meant for the labour and also suggest in implementing labour laws. Whatever labour laws may lay down, it is the approach of employers and trade unions which matters and unless both are enlightened, industrial harmony is not possible. Therefore, the solution to common problems can be found directly through negotiation between both parties and in this context the role of trade unions in collective bargaining is very great.

- By collective bargaining trade unions develop a sense of self-responsibility and self-respect among the employees concerned and thus significantly pave the way for improved employee morale and productivity.
- By collective bargaining trade unions restrict management's freedom for arbitrary action and thereby management learns a new code of behaviour by conceiving of the union as a method of dealing with employees. The management also comes to know the grievances of workers in

advance and it gives an opportunity to take precautionary measure. Moreover, collective bargaining opens up the channel of communication between top and bottom levels of an organization.

- By collective bargaining; if properly conducted, result in the establishment of a harmonious industrial climate therefore Trade unions helps society for the socio-economic development of the nation. It builds up a system of industrial jurisprudence by introducing civil rights in industry and ensures that management is conducted by rules rather than by arbitrary decisions. It extends the democratic principles from the political to industrial field.
- Trade unions use collective bargaining as a tool for their
 1. **Social Change-** Collective bargaining enhances the status of the working class in the society. Wage earners have enhanced their social and economic position in relation to other groups. Employers have also retained high power and dignity through collective bargaining.
 2. **Peace Treaty-** Collective bargaining serves as a peace treaty between the employers and employees. However the settlement between the two parties is a compromise.
 3. **Industrial Jurisprudence-** Collective bargaining creates a system of "Industrial Jurisprudence". It is a method of introducing civil rights into industry. It establishes rules which define and restrict the traditional authority exercised by employers over their employees placing part of the authority under joint control of union and management.

In addition to the above, the role of trade unions in collective bargaining includes:

1. Increasing the economic strength to employers and employees.
2. Improving working conditions and fair wages.
3. Maintaining peace in industry
4. Prompt and fair redressal of grievances.
5. Promoting stability and prosperity of the industry.

Therefore we see that collective bargaining is very important from the workers point of view, and the trade unions play their important role in making consensus among employers and the employees for labour problems. But they should follow some principles or keep some precautions while playing their role in collective bargaining.

1. Unions should avoid undemocratic practices.
2. Unions have to recognize their duties to the management also before emphasizing their demands.
3. Unions have to consider the benefits to all workers rather than a section of workers.
4. Strike lock-outs should be resorted to, only as a last measure. As far as possible they have to be avoided by compromise and discussion.

Thus collective bargaining is an important method of solving problems, through mutual understanding. If used properly it can solve the problems of both the parties- management and union through mutual confidence.

Collective bargaining is also used as a tool for bringing coordination between workers and managements. It also serves as tool of communication of views by both management and workers. In the long-run it will serve as an instrument for labour participation in management and pave way for the cordial industrial relations in India.

16.8 SUMMARY

Trade unionism is a worldwide movement and the highly strategic position occupied by trade unions in modern industrial society has been widely recognized. In most cases, employees' associations or trade unions seem to have emerged as 'protest movements' reaching against the working relationships and condition created by industrialization. When industrialization begins, organization members have to be generally recruited from the ranks of former agricultural labour and artisans who have to adapt themselves to the changed conditions of industrial employment.

A strong trade union can improve the efficiency of workers and promote industrial peace. The labour unrest which may be inarticulate involving extensive absenteeism, frequent job changes, wandering from one plant or locality to another, can be avoided.

Collective bargaining is an important method of solving problems, thorough mutual understanding. If used properly it can solve the problems of both the parties- management and union through mutual confidence.

16.9 SELF ASSESSMENT EXERCISE

1. Explain the trade union movement in India after independence.
2. What are the objectives, problems and functions of trade unions?
3. What is the role of trade unions in collective bargaining?

16.10 FURTHER READINGS

1. Bhagoliwal TN, Personal Management and Industrial Relations, Agra Publ.
2. Arun Monappa, Industrial Relations, Tata Mc Graw Hill.
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Structure

- 17.0 Unit Objectives
- 17.1 Workmen's Compensation Act, 1923
- 17.2 The Factories Act, 1948
- 17.3 The Provisions of Employees State Insurance Act, 1948
- 17.4 The Employee's Provident Fund and Misc. Provisions Act, 1952
- 17.5 Industrial Dispute Act, 1947
- 17.6 The Payment of Wages Act, 1936
- 17.7 Trade Union Act, 1926
- 17.8 Payment of Gratuity Act, 1972
- 17.9 Self Assessment Exercise
- 17.10 Further Readings

17.0 UNIT OBJECTIVES

After studying this lesson, you will be able to:

- describe the various provisions of various labour laws and their utility for the industrial relations;
- explain the provisions of the factories Act regarding health, safety and welfare of employees;
- appreciate the law governing payment of wages to employees;
- identify the features and rulings of Employee's Compensation Act;

17.1 THE WORKMEN'S COMPENSATION ACT, 1923

The workmen's Compensation Act came into force on the first day of July 1924 for providing social security to workmen. By an amendment to the Act in 2009, the name of the Act was changed to 'The Employees' Compensation Act.' The main object of the Act is to provide for payment of compensation by an employer to his workmen in case of an accident as a measure of relief and social security. Compensation is to be given not only for personal injuries sustained by accidents arising out of and in the course of employment but also for certain occupational diseases. The compensation payable is not dependent on any negligence on the part of the employer but is the nature of insurance against risks of accident. So long as any rash or negligent act of the workmen is within the scope of his duty as an employee, it will not be a bar to any claim for compensation under the Act.

The need for the Act was felt due to the growing complexity of industry in India, with the increasing use of machinery and consequent danger to workmen along with the comparative poverty of the workman themselves making it necessary that they should be protected from hardship arising from accidents.

The main objects of the Act are :

- (a) To give compensation to workmen.
- (b) To provide special machinery to deal with cases of compensation in the event of an accident.
- (c) To provide immediate compensation to workmen who cannot offered to go to the court of law.
- (d) To improve relations among employers and employees.
- (e) To relieve the parties of unnecessary litigation.

BROAD FEATURES OF THE ACT- The important features of the Act are as under :

1. The Act provides social security to the workers. The compensation to be paid to the workers is not for the negligence on the part of the employer, but it is rather in the nature of insurance of the workers against certain risks of accidents.
2. The definition of workmen given in Sec. 2(1) (n) does not cover persons employed in administrative or clerical capacity drawing more than Rs. 10,000 p.m. (except railway servants), but persons employed through sub-contractors by a person fulfilling a contract with the railway are also entitled to benefit under this Act.
3. The compensation under the Act is payable if the injury has been caused by accident arising out of or in the course of employment. The workman loses the right of compensation if such accident can be attributed to workman, having been at the time to accident, under the influence of alcohol or drugs or if it is caused by his wilful disobedience or rules or orders or disregard of safety measures.
4. The term 'wages' as defined in the Act includes overtime pay and the value of concessions or benefits in the form of food, clothing, accommodation, etc.
5. The amount of compensation payable to a workman or his dependents depends on the nature and extent of disablement (or death) and his average monthly wages. The rates of compensation have been given in Schedule IV of the Act.
6. Minimum rates of compensation for permanent total disablement and death have been fixed at Rs. 1,40,000 and Rs. 1,20,000 respectively. Maximum amount for death and permanent total disablement can go up to Rs. 9.14 lakh and Rs. 10.97 lakh respectively depending on age and wages of the employees.
7. In order to protect the interest of dependents in case of fatal accidents, it is provided in the Act that :
 - (i) All cases of fatal accidents are to be brought to the notice of Commissioner of Labour.
 - (ii) In case of admission of liability by the employer, the amount of compensation is to be deposited with the Commissioner within 30 days.
 - (iii) If the employer denies his liability, the Commissioner must decide whether or not there is a ground for claim. The Commissioner may inform the dependent and it open to them to prefer a claim, if they feel so.

Applicability of the Act- The Employees' Compensation Act covers all employees employed on railways, factories, mines, etc. The Act applies to all factories engaged in an industry specified in Schedule II of the Act. The Act also applies to seamen and shipmasters of power driven ships or of non-power driven ships of 50 or more tons. It applies generally to organised industries and hazardous occupations including building and loading or unloading operations.

The Act dose not apply of persons :

- (i) employed in administrative or clerical capacity;
- (ii) employed in casual work;
- (iii) employed in the Armed Forces;
- (iv) claiming compensation under the Employees' State Insurance Act, 1948.

Definitions

Commissioner [Sec. 2(b)] 'Commissioner' means a commissioner for workmen's compensation appointed under Section 20.

Dependent [Sec. 2(d)] 'Dependent' means any of the following relatives of a deceased workman, namely.

- (i) a widow, a minor legitimate son, and unmarried legitimate daughter, or a widowed mother ; and
- (ii) if wholly dependent on the earnings of the workman at the time of his death, a son or a daughter who has attained the age of 18 years and who is infirm;
- (iii) if wholly or in part dependent on the earnings of the workman at the time of his death;
 - (a) a widower,
 - (b) a parent other than a widowed mother,
 - (c) a minor illegitimate son, an unmarried illegitimate daughter or a daughter legitimate or illegitimate, if married and a minor or if widowed and a minor,
 - (d) a minor brother or an unmarried sister or a widowed sister if a minor,
 - (e) A widowed daughter-in-law,
 - (f) A minor child of a pre-deceased son,
 - (g) A minor child of pre-deceased daughter where no parent of the child is alive, or

Employer [Sec. 2(e)]. "Employer" includes any body of persons whether incorporated or not and any managing agent of an employer and the legal representative of a deceased employer, and, when the services of a workmen are temporarily lent or let on hire to another person by the person with whom the temporarily lent or let on hire to another person by the person with whom the workman has entered into a contract of service or apprenticeship, means such other person while the workman is working for him :

To establish the relationship of employer and employee, a contract of service is generally necessary. Such contract may be expressed or implied. Further, there is a difference between contract of service and contract for service. It is former which creates the relationship of employer and employee.

Employees Entitled to Compensation

Every employee (including those employed through a contractor but excluding casual employees) who is engaged for the purpose of employer's business and who suffers an injury in any accident arising out of and in the course of his employment shall be entitled for compensation under the Act.

However to determine that whether particular person is a workman or not under the Act, two things must be determined :

- (i) Whether his employment was of a casual nature.
- (ii) Whether his employment was otherwise for the purpose of employer's trade or business and does not come under the purview of section 2(i) of the Act. Nevertheless where compensation has

been claimed by a person, the relation between employer and the person who is claiming compensation has to be seen which can be determined on the basis of following principals :

- (i) Whether the person is having contract of service; or
- (ii) Whether the master can only order, or he can require of the person, what is to be done, or he can also order as to how it is to be done.
- (iii) Whether it is obligatory on the part of the person to obey his order.
- (iv) Whether a person is having any agreement to serve the employer only or employed for his trade or business.

The provisions of the Act have been extended to the cooks employed in hotels, restaurants using power liquified petroleum gas or any other mechanical device, in the process of cooking.

Is Contractor is a Workman?

The broad distinction between a workman and an independent contractor lies in this that while the former agrees himself to work, the latter agrees to get other persons to work. A person who agrees himself to work and does so work and is therefore a workman does not cease to be such by reason merely of the fact that he gets other persons also to work along with him and that those persons are controlled and paid by him. If a person agreed to work personally, then he is a workman and the fact that he takes assistance from other persons would not affect his status.

Thus, where a person entered into a consideration contract and agreed to work himself and also to employ his own labour, while construction material was to be supplied by the owner, and the contractor died while working himself, it was held that the dependents of the deceased were entitled to compensation.

DISABLEMENT- Disablement means loss of capacity to work or to move. Disablement of a workman may result in loss or reduction of his earning capacity. He is not able to earn as much as he used to earn before his disablement.

Disablement may be (1) partial or (2) total. Further it may be (i) permanent, (ii) temporary.

Partial Disablement- This means any disablement as reduces the earning capacity of a workman as a result of some accident. Partial disablement may be temporary or permanent.

Temporary Partial Disablement means any disablement as reduces the earning capacity of a workman in any employment in which he was engaged at the time of accident which resulted in such disablement.

Permanent Partial Disablement is one which reduces the earning capacity of a workman in every employment in which he was capable of undertaking at the time of injury.

The distinction between these two types of disablement depends on the fact as to whether an injury results in reduction of earning capacity in all the employments in which the workman was capable of doing or only in that particular employment in which workman was engaged at the time of injury.

Total Disablement- It means such disablement, whether of a temporary or permanent nature, as incapacitates a workman for all work which he was capable of performing at the time of the accident resulting in such disablement.

Where an employee becomes unfit for a particular class of job is fit for another class which is offered to him by the employer, the workman is entitled to claim compensation only on the basis of partial disablement and not total disablement.

RULES REGARDING EMPLOYEES' COMPENSATION

Employer's Liability for Compensation- Section 3(1) lays down that if personal injury is caused to a workman by an accident arising out of and in the course of employment, his employer shall be liable to compensation. This section imposes four conditions to hold employer liable for payment of compensation to the injured workman. These four conditions are :

- (i) Personal injury is caused to a workman.
- (ii) Such personal injury is caused by an accident.
- (iii) The accident has arisen out of and in the course of employment.
- (iv) The accident has resulted either in death of the workman or his total or partial disablement for a period exceeding 3 days.

What is an Accident?

An accident may be defined as an unlocked for mishap or untoward event which is not expected or designed. The series of minor accidents each cumulatively producing fatal injury constitute together an accident. In *Grime vs. Fletcher* (1915), a person became insane as a result of accident and then committed suicide. It was held that death was the result of the accident and compensation was awarded. But if the insanity is not the direct result of an accident, compensation will not be awarded.

What is personal Injury?

Personal injury is not confined to physical injury only. It includes physiological and psychological injury such as nervous shock, a mental injury, lunacy, or mental strain. In the *Indian News Chronicle Ltd. case*, a workman had to go into a meeting room and from there to a cooling plant. The changes of temperature caused pneumonia and the workman died. It was held that the death was due to personal injury. An occupational disease is deemed to be an injury by an accident and the employer is liable to pay compensation.

Arising Out of Employment- It has already been observed that the employer is liable to pay compensation only if personal injury is caused to a workman by an accident arising out of and in the course of employment. The phrase 'arising out of' suggests the cause of accident and the phrase 'in the course of employment' suggests the 'time as well as the course of employment'. It has been held in many cases that there must be some causal relationship between the accident and the employment. That means a workman who is injured in the course of his employment would be entitled to compensation only if the accident arose out of his employment. Under the following circumstances, it has been held that the accident arose out of employment :

- (a) A roadman, while working on a road, was killed by lightning.
- (b) A bomb placed in the premises of a workshop by some unknown person, exploded and caused injury to a workman.
- (c) A workman on duty in a factory was injured due to crashing down within the premises of the factory of some aircraft.
- (d) A workman lost his mental balance as a result of an injury by accident and committed suicide.

When a person runs a risk incidental to employment and is thereby injured, the injury arises out of employment. The real test is : "Was it part of the injured person's employment hazard to suffer ; or to do that what caused injury?" If the answer is yes, the accident arose out of his employment. An accident arising out of employment almost necessarily occurs in the course of employment, but an accident in the course of employment may not necessarily arise out of employment, though ordinarily, it will. The workman claiming compensation must prove that he was at the time of accident engaged in the

employer's business or in furthering that business, and was not doing something for his benefit or accommodation.

In the Course of Employment- Generally speaking, employment commences when the workman reaches the place of work and ceases when he leaves the places. The expression 'in the course of employment' refers to the period of employment and the place of work. It covers the period of time during which the employment continues. The following are included in the expression in the course of employment :

- (a) Where the workman is provided with employer's transport for coming to and going from the place of employment, the time consumed in using such transport.
- (b) The time when the workman is on the premises of the employer, though not actually at work.
- (c) The period of rest granted to the workman provided the workman remains in the employer's premises during rest period.

Doctrine of National Extension- The expression in the course of employment, connotes not only actual work but also any other engagement natural and necessary. Thereto, reasonably extended both as regards work hours and work place. It refers to the time during which the employment continues. As a rule, the employment of a workman does not commence until he has reached the place of employment and does not continue when he has left the place of employment. However, this is subject to the theory of natural extension of the employers promises so as to include an area which the workman passes and repasses in going in going to and in leaving the actual place of work. There may be some reasonable extension in both time and place and a workman may be regarded as in the course of his employment even though he had not reached or had left his employer's premises. This is also called as the Doctrine of National Extension.

Thus sphere of employment is not necessarily restricted to the actual place of work, It is extended in many cases. If on his way, to or from his work, the workman proceeds by a permitted route over his employer's premises, the employment continues while he is so going, even though, in the case of alternative permitted route, The theory of national extension of the place of employment does not extend to the whole of the journey between place of work and the workman's residence. When a workman is on a public road, place or transport, he is there as any other member of the public and not in the course of employment unless the very nature of his employment makes it necessary for him to be there.

Situations where Employer is Liable- The employer of any establishment covered under this Act, is required to compensate an employee who has suffered an accident arising out of and in the course of his employment resulting into

- (i) death
- (ii) permanent total disablement
- (iii) permanent partial disablement,
- (iv) temporary disablement whether total or partial, or
- (v) who has contracted an occupational disease.

When is employer not liable?

An employer is not liable to pay compensation for personal injury caused to a workman by accident arising out of and in the course of employment

- (a) if the injury does not result in the total or partial disablement of the workman for a period exceeding three days.

(b) if the injury, not resulting in death, is caused by an accident which is directly attributable to :

- (i) the workman having been at the time of the accident under the influence of drink or drugs; or
- (ii) the wilful disobedience of the workman to an order expressly given,, or to a rule expressly framed, for the purpose of securing the safety or a workman; or
- (iii) the wilful removal or disregard by the workman of any safety-guard or other device (which is an offence under the Factories Act, 1948) which he knows to have been provided for the purpose of security the safety of the workman.

The exceptions namely (i) intoxication by drinks or drugs, (ii) wilful disobedience of certain rules and order, (iii) wilful removal of safety devices, are not applicable, in case of a fatal accident. The reason is that where a workman has died as a result of personal injury, it is extremely difficult for dependents to rebut evidence that the accident was caused by the deceased misconduct.

Compensation to be Deposited with the Commissioner- The amount of compensation is not payable to the workman directly. It is generally deposited along with the prescribed statement with the commissioner who will pay it to the workman. Any payment made to the workman or his dependents directly in the following cases will not be deemed to be a payment of compensation :

- (i) in case of death of the employee,
- (ii) in case of lumpsum compensation

The receipt of deposit with the commissioner shall be a sufficient proof of discharge of the employer's liability.

Distribution of Compensation by the Commissioner- On the deposit of any compensation in respect of a deceased workman, the commissioner shall repay to the employer, an amount paid to any dependent by the employer by way of advance against compensation. The balance compensation shall than be distributed amongst the dependents for which the commissioner shall publish or serve upon each dependent a notice requiring them to appear before him. The commissioner shall apportion the compensation among the dependents in such proportion as he deems fit.

17.2 THE FACTORIES ACT, 1948

The object of the Act is to protect the workers against industrial and occupational hazards. It endeavors to secure for the workers conditions conducive to their health. The scope of this Act is quite wide and covers all aspects relating to factories namely : approval; licensing and registration ; inspecting authorities ; health safety, welfare, working hours, employment of adults and young children ; annual leaves, and penalties for violation.

Meaning of "Factory". Section 2(m) defines a factory as any premises including its precincts wherein (i) a manufacturing process is carried on and (ii) the specified number of workers (10 in case manufacturing is carried on with the aid of power, and 20 if carried on without power) are working therein on any day of the preceding twelve months.

'Mines' government by Indian Mines Act or mobile unit of armed forces or a railway running shed or hotel restaurant or eating place etc. are not included in the term 'factory'.

Meaning of 'Worker'. The term 'worker' is defined in section 2(1) to mean 'any person employed directly or through an agency and whether for or without remuneration either in the manufacturing process or in some work connected with or incidental thereto.

Approval of Factory Site. Section 6 of the Act provides that before a site is used as factory, previous permission in writing of the State Government or the Chief Inspector must be obtained.

Health of Worker (Sec. 11 to 20)

Section 11 to 20 deal with the health of workers and contain the following provisions :

- (a) **Cleanliness.** Every factory must be kept clean and free from effluvia arising from any drain, privy or other nuisance.
- (b) **Disposal of wastes and effluents** so as to render them innocuous.
- (c) **Ventilation and temperature.** Effective arrangements must be made to secure and maintain in every work-room (i) adequate ventilation and (ii) such temperature as will secure reasonable conditions of comfort and prevent injury to workers.
- (d) **Dust and fumes.** Where the manufacturing process is liable to give dust or fume, steps must be taken to prevent its inhalation and accumulation in any workroom.
- (e) **Artificial humidification.** Regulation relating to the method to be used for artificial humidification as prescribed by the state government must be observed.
- (f) **Overcrowding.** To prevent overcrowding, there must be 500 cubic feet of space for every worker in a workman.
- (g) **Lighting.** In every part of the factory where worker are working or passing, sufficient lighting-natural, artificial or both shall be maintained.
- (h) **Drinking water.** Adequate arrangement for drinking water is to be made and where the number of workers is more than 250, cool drinking water shall be provided.
- (i) **Latrines and urinals** with separate accommodation for male and female workers.
- (j) **Spitoons** are to be provided at convenient places in the factory.

Section 21 to 41 deal with the safety of employees in factories as discussed below:

Safety of workers (Sec. 21 to 41)

- (a) **Fencing of machinery.** The dangerous parts of all such machines as moving parts of prime movers, fly wheels, electric generators rotary converters etc. shall be securely fenced.
- (b) **Work on or near moving machines.** Work on moving machinery shall be carried out only by specially trained adult male worker wearing light fitting clothes and whose name has been recorded in a register.
- (c) **Young persons** shall not be made to work on a dangerous machine unless fully instructed or sufficiently trained or placed under the supervision of an-experienced person.
- (d) **Provision and maintenance of striking gear or other devices** for cutting off otherwise effectively guarded.
- (e) **Casing of new machinery.** All power driven machinery shall be encased or otherwise effectively guarded.
- (f) **Prohibition of employment of women and children near cotton openers.**
- (g) **Hoists and lifts.** In every factory, hoists and lifts are to be of good mechanical construction, sound material and adequate strength and thoroughly examined by a competent person every six months.

Similar provision has been made with respect to **lifting machines, chairs, ropes and lifting tackles.**

- (h) **Revolving machinery.** Where grinding is carried on in a factory, maximum safe working peripheral speed of grindstone shall be notified by means of a notice.
- (i) In case of Pressure plants safe working pressure is not to be exceeded.
- (j) **Floors, Stairs and means of access.** All these shall be of sound construction and properly kept and maintained.
- (k) **Pits, pumps or openings in floors** are to be securely covered or fenced.
- (l) Provisions have also been made for 'protection of eyes' and for taking precautions against 'dangerous fumes', 'explosive or inflammable dust, gas etc. ; and also in case of fire.
- (m) **Obligation to appoint safety officers.** Safety officers shall be appointed if the factory employs 1000 or more workers or if the state government so prescribes.

The owner of a shall industry is also advised to keep in mind the provisions relating to hazardous processes introduced by the Amendment Act, 1987.

Welfare of Workers (Sec. 42 to 50)

A worker would be entitled to the following facilities :

(a) Washing facilities; (b) Facilities for storing and drying clothing; (c) Facilities for sitting, (d) First-aid appliances; (e) Canteen (where 250 workers are employed); (f) Shelters, rest-rooms and lunch-rooms' (g) Crèches (if 30 or more women are employed); (h) Appointment of welfare officers in every factory employing 500 or more workers.

Hours of Work (Secs. 51 to 54)

Maximum working hours for adult worker per week shall be 48. The daily hours of work shall be restricted to 9. There is to be a rest interval of half an hour after 5 hours. The period of work cannot be spread over more than $10\frac{1}{2}$ hours.

There is provision for holiday on the first day of the week (or other substituted day which is duly notified). Compensatory holiday must be given where the worker is deprived of his weekly holiday. Where a worker works for more than 9 hours in any day or more than 48 hours in a week, he will be entitled to double the ordinary rate of wages. There is a prohibition on double employment.

Employment of Children- Section 67 of the Act forbids the employment of a child (i.e., person below 14 years of age in a factory. Though 'non-adult : worker' who has completed 14th years but not 15th years and an 'adolescent' who has completed 15th year but not 18th year may be permitted to work in a factory provided he has a certified of fitness from a certifying surgeon and carries a token giving reference to that certificate while at work. But a person who has not completed 17th year of age shall not be allowed to work in factory during night.

Working hours for a child shall be $4\frac{1}{2}$ spread over 5 hours. Moreover, the period of work of children shall be limited to two shifts which shall not overlap. There is a further obligation to maintain a 'Register of Child-workers'.

Further, there is a general prohibition on the employment of children on moving machinery or dangerous machinery or for pressing cotton in a cotton opener.

17.3 THE EMPLOYEES STATE INSURANCE ACT, 1948

The principal object of this Act is to secure certain benefits to employees and their dependents. These benefits are available in the event of sickness, maternity and employment injury. The benefits are

given in the form of (a) periodical payment and/or (b) medical treatment.

The Employees' State Insurance Act, 1948 is applicable to non- seasonal factories using power and employing 10 or more persons and non-power using factories employing 20 or more persons. It covers employees drawing wages not exceeding Rs. 15,000 with effect from 01.05.2010. The Act provides for medical care in kind and cash benefit payments in the contingency of sickness, maternity and employment injury and pension for dependents in the event of death of a worker because of employment injury. Full medical care including hospitalisation is also being progressively made available to the members of the family of the insured persons. Under Rajiv Gandhi Shramik Kalyan Yojana, Which has been introduced w.e.f. 01.04.2005, unemployment allowance is paid to the insured person for a maximum period of twelve months (w.e.f. 01.02.2009) from the date of unemployment. This allowance shall cease to be payable in case the insured persons g.-employment or attains the age of superannuation of 60 years. whichever is earlier.

The Act does not apply to : (a) seasonal factories; (b) factories or establishments under the control of the Government; (c) a worker whose wages exceed the limit stipulated by the government; (d) factories working with the aid of power but employing less than ten persons; (e) factories working without the aid of power but employing less than twenty persons; (f) mines subject to the Mines Act, 1952; (g) railway running sheds.

Benefits under the Act

- (1) **Medical Benefit :** Medical treatment and attendance are provided for the insured person as well as his dependents at the State Insurance Dispensaries.
- (2) **Sickness Benefit :** Under it, periodical payments are made to the person who is in receipt of free medical aid.
- (3) **Maternity Benefit :** It consists of periodical payments in case of confinement of an insured woman employee. The benefit is payable for a period of 12 weeks of which not more than 6 shall precede the expected date of confinement.
- (4) **Dependents' Benefit :** These are periodical payments to the dependents of an insured employee who has died as a result of injury sustained in the course of employment.
- (5) **Disablement Benefit :** If an insured person is injured in the course of his work and disabled-permanently or temporarily, he will get cash payments on a periodic basis.

Contributions- The scheme being contributory in nature, both the employers and the employees have to pay their contributions at the rates prescribed in the Act.

Employer's contribution : 4.75% of employee's wages

Employer's contribution : 1.75% of employee's wages

Conditions for Receipt of Sickness or Disablement Benefit- A person in receipt of sickness or disablement benefit (except that granted on permanent disablement) is required to observe the following conditions :

- (i) The remain under medical treatment at a dispensary, hospital, clinic provided in the Act.
- (ii) To carry out the instructions given by the medical officer.
- (iii) Not to do anything which might retard or prejudice the chances of recovery.
- (iv) Not to leave the area where medical treatment is given without the permission of the medical officer.
- (v) To allow himself to be examined by any duly appointed medical officer or other person authorised by the Corporation.
- (vi) Obstructing any officer of ESIC in the discharge of duties etc.

17.4 THE EMPLOYEES PROVIDENT FUND AND MISC, PROVISIONS ACT, 1952

The Act is piece of welfare legislation designed to provide security for old age to the industrial workers. Under the Act, the employees and employers are required to contribute sums to the Provident Fund for the benefit of employees.

Application of the Act- The Act is applicable :

- (a) to every establishment which is a factory engaged in any industry specified in Schedule I in which twenty or more persons are employed ; and
- (b) to any other establishment which the central Government may be notification in the Gazette, specify.

The act could be made applicable by the Central Provident Fund Commissioner if any application in this behalf is made to him or there is a mutual agreement between the employer and the majority of employees.'

Contribution- The contribution to the made by the employer and employee his been fixed @8.33 percent of basic wages, dearness allowance and retaining allowance if any.

Administration of the Act- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952, Seeks to provide financial social security to the employees in the form of provident fund, pension and deposit-linked insurance. It extends to the whole of India except the State of Jammu and Kashmir. It applied to every establishment specified in the Schedule and in which twenty or more persons are employed. The Central Government by notification in the Officer Gazette may specify, any other establishment employing twenty or more persons or class of such establishments to which the Act shall apply. As on 31.03.2010 the Act covered 186 specified industries/classes of establishments. Three schemes have been framed under the Act viz., Employees' Provident Fund Scheme, 1952, Employees' Pension Scheme, 1995, Employees' Deposit Linked Insurance Scheme, 1976. The Central Board of Trustees (CBT) through Employees Provident Fund Organisation (EPFO) administers the schemes.

The CBT (EPF) is a tripartite body headed by the Union Minister of Labour and Employment Employees' Provident Fund Organisation (EPFO) and has approximately 59 million subscribers enrolled in the three schemes. Employees Provident Fund Organisation provides various services from collection of members' contribution from establishment to maintenance of members' accounts to actual disbursement of money under various defined benefit plans to members and their nominees.

17.5 THE INDUSTRIAL DISPUTES ACT, 1947

The main object of the Act is to make provision for the investigation and settlement of industrial disputes and to :

- (a) promote measures for securing goods relations between employers and workmen;
- (b) inquire into any matter connected with or relevant to an industrial dispute ;
- (c) promote the settlement of industrial disputes ;
- (d) refer individual disputes to grievance settlement authority ;
- (e) prevent illegal strikes and lockouts ;
- (f) prevent unfair labour practices ;
- (g) provided for the payment of wages from date of award till final decision in court.

By an amendment in 1982, it has been made obligatory for an employer to set up a 'Grievance Settlement Authority' in an industrial establishment in which fifty or more workmen have/had been employed in the preceding twelve months. It shall have the responsibility to settle industrial disputes connected with an individual workman.

The employers have been made liable to pay compensation in the event of lay off, retrenchment, transfer of undertakings and closing down of undertakings.

The Industrial Disputes Act, 1947, also provides the machinery and procedure for the investigation and settlement of industrial disputes. The Act has been amended vide the Industrial Disputes (Amendment) Act, 2010 and enforced w.e.f. 15.09.2010. By these amendments, the definition of 'appropriate Government' has been made more specific and the wage ceiling of the workers working in a supervisory capacity has been enhanced from Rs. 1500 per month to Rs. 10,000 per month bringing it on parity with other labour laws.

An significant feature of the amendments is to provide direct access for the workmen to the Labour Courts or Tribunal in case of disputes arising out of Section 2-A workman can directly approach the CGITs-cum Labour Courts after 45 days of filling his grievance before the Conciliation Machinery and there will be no need for him to approach the 'appropriate Government' for making a reference. The amended Act makes it statutory to establish a Grievance Redressal Mechanism within all industrial establishments employing 20 or more workmen.

17.6 THE PAYMENT OF WAGES ACT, 1936

The object of the Act is to secure to workers the payment of wages in a particular form and at regular intervals without any unauthorised deductions. The Act mainly deals with the responsibility for payment of wages, the fixation of wage period, the time for payment of wages and most importantly the deductions that can be made from the payment of wages.

Applicability- The provisions of the Act are applicable to persons employed in a factory or industrial or other establishment or in a railway-whether directly or indirectly through a sub contractor. The Act does not apply to persons whose wages exceed Rs. 10,000 p.m.

Responsibility for payment- The Responsibility for payments of wages has been vested with the employer although the following persons shall also be so liable :

- (a) manager in the case of factories.
- (b) person responsible to the employers for the supervision and control of the industrial or other establishment in the case of industrial or other establishment,
- (c) persons nominated by the railway administration in the case of railways.

Time for Payment- In the case of establishment and undertakings which employ less than 100 persons, wages shall be paid before the expiry of the seventh day and in all other establishments, wages shall be paid before the expiry of tenth day, after the last day of the wage period in respect of which the wages are payable. The wages of a persons whose services have been terminated shall be paid on the next day after such termination. The payment must be made on a working day.

Permissible Deductions- Only following deductions can be made from the wages of an employee : (a) fines, (b) absence from duty, (c) damage/loss of goods or of money entrusted to employee, (d) housing accommodation provided by the employer, (e) any amenity or service supplied by the employer, (f) recovery of advances or adjustment of over-payment, (g) recovery of loans, (h) income tax, (i) contribution to and repayment of advanced from any provident fund, (j) payment to cooperative society or scheme of insurance maintained by the Indian Post Office, (k) deduction made with written

authorisation of employee for payment of premium on his life insurance policy or purchase of securities.

The total amount of deductions shall not exceed 75% of the wages where deductions are made for payment to cooperative societies and in any other case 50% of the wages.

Rules for imposition of Fine- Fines can be imposed in respect of approved list of acts and omissions, the list must be exhibited at or near the main entrance of the factory or at the prescribed places in the case of railway. Before imposing fine, the employee shall be given an opportunity of showing cause. The total amount of fine shall not exceed an amount equal to half-an-anna in the rupee of the wages payable to him in respect of that wage period. No fine shall be imposed on a person below the age of 15 years.

All fines and amounts realised on account of such fines shall be recorded in a register.

Similar rules have been made with regard to deductions for absence from duty, damage and loss, recovery of advances, payment to cooperative societies etc.

17.7 TRADE UNIONS ACT, 1926

Definition of Trade Union and Related Concepts- The Trade Unions Act defines trade union as "any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen, or between employers and employers, or for imposing restrictive conditions on the conduct of any trade of business and includes any federation of two or more trade unions."

According to the above definition a trade union can be either a union of workmen or of employers. The term "workmen" has not been independently defined in the Trade Unions Act. But in the definition of the term "trade dispute" in section 2(g) the term "workman" has been used to include : " all persons employed in the trade or industry whether or not in the employment of the employer with whom the trade dispute arises". This means that all the persons whether doing skilled, unskilled, manual, supervisory, technical, managerial or clerical work are workmen provided they are employed in any "trade" or "industry".

The above definition of trade union also prescribes the primary objectives for which a trade union may be formed; these are :

- (a) To regulate the relations (i) between employers, (ii) between workmen, or (iii) between employees and workmen.
- (b) To impose restrictive conditions on the conduct of any trade or business.

Besides these primary objectives which determine whether a union is trade union or not under the Act, there can be other objectives also. Thus a union may also have a number of economic, political and social objectives besides its primary objectives.

On the question whether there is any age restriction for becoming the member of a trade union, Section 21(A) (1) (i) of the Act provides that a person who has attained the age of 15 years may become the member of a registered trade union unless the rules of the union provide otherwise. But to become an office-bearer of the union or member of the executive of the union he should attain the age of 18 years.

Registration of Trade Unions- Any seven or more member of a trade union can, by subscribing their names to the rules of the trade union and by otherwise complying with the provisions of the Trade Unions Act, apply for registration under the Act. The application has to be made to the Registrar of Trade Unions. This application must be accompanied by a copy of the rules of the trade union and a statement of the following particulars:

1. the names, occupations and addresses of the members making the application;
2. the name of the trade union and the address of its head office; and
3. the titles, names, ages, address and occupations of the office-bearers of the trade union.

Where a trade union has been in existence for more than one year, a general statement of assets and liabilities of the Trade Union is to be submitted to the Registrar along with other relevant documents. Registration of a union is not done unless its executive is constituted according to the provisions of this Act and the rules of the union provide for the following matters :

1. the name of the trade union;
2. the objects for which the trade union has been established;
3. the whole of the purposes for which has general funds of the trade union shall be applicable, all of which purposes shall be purposes to which such funds are lawfully applicable under this Act;
4. the maintenance of a list of the members of the trade union and adequate facilities for the inspection thereof by the office-bearers and members of the trade union;
5. the admission of ordinary members who shall be persons actually engaged or employed in an industry with which the trade union is connected;
6. the payment of a subscription by members of the trade union which shall be not less than 25 paise per month per member;
7. the conditions under which any member shall be entitled, to any benefit assured by the rules and under which any fine or forfeiture may be imposed on the members;
8. the manner in which the rules shall be amended, varied or rescinded;
9. the manner in which the members of the executive and the other office-bearers of the trade union shall be appointed and removed;
10. the safe custody of the funds of the trade union, and annual audit, in such manner as may be prescribed, of the accounts thereof, and adequate facilities for the inspection of the account books by office-bearers and members of the trade union; and
11. the manner in which the trade union may be dissolved.

On registration, the Registrar would issue a certificate of registration in the prescribed form. This services as a conclusive evidence that the said trade union has been duly registered. The privilege of a registered trade union is that it becomes a body corporate having a perpetual succession and a common seal. It acquires a legal personality separate from its members. It can acquire and hold property and can contact, sue and be sued in its own name. An unregistered trade union being a fluctuating body of individuals having no separate legal entity does not enjoy these privileges. Its members are collectively and severally liable for the acts of the union.

Distinction between a Registered and an Unregistered Trade Union- From the above description it is clear that there are a number of difference between a registered and an unregistered trade union. These may be summarised as follows :

1. A registered trade union is a legal entity separate from its members. Hence it can **hold property**, enter into contracts, sue and be sued in its own name. An unregistered trade union is not a legal entity separate from its members. Hence it cannot hold property, enter into contracts, sue and be sued in its own name. Its members are collectively and severally liable for its acts like the partners of an unregistered firm.
2. A registered trade union enjoys a number of statutory rights such as:

- Use of its general funds for certain specified purposes.
- Creation of a separate fund for political purposes.
- Immunity from punishment for criminal conspiracy (not amounting to an offence) for furthering objects specified in Section. 15.
- Immunity from civil suit in certain cases.
- Representation of workmen to the works committee.

No such rights are available to an unregistered union.

3. A registered trade union is required to observe a number of formalities such as :

- Maintaining books of accounts and the list of members.
- Keeping books and list open for members' inspection.
- Submitting annually to the Registrar duly audited statement of receipts and expenditures and assets and liabilities.

Legal Status of a Registered Union- A trade union enjoys the following advantages after registration :

- (i) It becomes a body corporate.
- (ii) It gets perpetual succession and a common seal.
- (iii) It can acquire and hold both movable and immovable property.
- (iv) It can enter into contracts with others.
- (v) It can sue and be sued in its registered name.

Cancellation of Registration- The Registrar of Trade Unions can cancel the registration in the following cases : (i) on the application of the trade union, (ii) where the certificate of registration has been obtained by fraud or mistake, (iii) where the trade union has ceased to exist, (iv) where any rule of the union is inconsistent with the provisions of the Act, (v) where the union has rescinded any rule providing for any of the compulsory matters. (vi) where the primary objects of the union are no longer in harmony with the statutory objects.

Rights and Privileges of a Trade Union- The rights and privileges of a registered trade union include : (a) it is a body corporate, (b) it can keep separate fund for political purposes, (c) it enjoys immunity from criminal conspiracies, (d) it enjoys immunity from civil suits, (e) an agreement between the members of a registered trade union not to accept employment is valid (not void being agreement in restraint of trade), (f) it has right to amalgamate to form a larger union or federation of unions, (g) members of the union have a right to inspect books, (h) any person who has attained the age of 15 years can become the member of the union.

Immunity from Criminal Prosecution- No office-bearer or member of a registered trade union shall be liable to punishment under sub-section (2) of section 120B of the Indian Penal Code, in respect of any agreement made between the members for the purpose of furthering any such objects of the trade as are specified in section 15, unless the agreement is an agreement to commit an offence.

Section 120B(2) of the Indian Penal Code provides for punishment for the offence of criminal conspiracy. But Section 17 of the Trade Unions Act gives immunity to members and office-bearers of registered trade unions from criminal conspiracy in connection with trade disputes. The term trade dispute is defined in Section (2)g.

Immunity from Civil Suit in Certain Cases- No suit or other legal proceeding shall be maintainable in

any Civil Court against any registered trade union or any office-bearer or member thereof in respect of any act done in contemplation or furtherance of a trade dispute to which a member of the trade union is party on the ground only that such act induces some other person to break a contract of employment of some other person or with the right of some other person to dispose of his capital or his labour as he wills.

A registered trade union shall not be liable to a suit or other legal proceeding in any Civil Court in respect of any tortious act done in contemplation or furtherance of a trade dispute by an agent of the trade union if it is proved that such person acted without the knowledge of, or contrary to express instructions given by, the executive of the trade union.- Sec. 18(2).

Amalgamation of Unions- Any two or more registered trade unions may become amalgamated together as one trade union, with or without dissolution or division of the funds of such trade unions or either or any of them provided that the votes of at least one half of the members of each or every such trade union entitled to vote are recorded and that at least sixty percent of the votes recorded are in favour of the proposal.

Notice in writing of amalgamation, signed by the secretary and seven members of each and every trade union which is party thereto shall be sent to the Registrar of each of the States in which any of the amalgamated unions had a registered office. The Registrar of the State that all the provisions of the Act have been complied with. The amalgamation takes effect from the date of registration.

An amalgamation of two or more unions does not prejudice any right of any of the trade unions or any right of a creditor of any of them.

Duties and Liabilities- The Trade Unions Act imposes duties and liabilities on registered trade unions. They are discussed below :

1. **Change of registered office-** If the address of the head office of a trade union is changed, notice in writing must be given to the Registrar within fourteen days of the change. The change shall be recorded in the Register.
2. **Objects on which general funds may be spent-** Section 15 provides that the general funds of a registered trade union shall not be spent on any object other than the following :
 - (a) the payment of salaries, allowances, and expenses to office-bearers of the trade union ;
 - (b) the payment of expenses for the administration of the trade union, including audit of the accounts of the general funds of the trade union;
 - (c) the prosecution or defense of any legal proceeding to which the trade union or any member thereof is a party, when such prosecution or defense is undertaken for the purpose of securing or protecting any rights of the trade union as such or any rights arising out of the relations of any member with his employer or with a person the member employs;
 - (d) the conduct of trade disputes on behalf of the trade union or any member thereof;
 - (e) the compensation of members for loss arising out of trade disputes;
 - (f) allowances to members or their dependents on account of death, old age, sickness, accidents or unemployment of such members ;
 - (g) the issue of, or the undertaking of liability under, policies of assurance on the lives of members, or under policies insuring members against sickness, accident or unemployment;

- (h) the provision of educational, social or religious benefits for members (including the payment of the expenses of funeral or religious ceremonies for deceased members) or for the dependents of members;
 - (i) the upkeep of a periodical published mainly for the purpose of discussing questions affecting employers of workmen as such;
 - (j) the payment, in furtherance of any of the objects on which the general funds of the trade union may be spent, of contributions to any cause intended to benefit workmen in general, provided that the expenditure in respect of such contributions in any financial year shall not at any time during that year be in excess of one-fourth of the combined total of the gross income which has upto that time accrued to the general funds of the trade union during that year and of the balance at the credit of those funds at the commencement of that year; and
 - (k) subject to any conditions contained in the notification any other object notified by the appropriate Government in the Official Gazette.
3. **The Political Fund-** Section 16 empowers a registration trade union to constitute a separate Fund to be used for political purposes. Contributions to the Political Fund must be separately collected on a voluntary basis. No member can be compelled to contribute to this fund. No member can be excluded from any benefit or deprived of any privilege by reason of his not contributing to it. The Political Fund can be used for the following purposes :
- (a) The payment of any expenses incurred, directly or indirectly, by a candidate or prospective candidate for election to a legislative body under the Constitution or to a local body. The expenses might have been incurred before, after or during the election.
 - (b) The holding of any meeting or the distribution of any literature or documents in support of such a candidate.
 - (c) The maintenance of a person who is a member of a legislative body under the Constitution or of a local body.
 - (d) The registration of electors or the selection of a candidate for election to a legislative body under the Constitution or a local body.
 - (e) The holding of political meetings of any kind or the distribution of political literature or political documents of any kind.
4. **Proportion of Office-bearers to be connected with the industry-** Not less than one-half of the number of the office-bearers of every registered trade union shall be persons actually engaged or employed in an industry with which the trade union is connected. The appropriate Government may by a special or general order exempt any union or class of Unions from this provision.
5. **Dissolution-** A registered trade union may be dissolved according to the rules of the union. Notice of the dissolution must be given signed by the Secretary and seven members within fourteen days of the dissolution. The dissolution takes effect from the date it is registered. If the rules of the union do not provide how the funds of the union shall be distributed, the Registrar shall distribute the funds among the members in the manner prescribed by the rules framed under the Act.

17.8 PAYMENT OF GRATUITY ACT, 1972

Gratuity is viewed as a gift made by an employer at his discretion, gratuitously to the employees. Generally gratuity is looked upon as a legitimate claim of employees. Whereas provident fund is aimed at including thrift in the employee with a view to provide for his old age, gratuity is a retirement benefit earned by the employee by rendering services. The payment of Gratuity Act, 1972 provides for a payment of gratuity by the employer to an employee, on termination of his employment after having rendered services for not less than five continuous years. The various provisions of the act can be summarized as given in the following table:

Applicability	Every factory, mine , oil field, plantation, port, railways, company, shop, establishment or educational institutions employing 10 or more employees	Sec.1
Calculation	At 15 days wages for every completed year on an average of 3 months wages	Sec.4
Employee	All employees irrespective of status of salary	Sec 2 (e)
Entitlement	On completion of five years services except in case of death or disablement	Sec 2 (e)
Qualifying period	On rendering of five years service, either termination, resignation or retirement	Sec 2 (e)
Nomination	To be obtained by employer after expiry of one year's service in Form 'F'	Sec 6, Rule 6
Forfeiture of Gratuity	On termination of employee for moral turpitude or disorderly behavior & wholly or partially for willfully causing loss or destruction of property etc	Sec 4 (6)
Maximum Ceiling	Rupees ten lakh	Sec 4 (3)
Mode of Payment	Cash, bank draft or cheque	Rule 9
Protection of Gratuity	Cannot be attached in execution of any decree	Sec 13
Penalties	Imprisonment for 6 months or fine upto 10,000 for any misstatement or representation	Sec 9
Wages for calculation	At 15 days wages for every completed year as if the month comprises of 26 days at the last wages drawn	Sec 2 (s)

17.9 SELF-ASSESSMENT QUESTIONS

1. Discuss the provisions of Workmen's Compensation Act, 1923; The Factories Act, 1948; The Provisions of Employees' State Insurance Act, 1948; The Employees' Provident Fund & Misc. Provisions Act, 1952; Industrial Dispute Act, 1947; The Payment of Wages Act, 1936; Trade Union Act 1926 and Payment of Gratuity Act, 1972.

17.10 FURTHER READINGS

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