

# Industrial Relations as a Strategy for Enhancing Organizational Productivity & Performance

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*Industrial Relations is a sign of congenial relations. When good understanding prevails between employee and management each party tries to serve the other to the best of their ability. Employee tries to improve productivity when grievances and conflicts are resolved in an amicable manner. In this case study of Rashtriya Ispat Nigam Limited, Visakhapatnam, the author examines how IR affects productivity.*

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## Introduction

It is commonly held that the field of industrial relations deals with the people at work place. In industries, collaboration of men having diverse interests often leads to tensions and conflicts. Each interest group tries to maximize its share from the enterprise. Their orientation towards work is also bound to be different from another. Establishment and maintenance of harmonious relations between employee and management is a pre-requisite for the organization's performance. When good understanding prevails between them, each party tries to serve the other to the best of their ability. Employee tries to improve productivity. In a realistic sense, complete harmony can be elusive. Trade unions, to safeguard their interests, would try to register protest in an organized way. In the absence of sound industrial relations in an organization, it is reasonable to expect employees to face many serious disputes. Employment conditions in industry are not regulated merely by employees and employers, though both have a major role in it. State intervention in the regulation of employee- management relations has been on the increase and

therefore, the role-played by the state and its interaction with employers and employees legitimately forms part of industrial relations.

### **Need & Significance**

The most important benefit of industrial relations is that this ensures continuity of production and also the resources can be fully utilized, resulting in the maximum possible production. It reduces the industrial disputes. Strikes, lockouts, and grievances are some of the reflections of industrial unrest which do not spring up in an atmosphere of industrial peace. Good industrial relations improve the morale of the employees leading to enhancement in productivity. Wastages of men, materials and machines are reduced to the minimum. Do industrial relations influence organizational performance? Literature has explored the industrial relations impact on organizational performance, especially on the productivity dimension of performance. More recent studies state that performance is determined by IR practices. This study examines the impact of industrial relations strategies on organizational productivity and performance. The effects of trade unions, grievances, collective bargaining & participative management on Rashtriya Ispat Nigam Ltd performance are tested here.

### **Literature Review**

First, we refer to the studies on industrial relations effects. The ways in which industrial relations can impede economic performance of a firm are by

imposing restrictive work practices or by impeding the introduction of new technology. There is some evidence from the 1970s showing that such practices had harmful effects (Elbaum and Wilkinson, 1979). Such practices were common in India in that period until the mid and late 1980s, but were mostly removed by the new industrial relations system. Then began restructuring for nearly two decades of enterprise bargaining through strategic industrial relations. As to whether industrial relations restrict the introduction of new technology, while there were some cases of this, the evidence even from the 1980s was that, in general, industrial relations did not substantially restrict new technology. Still, it was generally thought amongst conventional economists that industrial relations had a negative impact on economic variables until the emergence of the 1980s (Freeman & Medoff, 1984). This showed that industrial relations could have a positive effect on the performance through two mechanisms. One was the 'bargaining' effect: higher wages lead employers to resort to labor-saving technology. This leads to higher labor productivity. The second mechanism was the 'grievances' effect: employees express their voice through industrial relations and this leads to lower covert conflict at work and to improved techniques of production. A positive relationship was found between industrial relations and productivity at workplaces

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where unions are active (Wooden, 2000). Collective bargaining coverage was associated with higher levels of self-claimed productivity (Fry, Jarvis & Loundes, 2002). Firms with high rates of union membership were more productive than firms with no union members (Tseng & Wooden, 2001). Another study from the 1990s showed that the intensity of collaboration between management and employees (through industrial relations) had a positive effect on workplace performance (Alexander & Green, 1992). A study of 'excellent workplaces' by researchers from the Indian corporate sector found that there had been a positive impact on workplaces which could achieve excellent performance (Hull & Read, 2003).

### Methodology

Out of 8,603 floor level employees of Rashtriya Ispat Nigam Ltd, 4.0 per cent (350), and out of 4,113 supervisors around 3.7 per cent (150) have been taken as a sample size for the study. A quota sampling technique has been used to collect the response. The data analysis was done with the help of simple percentages and ranking method etc. If a comparison is made between a government integrated steel company and a private integrated steel company it could have provided more insights into the industry.

### Perception of Shop Floor Workers & Supervisors

Industrial Relations (IR) is concerned with people at work and their re-

lationship with each other. IR in the organization designs a set of programs, functions and activities to maximize productivity and performance. In this context the researcher has attempted to know the importance of IR in the Rashtriya Ispat Nigam Ltd (RINL). Here the researcher used a scale of five ranks. For the reason chosen as first, five points are given, for the second, four points and the same descending order is followed.

**IR in the organization designs a set of programs, functions and activities to maximize productivity and performance.**

It is observed (Table 1) that the IR in the RINL is meant for creating 'good environment between management and trade unions for bargaining process' occupied first place with 1621 points and it was ranked 1<sup>st</sup> by 129 workers and supervisors (26%), 2<sup>nd</sup> by 111 workers and supervisors (22%), 3<sup>rd</sup> by 89 workers and supervisors (18%), 4<sup>th</sup> by 72 workers and supervisors (14%) and 5<sup>th</sup> by 99 workers and supervisors (20%). Establishment of IR in RINL 'Settles disputes more amicably' occupied second place with 1582 points. It was ranked 1<sup>st</sup> by 134 workers and supervisors (27%), 2<sup>nd</sup> by 102 workers and supervisors (20%), 3<sup>rd</sup> by 79 workers and supervisors (16%), 4<sup>th</sup> by 82 workers and supervisors (17%) and 5<sup>th</sup> by 103 workers and supervisors (20%). It is found that IR in the RINL 'Work as liaison officers between employees and management for participation process' got third place with 1509 points. It was ranked 1<sup>st</sup> by 119 workers

**Table 1 Perception of Shop Floor Workers & Supervisors on the Role of Industrial Relations in the Organization.**

Factor	1 <sup>st</sup> rank	Points	2 <sup>nd</sup> rank	Points	3 <sup>rd</sup> rank	Points	4 <sup>th</sup> rank	Points	5 <sup>th</sup> rank	points	Total weightage points	Rank
IR creates a good environment between management & TU for 'bargaining' process	129(26)	645	111(22)	444	89(18)	267	72(14)	144	99(20)	99	1621	1
IR works as 'liaison officer' between employees and management for participation process	119(24)	595	98(20)	392	84(17)	252	71(14)	142	128(25)	128	1509	3
IR provides better 'advisory' services for the welfare of employees	76(15)	380	86(17)	344	122(25)	366	131(26)	262	85(17)	85	1437	4
IR 'settles' disputes ` more amicably	134(27)	670	102(20)	408	79(16)	237	82(17)	164	103(20)	103	1582	2
IR doesn't pay sufficient attention for cordial relations between employees, TU and management	42(8)	210	103(21)	412	126(25)	378	144(29)	288	85(17)	75	1363	5
<b>Total</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>		

Note: A scale of five ranks is used. For the reason chosen as first, five points are given and for the reason chosen as two, four points and the same descending order is followed.

and supervisors (24%), 2<sup>nd</sup> by 98 workers and supervisors (20%) 3<sup>rd</sup> by 84 workers and supervisors (17%), 4<sup>th</sup> by 71 workers and supervisors (14%) and 5<sup>th</sup> by 128 workers and supervisors (25%).

It is observed that the IR especially is to 'provide better advisory services for the welfare of employees' occupied fourth place with 1437 points. It was ranked 1<sup>st</sup> by 76 workers and supervisors (15%), 2<sup>nd</sup> by 86 workers and supervisors (17%), 3<sup>rd</sup> by 122 workers and supervisors (25%), 4<sup>th</sup> by 131 workers and supervisors (26%) and 5<sup>th</sup> by 85 workers and supervisors (17%). 'IR does not pay sufficient attention for cordial relations between workers and supervisors, TU and management' got fifth place with 1363 points. It was ranked 1<sup>st</sup> by 42 workers and supervisors (8%), 2<sup>nd</sup> by 103 workers and supervisors (21%), 3<sup>rd</sup> by 126 workers and supervisors (25%), 4<sup>th</sup> by 144 workers and supervisors (29%) and 5<sup>th</sup> by 75 workers and supervisors (17%).

In fact the IR is playing a decisive role in RINL. It has been providing a variety of services to its workers and supervisors. This helps in maintaining congenial relations in RINL. Thus, IR has been the cause for productivity enhancement.

### **Counseling, Collective Bargaining & Conflict Resolution Mechanism**

Every employee in the organization has certain expectations which they think must be fulfilled by the organization he is working for. When the organization fails

**Organization should setup a systematic mechanism to resolve and prevent disputes.**

to do this, employee develops a feeling of dissatisfaction. It shows adverse impact on organizational efficiency and effectiveness. In such cases organization should setup a systematic mechanism to resolve and prevent disputes. At this juncture, a system of counseling, collective bargaining and conflict resolving machinery helps the organization in maintaining congenial relations. In RINL 500 workers, including supervisors, are interviewed to collect data on the need for counseling, collective bargaining and an effective system of dispute redressal machinery. In the case of individual problems 38.20 per cent of the workers expressed that these problems should be solved through proper counseling in RINL. About 32 per cent viewed that workers' individual problems should be resolved through collective bargaining (Table 2). In their view, trade unions should play an important role in solving individual problems through collective bargaining process. About 29.80 per cent believe that critical individual problems should be settled through conflict resolving machinery at a very fast pace without any delay. Similarly 234 workers out of 500 felt that group problems should be solved through collective bargaining and at the time of negotiations these problems should be placed as first priority. About 46 per cent of the workers feel that conflict resolution machinery should solve group problems. But 7.20 per cent view that counseling gives better results

**Table 2 Perception of Shop Floor Workers and Supervisors on Counseling, Collective Bargaining & Conflict Resolution Mechanism**

Problem	Counseling	Collective Bargaining	Conflict Resolution	Total
Employee individual problems	191(38.20)	160(32.00)	149(29.80)	500
Group problems	36(7.20)	234(46.80)	230(46.00)	500
Employee work related problems	168(33.60)	173(34.60)	159(31.80)	500
Problems related to wages	28(5.60)	257(51.40)	215(43.00)	500
Problems related to promotions	56(11.20)	201(40.20)	243(48.60)	500

Figures in parenthesis are percentages to total.

in solving the problems.

In the case of employee work related problems, the workers are confined to three choices of counseling, collective bargaining and conflict resolution. These are given equal importance in resolving problems which arise between the workers and the management. A system of counseling (33.60 per cent) and collective bargaining (34.60 per cent) are the only ways to solve group problems. About 31.80 per cent supported a system of conflict resolution.

**Conflict resolution will definitely help in the settlement of wage problems in RINL.**

It is observed that the problems relating to wages should be resolved through collective bargaining as expressed by 51.40 per cent. Conflict resolution will definitely help in the settlement of wage problems in RINL as expressed by 43 per cent of the workers. Very few i.e., 5.60 per cent expressed the feeling that counseling may be helpful. Similarly, a system of conflict resolution is found desirable to settle promotion problems in an amicable

manner. About 201 workers out of 500 think that trade unions put the promotion problems as the main agenda while negotiating with the management. Nearly 11.20 per cent agreed that counseling is helpful in the settlement of promotion problems. Workers' participation issues pertaining to workers collective are being discussed at various forums with recognized and other unions. At present, 92 bipartite committees are functioning with equal participation from management and workers representatives to discuss issues at the shop level and plant level on welfare, safety, production and productivity. There are 4,779 QC projects implemented in the organization and 21,479 suggestions generated across the organization.

**Labor Productivity**

Labor productivity is an important indicator for measuring the organization performance. In fact labor productivity will also be influenced by a number of factors like available technology, skills of the workers and availability of inputs. As these are qualitative factors quantification of the changes in these is very difficult. So, the researcher restricted himself to calculate labor productivity by dividing the total out-

put with the number of employees. It is observed that the productivity increased by 176 percent in a span of 11 years or at an annual average growth rate of 16 percent due to congenial industrial relations in RINL (Table 3). It is forecasted that the productivity will be enhanced by another five percent in the year 2014-15.

**It has provided several incentives to the work-force so that they work hard and better to enhance the productivity.**

The company has taken up a number of measures to improve the productivity of labor. It has provided several incentives

to the work-force so that they work hard and better to enhance the productivity. Incentives are provided in the form of additional one-day wage for those who are not absent even for a single day in a month. If this trend is continued by a worker for quarter of a year, he is provided an extra one-day wage. Night duty allowances, subsidized canteen food, low-rent quarters, petrol allowance for own transport, yearly bonus based on the work turned out etc are some of the important incentives provided to the workers so that they can work with commitment and sincerity and help in the improvement of productivity for the firm. All these are implemented through collective agreements between management and trade union.

**Table 3 Labor Productivity with Reference to Output in RINL, Visakhapatnam**

S. No	Year	Labor Productivity (000 tonnes)	Index	Sales performance (Rs. Crores)	Index
1	2002-03	253	100	5058	100
2	2003-04	262	104	6169	122
3	2004-05	398	157	8181	162
4	2005-06	414	163	8482	168
5	2006-07	413	165	9151	181
6	2007-08	425	167	10443	208
7	2008-09	383	151	10543	208
8	2009-10	405	160	10635	210
9	2010-11	406	160	11517	227
10	2011-12	412	162	14462	285
11	2012-13	435	171	13553	268
12	2013-14	446	176	13489	267
13	2014-15*	460	181	14671	290

Source: Rashtriya Ispat Nigam Limited Annual Reports,

\* Projected

Regarding its financial performance, RINL became a debt-free company in 2003 and wiped out all the accumulated losses in 2006 and the company was accorded the Miniratna status for its performance. The RINL is supplying a wide

variety of saleable steel products to its customers in the local and international markets. It is observed that the sales increased by 167 percent in a span of 11 years or at an annual average growth rate of 15 percent. The sales value in 2014-

15 would be Rs. 14,671 crores. RINL management has initiated some IR strategies to improve the financial performance of the company keeping in view the competitive environment. Since 2002-03 RINL has earned remarkable sales and profits continuously. It may be implicit that the IR policies made RINL harness the forces of change and emerge as a winner in the global steel market.

### **Conclusion**

As per the IR policy RINL provides a congenial work environment that makes its manpower committed and motivated for maximizing productivity. Efforts are made by the management to generate an emotional binding of the worker with the organization. Occasional meetings are held by the superior authorities to know the problems of the workers and to take necessary steps to overcome those problems. These meetings acted as a source of support to the workers to work hard and produce more. Thus the organization has developed a productive work culture through participation in management, collective bargaining, amicable settlement of conflicts and friendly relations with trade unions to improve the productivity of its manpower.

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