International Industrial Relations (IIR)

Introduction:

Industrial Relations (IR), alternatively known as Labour Relations, occupies a place of importance in International Human Resource Management (IHRM). Hence, this chapter is devoted to a detailed discussion of all facets of labour relations. IR is a system by which workplace activities are regulated; the arrangement by which the owners, the managers and the staff of organizations come together to engage in productive activity. It provides for setting standards and promoting consensus.

Key Players:

1. Employees – Employees are represented by unions, popularly called trade union, Union seek to protect the interests of workers at work place

2. Employers - MNCs and their associations. The function of the employer In IR is to set standards of Employee management, attitudes Behavior and performance; To set terms and conditions of employment To act in a fair and reasonable way towards all

3. Government - Government of the land – act as an employer and as a regulator. As a dominant employer, the Govt. sets Standards of employment and IR practices that others are expected to follow. As a regulator, the Govt. enacts legislations, sets up tribunals and enforces them for the sake of improving labour welfare.

Labour Relations or IR is concerned with:

- Collective Bargaining
- Role management, unions and Government
- Machinery for resolution of industrial disputes,
- Individual Grievances and disciplinary policy and practices.
- Labour legislations and
- Industrial Relations training

We will focus here mainly on certain strategic IR issues as they are relating to international business. Before, we must recollect the different approaches of IR

Approaches to IR:

The scenario of IR is perceived different countries. For some Easter European nations, for example, IR is related to class conflict, others perceived it in terms of mutual co-operation (Asian Countries) and still others understand it in terms of competing interests of various groups (developed countries)

IHR managers are expected to understand these varying approaches because they provide the theoretical supporting of much of the role of IHRM.
There are three popular approaches to IR: Unitary, Pluralistic, and Marxist.

1. **Unitary**: The unitary approach emphasizes on the growth of the org. and both management as well as employees are expected to work towards its success. The approach also believes in the existence of unions, government and tribunals.

2 **Pluralistic**: Departs from the unitary approach, it perceives: Organizations as coalitions of competing interests, where the management’s role is to mediate amongst the different groups. Trade union as legitimate representative of employees interests. Stability in IR as the product of concessions and compromises between management and unions.

3. **Marxist**: Focuses on the type of society in which an org. functions. CONFLICT ARISES not because of competing interests within the org. but because of the division within society – the class.

**Impact of Globalization to IR:**

Globalization seems to have had a positive impact on industrial relations, in a much as the number of strikes, lockouts and work stoppages has declined considerably throughout the world.

The Scenario in India is typical of the global trend. The no. of disputes in India in 2003 was 552, involving 18.16 lakh workers and resulted in a loss of 30.26 million man-days. The corresponding fig. in 2006 were 97, 1.66 lakh and 2.48 million, a considerable drop in the number of disputes and the loss of man-days

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Disputes</th>
<th>No. of workers involved (Lakh)</th>
<th>No.of man days lost (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>552</td>
<td>18.16</td>
<td>30.26</td>
</tr>
<tr>
<td>2004</td>
<td>477</td>
<td>20.72</td>
<td>23.87</td>
</tr>
<tr>
<td>2005</td>
<td>458</td>
<td>22.95</td>
<td>23.27</td>
</tr>
<tr>
<td>2006</td>
<td>97</td>
<td>1.66</td>
<td>2.48</td>
</tr>
</tbody>
</table>

The East European countries have the best on Industrial Relations. Surprisingly, Italy, Spain and Iceland are not lucky as they have lost over 200 times more working days per 1000 employees than any of the five countries.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Working days lost per 1000 employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Slovakia</td>
<td>0.1</td>
</tr>
<tr>
<td>2.</td>
<td>Czech Republic and Poland</td>
<td>0.2</td>
</tr>
<tr>
<td>3</td>
<td>Russian Fed. And Ukraine</td>
<td>0.4</td>
</tr>
<tr>
<td>4.</td>
<td>Latvia</td>
<td>1.0</td>
</tr>
<tr>
<td>7</td>
<td>Austria</td>
<td>2.4</td>
</tr>
<tr>
<td>23</td>
<td>Sweden</td>
<td>50.9</td>
</tr>
<tr>
<td>24</td>
<td>Italy</td>
<td>113.2</td>
</tr>
<tr>
<td>25</td>
<td>Spain</td>
<td>197.4</td>
</tr>
<tr>
<td>24</td>
<td>Iceland</td>
<td>298.8</td>
</tr>
</tbody>
</table>

Why this cordial relations between employees and employers across the Globe?

Several Reasons:
1. **Intra country system for consulting** employees at an early stage in any potential conflicts – Austria & Germany.
2. **Rapid development economics**, high productivity gives ample scope for dealing with wage claims and avoiding potential disputes – Latvia and Slovakia.
3. In the RUSSIAN Federation, the low level of disputes can be attributed to complex legal procedures that make all but a minority of strikes technically, illegal.
4. Greece and Italy have a strange practice of holding regular **one day national strikes** that involve large sections of the working population.
5. **High levels of inward investment** also give increased opportunities for individuals to change their mentality as well as their jobs.
6. Finally **quality movement** in the world wide.

In Indian scenario the present status is very unique in nature. India’s record for peaceful Industrial relations in the recent past is because of various reasons:

a. The boom witnessed in the **economy and globalization** has percolated down to industrial workers in the form of increased emoluments and amenities.

b. Workers themselves have recognized the **futility of waging strikes** or resorting to work stoppages.
c. Employees of today are **better educated and have better awareness** about competition, quality, MNCs and work ethics. *Strike is the least preferred choice for employees as of now.*

d. Business Process Outsourcing, (BPO) companies deploy both exclusive and inclusive strategies to **prevent unionisation**.

e. The middle class youth ( who are the main beneficiaries) are **enjoying the life style and the status associated with their jobs**. They associate their work with upward mobility, clean work clothes, and state of the art workplace.

f. Finally, **proactive HR techniques encourage a more individualistic approach as compared to a collectivistic approach** to grievance redressal.

Therefore, we can summarize those in the following

1. Highly educated and skilled workforce, conscious of their value and ability to contribute to organizational success in a individual capacity.
2. More evolved organizational philosophies, that treats its employees as assets and stable holders in achieving organizational objectives.
3. Employee friendly welfare measures, benefits and perquisites making the work place a desirable and comfortable place during work hours.
4. Encouraging employee’s voice in managing organizational process through cross cultural team. Constant feedback from employee to employer and vice versa.
5. Compensation is fairly disbursed in proportion to transparent policies that reward skill and performance.
6. Increasing use of remuneration devices like ESOPs ( Employee Stock Options) ; profit sharing and gain sharing incentives plans that instill a sense of ‘ownership’ in the organization.

**Strategic Issues before MNCs:**

Therefore, MNCs occupy a critical place in the International Scenario. This is because of the enormous power they have and exercise.

**UNCTAD ( United Nations Conference on Trade and Development)** estimates that globally, there are about 37,000 MNCs, having over 206,000 affiliates.

MNCs are the major job providers. Globally, approximately 73 million persons are employed by these enterprises. This constitutes nearly 10% of paid employees engaged in non – agricultural activities worldwide, and about 20% in the developed countries alone. Compare to the position in parent enterprises, there has been a substantial increase in employment in foreign affiliates of MNCs, particularly in developing countries.
Key Issues in IIRs: Key issues in IIRs can broadly divided into categories:

1. **Who should handle Labour Relations – HQ or Subsidiaries in the concerned countries.**

   Though, the national differences in economics, political, and legal systems produce different labour-relations system across countries, MNCs HQs generally delegate the management of labour relations to their foreign subsidiaries. However, the involvement of the MNC headquarters in host-country labour relations is influenced by four important factors:
   1. The labour Relations function is centralised and is coordinated by HQs when there is a high degree of inter-subsidiary production integration.
   2. The nationality of ownership of the subsidiary has an impact on the who should handle employee relations.
   3. Subsidiary characters also influences on the who should handle employee relations.
   4. Finally, where a subsidiary depends more on its parent company for resources, there will be an increased corporate involvement in labour relations.

2. **What should be the Union Tactics?**

   Unions use several tactics to deal with international business:
   1. **The most common one is ‘strike’.** A strike is a concerted and temporary suspension of function, designed to exert pressure upon others in the same unit. Unions should be cautious before resorting to a strike in international scenario because: the bargaining power of an union may be threatened or weakened by the financial resources of a multinational. This is particularly evident where an MNC has adopted a practice of transnational sourcing and cross subsidisation of its products or components across different countries.
   2. **Forms International Trade Secretariats (ITSs)** – there are 15 ITSs who mainly to facilitate the exchange of information. Primary goal of ITSs is to achieve transactional bargaining with each of the MNCs in its industry.
   3. **Lobbing for restrictive national legislations** – on a political level, trade unions have for many years lobbied for restrictive national legislation in United States and Europe. The motivation for trade unions to pursue restrictive national legislation is based on a desire to prevent the export of jobs via multinational investment policies.
   4. **Finally, Labour unions seek intervention from the global body like ILO, UNCTAD, EU, OECD (organization for economic operation and development) etc.** who has a clear agenda for safeguarding the interests of workers all over the world.
International Trade Union:

What should the unions do to regain, consolidate and play a critical role in the creation and distribution of wealth all over the world? Several Tactics in ITU:

1. Improvement in Recruitment drive: Contrary to popular perception, there is no general antipathy amongst workers towards unions. It is true that individual units here and there are successful in roping in more and more number of workers into the union fold. For many non-union workers, it is said the question is not “are unions relevant? But “are they accessible?”

2. Develop Workers centres: the ideal way of making union reachable to all workers is to develop multiple access points for organizing, such as worker’s centres. The important functions are:
   - An opportunity to form community and share their grievances
   - Worker’s rights
   - Political consciousness through low risk actions.
   - Wage movement to gain “living wage”

3. Union need to pool resources via Mergers. The largest ever merger, with nearly 3 million members, occupied with the founding of Germany’s largest union Ver.di (the united service sector union) in March 2001.

4. Lobby for Restrictive National legislation – Unions need to lobby for restrictive national legislation. Lobbying has been there in the US and Europe. The idea behind restrictive legislation is to prevent the experts of jobs via multinational investment policies.

5. International Trade secretariats (ITS) can help unions considerably. ITS, have been helping in just exchange of information. From here, they should go
further and achieve the goal of transitional bargaining with each of the multinationals. Each of the 5, LTSs has similar programs, aiming to achieve the transnational bargaining. The program contains are:

• Research and information's
• Convening company conferences
• Establishing company councils
• Company – wide union management discussions, and
• Coordinated bargaining.

So far ITSs have not been highly successful at least of four reasons:

1. Generally good wages and working conditions offered by MNCs.
2. Strong resistance from MNCs
3. Conflicts within the labour movements.
4. Different laws and customs in the Industrial Relations field.

6. Using the good offices of international organizations might help unions in improving their bargaining power. ILO (International Labour Organization), the United Nations Conference on Trade and Development (UNCTAD), European Union (EU). Each of these world bodies has a clear agenda for safeguards the interests of workers all over the world.

ILO, with over 175 members (India is a member founder) is one of the most significant institutions whose directives and rulings have a direct bearing on HRM and other workplace regulations in member states. It was set up in 1917, after the Russian revolution to show workers elsewhere that capitalism did care for the welfare of the workers.

Its care-standards are freedom to form labour unions and bargaining collectively, a ban on forced and child labour, and non-discrimination in the work place. These are the case principles of the ILO which are implicitly accepted by countries when they join the org.

In 1977, the ILO adopted a code of conduct for multinationals. The code covers such areas as disclosure for information, competition, financing, taxation, employment and IR, and science and technology. In the recent years, efforts have been made to align the case standards of the ILO with the social clauses of the WTO.

Social Dumping:
One of the concerns related to the formation of the single European Market (SEM) was its impact on jobs. There was alarm that those member states that have relatively low social security costs would have a competitive edge and that firms would locate in those member states that have lower labour costs. The counter-alarm was that states with low-cost labour would have to increase their labour costs, to the detriment of their competitiveness (Nicoll and Salman 1991) There are two industrial relations issues here:
1. The movement of work from one region to another and its effect on employment levels.
2. The need for trade union solidarity to prevent workers in one region from accepting pay cuts to attract investment at the expense of workers in another region.

Thanks: **Dr. Shyamal Gomes**