

Impact of Industrial Relations on Employee Productivity

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ABSTRACT

In India, the payment of bonus to the industrial employees of the Government of India has been linked to productivity. While clamour is made for productivity-linked wage increase in the management and official circles, trade unions are equally vociferous in resisting such a linkage, not only because they do not treat the existing distribution of income as sacrosanct, but also because they fear that linking wage and bonus payments to productivity is a device to cheat them of their legitimate claim to a living wage. Though there is so much of talk of the importance of growth in productivity for speeding up economic growth, there is little analysis of the concrete situation which can facilitate or hinder improvements in productivity. The gains of the 'green revolution' are reflected in the improvements in productivity. But there has not been any reference to the quality of human inputs, as if it does not have much to contribute. In the industrial field, also, new technologies are being introduced and additional capital input of improved quality is being provided to increase production. Larger inputs can give larger returns but that does not necessarily mean improvement in productivity. In all economic organizations, apart from the quality and the quantity of material input, it is recognized on all sides that the quality of the human input is the crucial factor in promoting productivity, consequently in economic growth and development.

1. Productivity and its Importance

One basic element that distinguishes the world of human beings from the animal world is the necessity to work. The animal world does not have to work in order to live, but man cannot live without work. All living beings other than man, only consume what is given by nature. They are only consumers and not producers whereas man is both a producer and a consumer. Even in the food gathering stage, he starts making flint and crude tools out of stone and wood or whatever came handy to him and has brought about tremendous changes in the tools and techniques of work.

The ever improving technology of work and use of tools has reduced the need for

utilization of human labour and released time and energy of people for the pursuit of other creative and cultural activities. This is a very noble goal. We can very well imagine the situation when each one of us would have been busy scratching the earth to extract the basic means of subsistence. There would have been no schools, no colleges, no science and no research laboratories. It is the capacity of man to create a surplus over and above the basic necessities of life that provides the foundation for whatever progress in whatever realm the mankind has attained so far or will attain in future.

1.1 Meaning of productivity

It has been said that earth is the mother and labour is the father of all wealth in this world. The primitive man used a part of his labour to produce the crude tools which in the present day terminology could be called his capital. These tools could not be said to be independent of the man and could not be termed as an independent factor of production. We have come to identify four factors of production

- a) land
- b) labour
- c) capital and
- d) organization

Thus, when a factory is established to produce something we say that four factors of production have combined to work together to produce a result. Improving productivity, therefore, means to secure a higher output out of given input, more so in terms of input of human labour. Generally speaking, all other inputs are assisting labour to make it more effective and productive.

1.2 Forms of Productivity

The output of a given enterprise can be looked upon from two points of view of

- a) physical productivity
- b) value productivity

The inputs are essentially in terms of physical concrete like so many hours of labour, so many kilowatts of electric energy, so many tons of raw materials, etc. these are the inputs in terms of physical units. These inputs can be understood in terms of their money value. Similarly, the output can be viewed in terms of the physical units like so many yards of cloth, or so many tons of coal, or so many tons of steel and iron. When sold in the market, the output requires a money value. The excess of the value of output over the value of inputs is called the profit or surplus. Productivity, thus, assumes two forms: physical productivity and value productivity.

1.3 Implications of the Distinction between Physical and Value Productivity

The primary aim of a business enterprise is to improve the value productivity. Growth in physical productivity by itself does not have any meaning for the enterprise. In this economy an enterprise can improve its value productivity by securing higher price for its product even though the physical productivity remains the same or even when it goes down and vice versa.

In this situations of wage negotiations and the demand for wage increase it is very simple for one to say that wages be linked to productivity but to prepare an index of productivity of an enterprise or of an industry has not been possible so far. The enterprise can improve only its

physical productivity, the value productivity being determined by forces beyond its control. When physical productivity is improving, though not the value productivity is it just and fair for the labour to demand a high wage? Is it fair on the part of management to deny the claim because there has been no improvement in value productivity? There may come into existence a reverse situation. Thus, the distinction between value productivity and physical productivity has serious implications for wage negotiations and industrial relations. Not only that there is a dispute about the meaning and measurement of productivity but also the same productivity data may be used by labour and capital in different ways. Both sides tend to emphasize that aspect of productivity which supports their case. This is not a satisfactory position.

2. The Quality of Human Input

It is a well known fact that the quality of human input is the determinant of the level of productivity under a particular technological situation. This quality has two aspects

- a) **The capacity to work:** - technical efficiency depending upon training, education, physical climate, standard of living, etc
- b) **The will to work:** - depending upon the motivation and morale.

The management may take extreme care to recruit technically the most competent person and provide them with the latest possible technology and other inputs necessary for production, still, if the will to work is weak, a plant may not attain its rated capacity and productivity may still continue to be low. It is recognized on all sides that there is a gap between the potential performance of the human input and its actual realization. This gap between potentiality and actual performance is the result of diverse sociological and personal factors. Chief among them being the alienation of the human input, that is, the workers, from the enterprise.

It is self evident that modern industrial workers working for a wage or a salary have very different motivation from that of a self employed person. The self employed person if he works hard and gives his best to the production process the product of his efforts will directly accrue to him. Thus, he does not need any additional stimulus to induce him to put forth the best. His welfare is directly linked to the quality and quantity of his efforts. This situation completely changes when he turns into a wage or salary earner. In a large organization, his efforts are merged in the efforts of hundred of others. The results of his efforts are rarely known to him. Not only that, the link between his efforts and product of his enterprise becomes tenuous, but also that, he receives a fixed remuneration not linked to this efforts and productivity.

The relationship between the employer and his employees is a necessitous relationship flowing from the necessity of the worker for a job and the necessity of the employer for labour. Therefore, the worker tends to give

the least which is just sufficient enough to protect his job and the employer also seeks to give him the least barely sufficient enough to retain the worker in the firm. Chamberlain calls this situation a relationship of 'conjunction' and not of 'co-operation'. This relationship is vividly and dramatically illustrated in the answer to a question which you can put to the workers of any enterprise. Who are you working for? The question is invariably answered as 'working for the TISCO, TATA, or BATA.

Therefore, technologies of production can be transplanted from one country to another but not the technologies of man-management. The motivations of workers in a socialist country are in way comparable to the motivation of workers in a capitalist country not those in a semi-feudal, semi-capitalist country like India.

3. The Quality of Industrial Relations

It has been said so far that given the technological and material inputs and a given capacity of the worker, the will to work materially affects the productivity of the workers and, therefore, of the enterprise. Apart from the other influences on the morale of the workers, "the quality of industrial relations has a direct bearing on the workers" will to work. When it is said that the quality of industrial relations has an important bearing to productivity, it is to be realized that it is not so much the role of strikes and lockouts that I have in mind while emphasizing the importance of industrial relations to productivity. There are many factors influencing the quality of industrial relations that are beyond the control of any individual management. Factors like political climate, multiplicity of union, economic factors like inflation and depression, market fluctuations and technological changes cannot be controlled by any one management. This will

influences the approach and behaviour of the workers and their union and also the management.

3.1 Tools and techniques of Management

As a corollary to the theory of management, the tools and techniques of management centered round what has been termed as the carrot and stick theory. A donkey can be made to move or quicken its pace either by the use of stick from behind or by dangling a carrot in front or by using both. Similarly, the worker can be motivated to work and, work still better, by a suitable combination of punishment and reward, the capital punishment being in this context dismissal from employment. Peter Drucker calls the sticks “the big fears and the little fears”. In India, the management cannot, now, very freely use either the big sticks of dismissals or the little sticks of disciplinary actions to extract the best from the workers. But the use of carrot as a tool of motivation still continues to be potent in country where there is so much of poverty and low standard of living.

The net result is that there is a crisis in managerial techniques. Old techniques do not work, new techniques have not been evolved; sticks have become ineffective; carrots are scarce theory ‘X’ is replaced by the theory ‘Y’; supervisors are trained in human relations; paternalistic autocracy is substituted by participative management; but nothing works. There is crisis all around and the search for overcoming workers apathy, indifference, enstrangement, and nay even open hostility persists.

There is an overall climate of distrust; distrust on the part of the worker, as if he is sheep facing a lion; distrust on the part of management, as if it is facing a butcher who is bent upon killing the goose that lays golden eggs. No management appears convinced that it is receiving a fair day’s

work for a fair day’s wage and vice versa. Perhaps, both are right in their own ways.

Each firm or enterprise operates in a dynamic environment where technologies change fast, new products and processes come into existence; market expand and contract; etc all these demand continuous adjustments. The process of adjustment cannot be successfully undertaken unless the entire organization cooperates. The management as the leader of the enterprise has to carry other elements with it. Nothing can help the management better than trusting its employees and their organizations. If love begets love, hate begets hate, and then certainly trust will begets trust.

3.2 The Role of Trade Unions

In any effort to improve the quality of industrial relations and thereby to create a climate for improved productivity, the trade unions have a major role to play. There are many employers who still look upon trade unions with suspicion and distrust and view them as illegitimate organizations. The presence of outsiders as the leaders of trade unions further aggravates their suspicions.

At one point of time this picture of the role of the trade unions was all pervasive in the circle of employers, though today the traditional hostility to trade unions has somewhat softened. Trade unions are a child of industrialism under a capitalist framework. Their existence, however, inconvenient to some cannot be wished away. They came with capitalism and will also disappear with it.

It is futile to talk of trade unions being irresponsible or making them saner and responsible to the society or the consumers. The trade unions are a working class organization and the trade union leader is responsible to the members of the trade union. This is the only test of the responsibility of a trade union. It is in the

very nature a trade unionism to act as the representative of its members. It behaves in any other way, it is acting contrary to its nature. If it hurts others, it is only incidental to its main objective of protecting the interest of its members. It is in the very nature of fire to against fire if it burns and hurts. That is its 'dharma'. The only expectation that one should have of a trade union is that it should serve its members rightly and effectively. The employment relationship in a large industrial organization of today is not simply a marriage of convenience; it is more like sacramental marriage. In individual workers may come and go but the collectivity continues to exist. Howsoever unhappy be relationship, howsoever frequent the pinpricks, the relationship has to continue without a divorce. Therefore, there is not must that, an external agency like law and the government can do to make the relationship smooth and harmonious. No law of marriage can make a marriage stable and happy. The law at best, again, can take care of only occasional outbursts.

The employers have to appreciate the role of trade unions in the maintenance of a stable pattern of industrial relations. I feel bold enough to assert that an employer gets the

trade union he deserves, just as the people get the government that they deserve. Integrating the trade unions into the institutional structure of the enterprise is the prime responsibility of the management. A socialist society achieves this integration in much more effective and efficient way. Sharing what has been so far called, managerial prerogatives with the trade unions either collective bargaining, pure and simple, or through productivity bargaining or various forms of workers' participation in management, has resulted in at least partial integration of the trade unions in the administrative structure of the enterprise.

4. Conclusion

Therefore, they further realize that promotion of productive efficiency is also becoming one of their objectives. Therefore, the managements and the unions, though originally they started from divergent directions, are converging. Hence, as mentioned earlier, the creation of an industrial relations climate conducive to integrations becomes the urgent goal of union- management relationship under the condition prevailing in India today