

A STUDY ON THE EFFECTS OF EMPLOYMENT RELATIONS ON ORGANIZATIONAL EFFECTIVENESS



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ABSTRACT:

This study assesses the relationships among Industrial Relations System (IRS) characteristics, quality of working life (QWL) improvement initiatives, and selected measures of organizational effectiveness in a giant public sector Steel Industry in South India, between 2004-05 and 2013-14. The empirical results show strong connections between measures of IRS performance and organizational effectiveness and for the hypothesis that quality of working life efforts improves organizational effectiveness.

INTRODUCTION:

The Report of National Commission on Labour (1995), envisaged "A quest for industrial harmony is indispensable when a country plans to make economic progress is bound up with industrial harmony inevitably leads to more cooperation between employer and employees, which result in more productivity and thereby contributes to the all round prosperity of the country. Industrial progress is impossible without cooperation of labour and harmonious relationships with them. Therefore, it is in the interest of all organizations to create and maintain good relations between employees (labour) and employers (management).

The "Employment Relations (ER)" is a relationship between an employee and an employer. This direct relationship may be mediated by two other key institutions of Industrial Relations (IR). The Trade Union (or more rarely a non-union collective representing the employees) and the State (Paul Edwards 2003)

1. It is a well-known fact that the credit for applying the systems concept to Industrial Relations goes to Dunlop (1958)
2. It is within this perspective that Dunlop analyses industrial systems as a subsystem of society "An Industrial Relations System at any one time in its development is regarded as comprised of certain actors, certain contexts, an ideology which binds the Industrial Relations system together and a body of rules created to govern the actors at the workplace and work community." The main actors are Employee, Employer and the State.

A sound Industrial Relations System is one in which relationships between management and employees (and their representatives) on the one hand, and between them and the State on the other, are more harmonious and cooperative than conflictive and creates an environment conducive to economic efficiency and the motivation, productivity and development of the employee and generates employee loyalty and mutual trust.

1.1 OBJECTIVES OF THE STUDY:

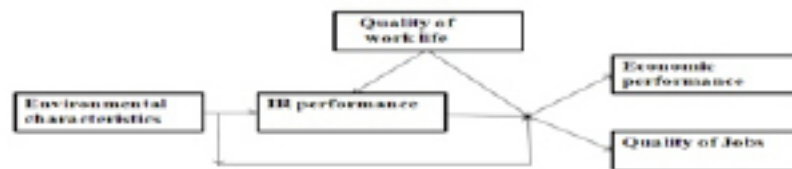
To assess the Industrial Relations performance in a public sector enterprise and the interconnected nature of Employment Relations System.

To examine the impact of Industrial Relations on Economic Performance in the organization.

To evaluate the effects of Quality of working Life (QWL) initiatives and other employee involvement strategies.

1.2 THE MODEL FOR THE STUDY:

The model of the issues for the study is outlined in the Figure 1. The Industrial Relations System and its performance at work place are seen being influenced by a variety of external environment, demographic, organizational and historical factors.

Figure1

For the purpose of our study, the focus is on the causes of variation in the properties of the IR System and discovering the effects of variations in these properties on organizational effectiveness. The performance of the IR system is expected to influence organizational performance primarily through its effects on labour efficiency, productivity, and product quality. Quality of Work Life (QWL) initiatives and related interventions are seen as strategies for changing the work organization and relationships among workers, supervisors, managers, and union leaders so as to produce improvements in the Industrial Relations system and its outcomes (Goodman, 1979)³ Of late a number of companies and unions have been experimenting with new strategies for improving the performance of their bargaining relationships at the plant level through what generally have been labelled “Quality of working life”(QWL) programmes. These QWL programmes represent the efforts to establish direct channels of communication between employees and their supervisors, involve employees in shop floor decision making. It is through this process that the participants hope to improve both organizational effectiveness and psychological rewards workers obtain from their jobs⁴. Katz, Kochan, and Gobeille (1983) ⁴ have found that the IR system at the plant level influenced economic performance through three interrelated routes: (1) the effectiveness of the management of conflict in the union-management relationship, (2) the motivation, commitment, and behaviour of individual workers and work groups, and (3) the rules and practices governing the allocation and use of human resources. The result of their study provided support for the proposition that the measures of IR performance at work place, such as grievances and discipline rates, union management climate and absenteeism are systematically interrelated and also related to measures of economic performance such as direct labour efficiency and productivity and quality. Thus, the objectives and the hypotheses of the study are derived from the above model and literature.

1.3 HYPOTHESIS OF THE STUDY:

- The performance parameters of Employment Relations System have interconnectivity.
- The performance of “Work Place Employment Relations” has influence on Economic performance such as labour productivity and quality.

The efforts of Quality of working Life (QWL) have influence on the performance of “Work Place Employment Relations” and Economic performance

1.4 SCOPE OF THE STUDY:

- Theoretical propositions are developed by integrating research on organizational behaviour, Industrial Relations, and micro-economics. Thereby, the importance of linking concepts and analytical techniques from these fields is illustrated in this study.

It assesses the relationships among Industrial Relation system determinants Quality of Working Life improvement initiatives, and selected measures of organizational effectiveness like labour productivity and quality (number of complaints with respect to sales per year) based on empirical data.

1.5 THE ORGANIZATION FOR THE STUDY:

The organization for the study chosen is Rashtriya Ispat Nigam Limited (RINL), Visakhapatnam Steel Plant (VSP) a large steel industry, a major Public Sector Enterprise, located in South India, has introduced many novel IR systems and procedures with an approach of industrial democracy to promote harmonious Work Place Employment Relations. The study is special in nature because, the organization has a human asset strength of 18000 regular employees, identified with more than 20 unions and various associations, which harnesses industrial peace through a culture of participation in a green field situation.

1.6 Determinants OF Industrial RELATIONS:

The primary function of the Industrial Relations System is to establish procedures and processes for providing amenities and facilities for the health, safety and welfare of employees is an important duty of management. However, it is only one part of management’s duty to provide and maintain a working environment that is safe and without risks to health. Amenities and facilities are integral to the health, safety and welfare of employees. The measure of safe working environment could be number of reportable accidents or rate of accidents which is related to the performance of Industrial Relations and economic performance of the Organization.

Another critical function of the Industrial Relations System is to establish procedures and processes for addressing and resolving conflicts or problems that arise between employees and management. Effectiveness of these formal negotiation and conflict resolution mechanisms are directly related to organizational effectiveness. Thus the volume of grievances can be symptomatic of the success or failure of the parties to resolve differences on a more informal basis or at early steps of the formal procedures. Therefore the number of grievances most likely signals obscure problems in the conflict resolution/problem solving systems in the plant. Thus it is expected that plant level measures of grievance rates should be systematically related to the measures of Industrial Relations performance.

The motivation, attitudes, and behaviour of individuals and informal work groups can exert an independent effect on organizational performance as well. A wide range of theoretical arguments suggest that individual employee ability, motivation, and participation in job related decision-making will affect both organizational effectiveness and individual employee satisfaction. To the extent that employees have the ability and willingness to make suggestions and to participate in the search for ways to improve job performance and to the extent these efforts can be maintained overtime, high levels of individual employee motivation/commitment/participation should lead to improved organizational effectiveness and employee satisfaction.

Another aspect of individual behaviour that is expected to be related to the Industrial Relations outcomes is the absenteeism rate in the plant. In any event, the costs levied by high rates of absenteeism should exert an independent effect on organizational performance regardless of the relationship between absenteeism and the Industrial Relations outcomes.

Therefore it is expected that the measures of the volume of grievances, employee participation in suggestion programs, attitudes and absenteeism rates to be related to the Industrial Relations performance measures and to measures of organizational performance. These are the strategies to initiate changes that will reverse the high conflict/low trust pattern and support individual employee participation and involvement.

To the extent these efforts are successful in increasing trust, employee involvement, and problem solving in the short run, they can be expected to lead to short run improvements in both employee satisfaction and organizational effectiveness, improved trust and problem solving and more. Participative managerial style may also lead to lower grievance rates or settlements at lower levels of the grievance procedure.

QWL efforts may also lead to more flexibility in work rules. To the extent that these QWL efforts can coexist with the on-going distributive aspects of the bargaining

sure that challenge these efforts over time, they can be expected to help organizations maintain higher levels of organizational effectiveness.

1.7 DATA ANALYSIS & FINDINGS:

A sequence of nonrecurring events can be simulated via Random Sample. For instance, the probability of randomly sampling the integers 1 through n in order might be simulated. Random number generation is at the heart of Monte Carlo estimates. An estimate of an expected value of a function f can be obtained by generating values from the desired distribution and finding the mean off applied to those values. The data considered (Table 1 and 2 at Annexure-1) for the study is for last ten years (2004-05 to 2013-14) and compared with Industrial Relations System performance measures of the plant and economic performance. Mean values and other statistical parameters viz. Standard deviation, Minimum and maximum of the QWL & IR performance parameters are derived and correlation coefficients are calculated and shown in Table 3, Annexure 2.

From the Table 3 of Annexure 2 (Correlation coefficients and Analysis) the observations are:

- i. Performance of Working Environment (Reportable accidents per man –year) and Grievances are moderately correlated. This indicates, the grievances and Working Environment (safety: Reportable Accidents/man –year) are correlated and move together in same line which means, if one increase other will also increase.
- ii. Working Environment (safety) Vs disciplinary cases are strongly correlated. This means, if more are the number of reportable accidents, more will be disciplinary cases. .
- iii. Employees Involvement through QCs has impact on Work environment (Number of reportable accidents). Thus, it is clear that /Work Environment (Safety) and Employees Involvement through QCs are strongly and inversely correlated.
- iv. Samalochana Vs Working Environment (safety) is strongly and inversely correlated. This means that more samalochana meetings, lesser are the accidents.
- v. Work environment i.e. Safety have greater influence on labour productivity and observed that they are strongly inversely correlated with labour productivity. Lesser the accident rate more is the labour productivity.
- vi. Grievances Vs No. of Disciplinary cases are studied and observed that they are strongly correlated. Lesser the grievances lesser are the disciplinary cases.
- vii. Grievances Vs No. of DWCC meetings are studied and observed that they are strongly and inversely correlated. More the Departmental welfare coordination

viii. Number of Grievances Vs Labour Productivity is studied and observed that they are strongly and inversely correlated. Lesser the grievances, more is the labour productivity.

ix. Employee involvement through suggestion scheme Vs Absenteeism is studied and observed that they are strongly and inversely correlated. More the involvement of employees in suggestion schemes lesser is the absenteeism.

x Employee participation through Plant level Production Performance Committee (PLPPC) meetings Vs Absenteeism is studied and observed that they are strongly and inversely correlated. More number of PLPPC meetings lesser is the absenteeism.

xi. Employee involvement through QCs Vs Disciplinary cases is studied and observed that they are inversely correlated.

xii. Employee involvement Samalochana Vs Disciplinary cases is studied and observed that they are strongly and inversely correlated.

xiii. Employee involvement through QCs Vs IR index (effectiveness of IR performance) is studied and observed that they are strongly correlated. More the employee involvement through QCs more is the IR index.

xiv. Samalochana and Labour Productivity is studied and observed that they are strongly correlated. More the number of Samalochana meetings, more is the Labour Productivity.

xv. The measure of Quality of jobs (P5) i.e. No. of Complaints with respect to sales per year, the mean value is 0.050, Variance is 0.003 and Standard Deviation 0.055. Statistically correlation between Industrial Relations System performance Parameter (IR index) and No. of Complaints with respect to sales per year is negligible.

F STATISTIC:

From the tables Table 4 and 5, Annexure 2, it is seen that, F-Statistic value is 11.88 with a significance level of 0.22. This significance level means that there is almost no chance that the differences between the means of different parameters cause by error. Thus the f-Statistic is found to be significant and null Hypothesis is rejected.

CONCLUSIONS:

From the above empirical study it is concluded that the significance of Industrial Relation Index will depend on Quality of work life (QWL) and Industrial Relations Performance, Economic Performance, Environmental Characteristics, in turn influenced by the parameters like accident rate, absenteeism, grievances rate, employee participation in suggestion scheme, labour productivity and QWL efforts like, employee participation in QCs, Samalochana and other participative fora. The correlation and regression analysis between the various per-

mance measures support the hypothesis that formance measures support the hypothesis that ment Relations System have interconnectivity.

- The performance of “Work Place Employment Relations” has influence on Economic performance such as labour productivity.

- The efforts of Quality of working Life (QWL) have influence on the performance of “Employment Relations” and Economic performance.

Thus, we argue that, IR System performance contributes significantly to the achievement of high levels of labor productivity, employee involvement and empowerment through various QWL initiatives should be the key elements of HR policy. They strengthen the IR system and foster the climate of participation, collaboration, and mutual trust in the organisation.

REFERENCES:

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2. Dunlop, John. T: Industrial Relations System, New York, Henry Holt, 1958, p.6
3. Goodman, P.S. (1979): Assessing Organizational Change: The Rushton Quality of Work Experiment. New York: Wiley-Inter science.
4. Harry C. Katz, Thomas A. Kochan and Kenneth R. Go-belle (1983): Industrial and Labor Relations Review, Vol. 37, No. 1 (October 1983), ©, 1983 by Cornell University

IR System Indicators	Parameters considered	
	Working Environment (Safety) i.e. Reportable Accident /man -year	P1
Environmental Characteristics	Grievances i.e. Grievances per 100 employees per year	P2
	Absenteeism (Un Authorized) per 100 employee per year	P3
	Involvement through SS (Percentage of employees involved below E7 grade)	P4
	Disciplinary cases	P5
Industrial Relation Performance	Employee involvement through QCs (Percentage of employees involved)	P6
	Shop Floor Co-operation Committee Meetings	P7
	Samalochana	P8
	DWOC	P9
Quality of Work Life (QWL)	PLPPC Meetings	P10
	Quarterly Interaction with Unions	P11
	Labour Productivity in tons per man per year	P12
	Product Quality i.e. (Number of Complaints with respect to sales per year)	P13
Economic Performance		
Quality of jobs		
IR performance indicator	IR Index (Random number)	V

Table 2 Empirical Data for measuring performance of Industrial Relations System of the organization on the following parameters:

S. No.	Year	P1	P21	P22	P23	P24	P31	P32	P33	P34	P35	P36	P4	P5
1	2004-05	0.003	0.009	0.57	29.4	132.00	73	293	76	11	4	6	265	0.02
2	2005-06	0.003	0.003	0.63	32.2	135.00	74.6	192	69	63	4	9	282	0.019
3	2006-07	0.002	0.002	0.69	35.1	73.00	75	289	118	68	4	9	413	0.024
4	2007-08	0.002	0.005	0.77	25.4	77.00	75.2	273	122	52	4	6	389	0.201
5	2008-09	0.002	0.002	7.48	18.3	53.00	75.2	291	82	71	3	4	359	0.037
6	2009-10	0.001	0.001	0.92	35.5	42.00	75.2	330	115	56	5	4	382	0.016
7	2010-11	0.001	0.004	1.37	34.59	37.00	56.2	223	111	24	3	3	358	0.041
8	2011-12	0.001	0.003	0.69	29.44	37.00	61.7	242	125	52	4	5	359	0.056
9	2012-13	0.001	0.002	0.78	31.2	32.00	61	267	123	67	4	6	382	0.046
10	2013-14	0.001	0.002	0.59	34.27	30.00	59.5	298	125	76	4	7	371	0.038

Annexure-2

Table 3: Intra-relationship with performance variables (Industrial Relations & QWL) as measured by using simple Correlation coefficients for a Steel Industry (RINL-VSP).

	P1	P21	P22	P23	P24	P31	P32	P33	P34	P35	P36	P4	P5	IR Index
P1	1.00													
P21	0.61	1.00												
P22	0.06	0.20	1.00											
P23	0.21	0.18	0.78	1.00										
P24	0.94	0.64	0.15	0.10	1.00									
P31	0.73	0.14	0.24	0.34	0.61	1.00								
P32	0.12	0.10	0.16	0.05	0.29	0.29	1.00							
P33	0.82	0.43	0.37	0.34	0.78	0.49	0.28	1.00						
P34	0.40	0.83	0.25	0.09	0.36	0.10	0.13	0.28	1.00					
P35	0.03	0.15	0.60	0.48	0.08	0.34	0.41	0.25	0.14	1.00				
P36	0.36	0.02	0.40	0.27	0.53	0.32	0.20	0.15	0.38	0.28	1.00			
P4	0.68	0.65	0.05	0.11	0.75	0.13	0.39	0.82	0.53	0.09	0.12	1.00		
P5	0.15	0.21	0.08	0.38	0.05	0.11	0.04	0.36	0.00	0.04	0.07	0.32	1.00	
IR Index	0.44	0.30	0.26	0.26	0.33	0.83	0.15	0.24	0.51	0.28	0.47	0.17	0.01	1.00

Table 4: Regression statistics analysis

Multiple R	0.994782556	Adjusted R Square	0.906331011
R Square	0.989592335	Standard Error	3.453575631
Observations	10		

Table 5 ANOVA

	df	SS	MS	F	Significance F
Regression	8	1134.072815	141.7591019	11.88537833	0.22085615
Residual	1	11.92718464	11.92718464		
Total	9	1146			