

Employee relations is  
a common factor



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Employee relations is a common title for industrial relations function within personnel management and is also sometimes used as an alternative label for academic field of industrial relations. The term underlines the fact that industrial relations is not confined to the study of trade unions but embraces the broad pattern of employee management, including systems of direct communication and employee involvement that target the individual worker” (Heery & Noon, 2001). Employee relation is a broader term that incorporates both industrial relations and human resource management (Budhwar, 2002). It is concerned with maintaining employer – employee relationships that contribute to satisfactory productivity, motivation and morale. It also prevents and resolves problems which arise out of work situations involving individuals.

The organization which I have chosen is The Escorts Group, India. The genesis of Escorts goes back to 1944 when a small agency house by the name of Escorts Agents Ltd. was launched which over the years have evolved one of the India’s leading engineering conglomerates operating in the high growth sectors of agri-machinery, construction & material handling equipment, railway equipment and auto components. Escorts have played a pivotal role in the agricultural growth of India over the period of five decades. They are one of the leading tractor manufacturers of India, a major player in railway equipment business and auto component segment. Globally competitive indigenous engineering capabilities, over 1600 sales and service outlets and with footprints in over 40 countries have been instrumental in making the Escorts the Indian multinational. With over a million tractors and over 16000 constructions and material handling equipments and a highly

satisfied customer base are testimony to the manufacturing excellence of Escorts (Escorts, 2007).

Globalization has affected the employee relations all over the world. No longer are people geographically isolated, but interconnected for commercial gains (Kazi & Townsend, 2002). Employee relation incorporates a range of sub-functions and practices that include system for workforce governance, work organization, staffing and development and reward system (Budhwar, 2002). It has become more relevant to today's organizations. Industries supporting the term ' industrial relations' are no longer relevant to today's world of employment. This is supported by the fact that in winter 2003; only 14 percent of workforce in UK was employed in manufacturing as compared to 28 percent in public sector ([www. statistics. gov. uk](http://www.statistics.gov.uk)). Decline in trade union memberships, increase in education, enhanced legislation offering individual protection to employees and focus on individual performance have further made the employee relations more important.

Employee relationships are quite dynamic and not static and various factors such as external and internal influences, maturing relations, changing expectations, difficult times and changing people all influence the employee relations in some way or the other (Daniels, 2006). Economy is one of the external factors that can impact the employment relationships. In times of growing economy an employee can demand more of an employer because if not satisfied he/she can easily get a job elsewhere which is often not the case in a declining economy. Settlement of a new partnership into a stable relationship and changing priorities of people with age also impacts the employee- employer relationship. All relationships have their share of

conflicts and demands which over the time settle down. All these factors change and develop in due course of time so do the employment relationships.

The Escorts Group is seen as a pluralism organization having several sectional groups with different interests. They ensure that all these groups work together to achieve a common goal and managed by a central body (fox, 1966). They consider the fact that employees and employers have different needs and central body has the responsibility to manage any conflicts that occurs.

Organization structure is a key factor that impacts the employment relationship within that organization. If employees and employers are not working effectively together, it is more likely that organization will fail. The actual structure of an organization can influence the success of the activity taking place (Daniels, 2006). Matrix structure is adopted in The Escorts Group where employees are allocated work according to their area of expertise. In this structure the relationships are constantly changing due to which they remain fragmented and never fully develop. For e. g. an employee from finance department might be assigned to one product for some time before being moved to other product. However, proper attention is given to each division and staff is deployed in an economic way wherever it is required, rather than being under-occupied in one division when others are struggling. But another problem is that employees end up having two managers which can lead to split loyalties and confusion in instructions from both the managers (Daniels, 2006).

Organizational features such as size, locations, shift patterns, sectors and strategy also impacts the employment relationship. Escorts Group is a large organization where quite a lot of people hold positions of responsibility, thus making it difficult to communicate. Employer-employee relationship is not precisely defined. Employers can be at any of the 3 plants owned by the Escorts Group leading to very little contact with the employees. Also, due to flexibility in working hours employers and employees may not see each other even though they work at the same location. This leads to difficulty in building up a rapport and understanding (Daniels, 2006). The company relies on differentiation strategy to seek a competitive edge which results in employment relationship wanting greater creativity from employees and increased employee involvement leading to greater motivation and commitment. There's added pressure on employees to contribute which may lead to intragroup conflicts and conflicts within the management (Porter, 1990).

Culture within the organization also impacts the employment relations. It is a mix of the beliefs, values, mission and understanding and is often communicated to employees in the format of a mission statement. It describes the operation of an organization and the specific issues which are of importance to the organization. Escorts Group aims to meet customer demands by making products which are better than the competitors and widely valued by the buyers. For this they need to be flexible and change if there's pressure from external environment. They need to encourage innovation and create change if necessary. This type of culture is known as adaptability culture also known as entrepreneurial culture. The employees

are risk-taking, innovative and creative in order to thrive in this type of an organization. Relationships are ever-changing due to changing roles and people (Daniels, 2006). If they do not innovate there's a fear that they may lose their market share but at the same time maintaining healthy employee relations is pre-requisite for any organization and they need to avoid and resolve any issues concerning individuals which may arise due to work scenario (British Broadcasting Corporation (BBC), 2011).

An organization does not operate in isolation from the events of the outside world and external events can impact on the organization at different levels namely; industry, nationally and internationally (Salamon, 2000). However, the degree of influence from external factors will depend upon a number of dimensions such as stability, complexity and dispersion (Daft, 1998). Escorts Group is quite a stable organization as the demands do not change constantly and modifications if any can be dealt with easily. Most of their plants are in Haryana, India so ranges of external factors impacting it are not much. However, dealing with large number of customers and suppliers and producing a range of products makes them a complex organization because of which large number of external factors impacts them. Various external factors that can impact an organization are political, economic, social, technological, legal and ethical/environmental. The government impacts on employee relations through developing legislation relating to employment, through policies affecting economics and social factors and through the management of the public sector. A number of legislation effect employee relations in India. However, four important pieces of legislation have played a

major role in shaping employee relations in workplace in India. They are as follows;

The Workmen's Compensation Act, 1923

The Industrial Disputes Act, 1947

The Industrial Employment (Standing Orders) Act, 1946

The Trade Unions Act, 1926 (Kazi & Townsend, 2002)

The Industrial Dispute Act, 1947 provides mainly for the investigation and settlement of any disputes within the industry. It provides a “ conflict-management arrangement” as it comes into play when a dispute arises between an employer and an employee. This act becomes active only when there is a dispute and focuses on maintaining peace and harmony in industrial establishments and protects the legitimate interests of workers and employers. Due to the presence of statutory provisions, the government has retained ultimate control over settlement of industrial disputes by referring the disputes to compulsory adjudication. The Workmen's Compensation Act, 1923 has made it easier for the workers to claim compensation from the commissioner, who in turn deals with the employers for a valid claim. According to the Trade Unions Act, 1926 “ trade union” may mean a combination, whether temporary or permanent, which primarily regulates 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 or business and includes any federation of two or more trade unions (Kazi & Townsend,

2002). However there has been a decline in the trade union militancy in India since 1980's because of the undue hardships faced by the workers and adamant stand by trade union leaders and trade unions opt to listen to the employers. As was the case with the Escorts Group, there was a strike when employees protested against pay cut during the recession, they got little success as after protesting for so many days they returned to work without much of the result in their favour. Present day workers are more educated and are fully aware of political and economic conditions of the country. Also, the stance of the government towards the unions is changing and has forced unions with diverse ideology to join hands and take a cooperative approach towards the management (Budhwar, 2002). Trade unions are exhibiting more understanding, cooperation and association to improve employee relations (Kazi & Townsend, 2002). The Escorts Group has a company union controlled by an employer. In this, trade union addresses only those issues relevant to its members (Daniels, 2006). There are economic factors as well which impacts the employee relations. Creation of employment is effected by economic growth. However, economic growth depends on the human capital within the economy. According to Price (2004) human capital is defined as the investment in the skills of the labor force, including education and vocational training for the development of specific skills. Hence for an organization to be successful there has to be some investment in the employees. Economic climate of an economy effects the employee relations in terms of number of jobs available and the level of pay and benefits that employers are able to provide to their employees (Daniels, 2006). During the time of recession, there were large number of pay-cuts and job reductions. This even lead to the current employees being removed from their position



because company claimed that due to lack of production they needed to look into cost reduction to minimize the reduction in profit margins. As a result, their relations with employees were spoilt which lead to employees protesting against this. Apart from these negatives, The Escorts Group also looks at the various social and ethical issues which can impact their relationships with current employees by understanding that they have a corporate social responsibility towards them to be fulfilled. They aim to provide safe, secure, fair and stimulating environment to their employees by implementing safety promotion systems. Educative seminars to expose employees to training and skill development are also encouraged. Health awareness drives are a regular occurrence to provide information upon personal hygiene and general health with equal importance given to rehabilitation programs as well. The management of an organization also impacts the employee relations and relationship between employees and their managers can have a significant impact on the job satisfaction expressed by the employee (Daniels, 2006). Management is defined as the organization and coordination of the activities of an enterprise in accordance with certain policies and in achievement of defined activities (British Broadcasting Corporation, BBC). Behavior of front-line management has a direct impact on the commitment, motivation and satisfaction of employees (Hutchinson & Purcell, 2003). Managers should empower the employees towards their work but at the same should exert control which is economically and psychologically necessary but eliminates political process (Huczynski & Buchanan, 1991). In The Escorts Group matrix structure allowed them to utilize their employees economically, thus were trained and recruited accordingly. Rules and policies were set in place so that everyone

does their work adequately and rewards and budgets were also awarded accordingly (Hellriegel & Slocum, 1978). Out of five management styles identified by Purcell & Sisson (1983), The Escorts Group falls in the category of sophisticated moderns (constitutionalist) in which there are well used consultation processes that have led to formal and detailed agreements between management and employees. They accept the inevitability of the trade unions and attempt to benefit from their presence (Daniels, 2006). However, many commentators today suggest that successful organizations need leaders, not managers. As defined by Brodbeck et al (2000), a leader is the one who has the ability to influence, motivate and enable others to contribute towards the effectiveness and success of an organization. According to path-goal theory a leader's job is to assist followers in attaining their goals and to provide necessary direction and/or support so that goals are compatible with the overall objectives of the group (Robbins & Judge, 2009). Out of democratic, laissez-faire and authoritarian leadership styles (Lewin et al (1939) and Lippitt & White (1959)), the Escorts Group management showcases the authoritarian style of leadership wherein a leader takes the charge and makes decisions and gives direction to the group that he/she is leading. Due to this, creativity of an employee gets stifled and may make the employees more stubborn, thus making it difficult to persuade them on any matter if the situation demands. Moreover this type of leadership style is suitable for receptive subordinates who like to work with clear directions from above but not for self-reliant and reciprocating subordinates who prefer to work without any constraints (Belbin, 1996). Thus, apart from the leadership style, personality of an employee also impacts their relationship with management and while working in an

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organization they become a part of the group where cohesiveness becomes important too (Daniels, 2006).

## **Recommendations**

Various changes which can be recommended to The Escorts Group in order to achieve better employee relationships are;

Due to the matrix structure of the Escorts Group employee relations may remain fragmented and underdeveloped, which may lead to employee stress because there may be instances when they are not able to meet their own expectations whether in terms of personal goals, performance etc. In order to counter this problem, a continuous interaction with employees should be maintained and they should be guided and advised by the top management by giving them clear and specific instructions in order to achieve their targets at a much faster rate (BBC, 1998-2011).

Communication and contact gap between the employees and employers should be bridged so that employees are kept well informed about the policies and decisions. Informed employees will make sound decisions and will remain motivated and productive and feel as a member of organizational family (BBC, 1998-2011).

Conflicts and disputes should be kept to minimum and build a good rapport with the employees. The employee should feel comfortable with the manager/supervisor who should encourage them to strive hard to perform better.

Employees should be involved in the decision making as a group due to which they are likely to be encouraged to participate as an individual.

Employers should make them believe that greater involvement or participation will help to achieve their desired goals in order to get their cooperation (Daniels, 2006)

Management must treat the employees as individuals and should give them fair and just treatment. Employee favouritism should be avoided. They should encourage employee feedback in order to know their concerns and to know how they perceive their employer (BBC, 1998-2011).

Leader plays an important role in the overall success of an organization so he/she should be perceived well by the employees. Rather than sticking to one style of leadership, a leader should adopt situational leadership by accurately understanding the specific situation and acting appropriately in that situation (Daniels, 2006). They should aim to build a level of trust among the employees in order to make them feel safe and secure, thus helping them to deliver their best.

Employees should be awarded and appreciated for a well done job or for achieving/over-achieving their targets, in order to boost them and make them work as a team.

Employers should prevent employees job from becoming monotonous. They should keep it interesting by bringing in the concept of job rotation, job enlargement, job enrichment and empowerment. They should be given more responsibilities and challenges to further improve their performance. They should be provided with safe working conditions and should be interfaced

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with best methods and new technology through seminars and knowledge building programs (Slack, Chambers & Johnston, 2007).

## **Conclusion**

Employee relations at the Escorts Group are quite complicated and can be made better by making use of the above mentioned recommendations. They need to understand the fact that the employees are the most valuable asset which an organization can have and through their levels of innovation and creativity they can achieve excellence in whatever they do. As any other organization it had its share of conflicts, disputes and strikes and knows the importance of dynamism in these situations. It knows the fact that nothing is long term and should accept the changes for their betterment and for the good of their employees and should continue to do so in future. It should make every possible effort in providing the employees a better and a friendly workplace environment.