

Challenges in Building Proactive Solutions in Employee Relations



This white paper is written and consolidated by a SHRM India Panel of Experts in Industrial Relations. It focuses on the identification of trends, challenges and potential solutions in the current scenario and takes a predictive approach to the future of Industrial Relations in India.



SHRM India's Role in Advancing the Employee Relations Profession

SHRM India is dedicated to helping deal with future people challenges by advancing the HR profession through its expertise and body of knowledge and supporting the HR profession by offering solutions and problem-solving related to contemporary issues.

Given the renewed interest in Industrial Relations as a discipline, in the light of the recent events and in alignment with our vision, we have collaborated with our Panel of Experts to advance and break new ground in this area of HR.

The key objectives of this initiative are to:

- *Provide thought leadership and business value*
- *Raise the bar for the profession*
- *Be the 'Voice of the Profession' for all*
- *Focus on strategic issues in Industrial Relations*

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Executive Summary

Expert Panel Discussion (EPD)

The purpose of the EPD was to bring together leading experts in the area of Employee Relations to examine its current and future context and climate in India. All the experts who were part of this Panel Discussion are Subject Matter Experts with SHRM India.

The agenda was to identify what is going well in ER today, current and future issues and challenges for Employee Relations, find potential solutions to these issues, to ascertain the role an Employee Relations professional can play in these solutions and the support SHRM India can provide to further the profession.

Industrial relations is a multidisciplinary field that studies the labor relations in a unionized environment. In this paper the term “Industrial relations” is increasingly being called employment relations or employee relations (ER) so as to bring in the importance of employee relations in the industrial or unionized environment.

Secondary Research by SHRM India and comments by the Subject Matter Experts (SMEs) on the research

SHRM presented secondary research covering the current developments, challenges and future trends in ER, which set the foundation for the EPD.

Challenges faced by organizations in the area of Employee Relations

Despite the progress made in the past, various issues and challenges have surfaced in this area of practice that have made it difficult for organizations to function seamlessly. Of these, issues, which have a critical business imperative, are as follows:

1. There is a pressing need to bring ***reforms in Labor Laws*** in order to create a progressive environment.
2. Efforts are needed to ***enhance integration of the workforce*** with business.
3. It is essential to ***create and sustain an organizational climate*** that optimizes overall growth and enables harmonious employee relations. This in turn will promote and sustain industrial growth by improving workforce employability and generating greater employment.

Top three issues in Employee Relations today

1. ***Legislation and Compliance***
2. ***Contract Labor***
3. ***Sustainability***

As a first step, the SMEs discussed the key and unique challenges in the area of Employee Relations in India. Next, they voted and finalized the top three areas of concern today:

Challenges specific to implementing potential solutions on the three identified issues

1. Employee Legislation and Compliance

- ***Standing Order formation and amendments is a cumbersome process.*** It needs Government intervention and time to revisit the applicability of the Act.
- ***State legislations, amendment of statements and regulations*** have made the process of ***compliance burdensome.***
- ***Redefining 'Workman' under the Industrial Disputes Act,*** given changes in general industry conditions and increased availability of opportunities, is critical.
- ***Redefining minimum wages,*** which should be closer to fair wages and provide an employee with a respectable standard of living, are important to human resource development.
- ***Payment of Bonus Act 1961 requires attention and immediate amendment*** as it seems to have outlived its purpose. The wage ceiling for computing the bonus is far below the required level. The Minimum Wages Act provides payments for longevity of service rather than for being productive.
- ***Legislations are created in isolation and have a huge requirement for administrative compliance.*** Many of them duplicate existing law barring minor differences in format. In many cases, the excessive burden to ensure ongoing compliance is leading to harassment by the labor department.

2. Contract Labor

- ***Flexibility provided by the law with regard to contract labor is being misused by employers,*** both in the public and private sector, as a source of cheap or low cost labor.
- Despite provision in the statute and the principle of Equal Wages for Equal Work, ***contract labor is being exploited at very low wages,*** often the bare minimum.
- ***Lack of flexibility to ramp down the permanent workforce, as it is not conducive to good employee relations,*** and other allied causes are forcing employers to use this alternative rather than employing people directly, especially since contract labor does not enjoy the privilege of strong protection under the law.

3. Sustainability

- Industrial Relations is no longer viewed as an attractive profession for practitioners. ***Young professionals are less inclined to make their career in this area of specialization*** thereby creating a vacuum of talent, unlike the early to mid-80s.
- Most corporations, shackled by the ***lack of flexibility in the law, are adopting a 'play safe' approach*** by not hiring direct employees and maintaining the status quo. Compounded by political and economic uncertainty, this has a direct and significant impact on business expansion and employee relations.

Potential solutions to address the top three issues

After the Expert Panel Discussion, the Subject Matter Experts provided their inputs on the potential solutions to the top three issues:

1. Employee Legislation and Compliance

- ***Amend Industrial Employment Standing Orders (IESO) Act*** to suit current business realities by including a process for certification and workplace flexibilities, such as increase or decrease manpower, including during closure or transfer of the establishment.
- ***Simplify and reduce administrative burden*** of returns, registers and displays.
- ***Amend Provident Fund (PF) applicability from the date of joining - including for contract and casual employees*** and reduce administrative burden with no benefit. Create a central permanent number so that there is no need to transfer the accumulated PF when an individual changes employment.
- ***Enforce strict compliance of social security and minimum standards of living.***
- ***Clarify Labor Law provisions for international workers.***
- Enhance ***exemplary punishment including de-recognition or de-registration of parties engaged in violence.***
- ***Implement recommendations of the Second National Commission*** on Labor.
- ***Replicate SEZ models*** in other areas.
- Take ***effective steps to prevent and arrest polarization*** of industrial peace and employee relations.
- Make ***alternative provisions of Union and Association in lieu of the Trade Union*** for employees who are not workmen.

2. Contract Labor

- Create a ***nation-wide policy for uniformity*** in approach to contract labor.
- ***Evolve a code of conduct for employers engaging contract labor.*** Actively promote and regulate ethical and conscientious contract labor practices on the part of employers.
- Effective implementation of legal provisions through government machinery to ensure that the contractor and the ***principal employer provide proper working conditions, as provided to the regular employee of the principal employer, without any discrimination.***
- ***Equal and fair remuneration for contract workers*** at par with permanent employees doing same or similar work and make fair wages the minimum standard.
- ***Replicate the UK model of TUPE*** [The Transfer of Undertakings (Protection of Employment)] model – which regulates the continuation of contract workers even if the contractor changes. This could provide some protection to contract workmen.
- ***Increase the safety net by introducing a provision for the permanency of a contract worker*** after a certain duration of continued service.
- ***Promote entrepreneurial skills, ventures and small and medium enterprises, where a direct and fixed term contract*** should have different provisions and treatment.

3. Sustainability

- ***Create a sense of well-being to give back and help others*** in order to bring personal satisfaction among employees. This satisfaction is potentially transformational for individuals and ***increases loyalty and motivation in the workplace.***
- ***Provide opportunities to get to know different organizational environments,*** varied work content and different styles of leadership, all of which are ***useful for an individual's personal development.***
- Enable employees to immerse in new working groups, bring employees from different departments together to ***improve the basis for teamwork and collaboration.***
- ***Volunteering enhances personal skills,*** including leadership, coaching, listening and handling conflict. These skills are relevant in the workplace and ***contribute to improved relations, performance and productivity.***
- ***Volunteering also helps employees gain personal benefits that contribute to their own potential employability.*** Data reflects that employees who have demonstrated social consciousness and experienced involvement with non-profit organizations are more attractive to prospective employers.

Background

Context

The Expert Panel Discussion in the area of Employee Relations was held in September 2012.

This session brought together leading experts in the area of Employee Relations, including practitioners, academicians and researchers, thought leaders and members of SHRM India.

Purpose

The purpose of this session was to have an open dialogue about the challenges in Employee Relations and what needs to be done going forward.

Methodology

The Expert Panel Discussion was structured as follows:

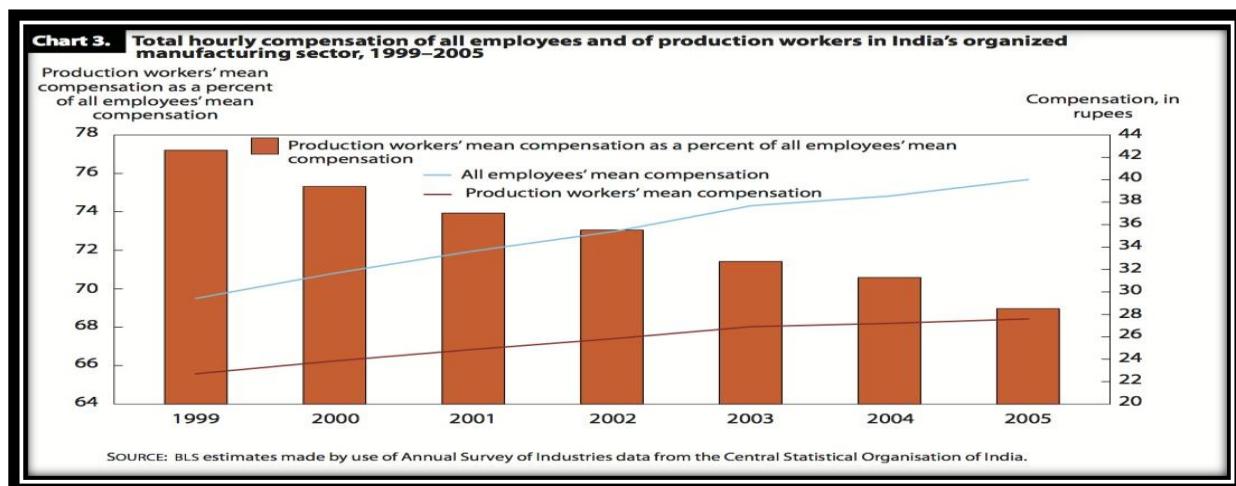
- SHRM India shared findings from secondary research on Employee Relations, focusing on current developments, challenges and future trends.
- Each SME identified the areas in Employee Relations, which are creating barriers to the growth of this area today.
- The discussion concluded with the Subject Matter Experts sharing their thoughts on the key ideas expressed during the session and finalizing three topics of paramount importance in this area, today and in the future.
- After the session, in a one-on-one discussion with the Subject Matter Experts, their input was sought on the future challenges, potential solutions and the role ER professionals can play in becoming part of the solution.

“Along with economic considerations of growth and profit, organizations should be held accountable for their impact on society and environmental risks and opportunities when doing business”

India has been growing fast and rapidly transforming itself from an agriculture based economy to one that is industry and service driven. Interestingly, while 56.4 percent of the GDP comes from services and 26.4 percent from manufacturing (as of 2011),¹ labor in the organized sector still accounts for only about ±8 percent of the total workforce.

The liberalization of the Indian economy, in addition to technological advancement, no longer insulates business from global events and competition. As business needs consistently change, so does the profile of our workforce. Outsourcing, of both product manufacturing and services, has not only opened up new avenues for us, it has also changed work

these laws have failed to catch up with the changing business realities of the 21st century. Political compulsions have affected the ability to make the necessary changes in Labor Law. Added to which, the Judiciary has been unsuccessful in interpreting the law progressively to meet the current realities in business. The grievance resolution mechanism, both internal and external, has failed to deliver its purpose. The country's labor scenario has become non-conducive for generating employment and the existing legal framework is being viewed as a hindrance to progress in this competitive world. Technological advancement to improve productivity at the workplace and reduction or redeployment of manpower often becomes a matter of dispute with unions. The



requirements.

Speed of change in business realities has required a commensurate decrease in response times to business needs. This demands great flexibility on all fronts including matters pertaining to employment and labor. The Indian Labor Laws were created to deal with certain situations within a particular context. Sadly,

inefficient regulating and controlling machinery, administrative burden and ever increasing difficulty in dealing with a unionized workplace has led employers to resort to settling issues through noncompliance and flouting of provisions of Labor Laws.

The disparity between classes of employees continues to increase. Despite a growing economy, the majority of the workforce, especially in core sectors like manufacturing,

¹ https://en.wikipedia.org/wiki/Economy_of_India

has remained poor. A few conditions, which exemplify the prevailing inequalities, are:

1. Salary in the manufacturing segment is not growing apace with other industries. The compensation gap between workers and Senior Executives is increasing, contributing to a feeling of discontent and discrimination in the workforce, especially at the workman level.
2. Differential treatment of the workforce employed through different routes - contract, direct contract, outsourced - is creating an environment of suspicion and lack of trust. Feeling discriminated with no avenue to vent their angst and no line of sight for improving their conditions, this section of the workforce is beginning to resort to highly emotional disruptive actions. Such unexpected behavior has been demonstrated across companies² like Maruti, Hyundai, Honda, and Pricol amongst others.
3. Political and vested interests of internal and external trade Union leaders have shifted the purpose of collective bargaining. Long pending disputes and unreasonable politically motivated actions, coupled with a mutual lack of trust, have jeopardized the intent of Trade Unions in India. This has resulted in collective bargaining agents raising unreasonable demands, thereby increasing the time it takes for dispute resolution or agreement.

The survival of Unions is under question, as Unionism loses its stronghold and the next generation of employees prefers not to be an active part of a Union. To psychologically demonstrate its strengths and power, a Union

may be compelled to display violent behavior and disruption in workflows. The disruptive behavior of Hero Honda workers in Gurgaon, and employees of Maruti are just a few examples of how this phenomenon is being expressed across the country.

Another important aspect to consider is that with the increased availability of better opportunities, high level of self-confidence and the ability to deal with situations independently, the new age workforce has stopped believing in third party interventions and representation by other people. This attitude is reflected in the fact that despite various attempts, Trade Unions have not been able to make any major inroads in industries like IT, ITES and R&D.

All the mentioned factors should be viewed in the context of changing rural and urban lifestyles, as per capita income grows and media, marketing and communication reach further and deeper into the country. Added to this, the increase in education levels, aspirations and the cost of living, has led to higher manpower costs even as global competition constantly pushes for reduced expenses to show larger profits.

Employers in new age industries have made a conscious effort to provide an engaging environment and good working conditions to their workforce.

¹ <http://kilm.ilo.org/manuscript/kilm17.asp>

² <http://blogs.wsj.com/indiarealtime/2012/07/20/automotive-relations-a-history-of-violence/>

However, there is an apprehension that with a flattening growth curve, reducing margins, political pressure in home countries from where offshoring originates, and the inability to continuously deal with cost arbitrage, these industries may not be able to continuously meet and exceed the expectations of their employees, thereby increasing the likelihood of labor unrest.

India has been ranked very low in the Global Productivity Study³ and as per other latest reports, 75 percent of engineers and college graduates are unemployable. This reduced productivity, low employability and skills shortage continue to be areas of concern, which put pressure on the cost of running businesses.

The challenges created by this context include:

Business Dichotomy: While on one hand, the industry is concerned about the shortage of an employable workforce, on the other, it is shying away from hiring permanent workers on its rolls, especially under categories that can engage in collective bargaining.

Increased Contract Labor: On account of their failure to deal with their own workmen, apprehension of lack of flexibility to ramp down and capitalizing on legal loopholes, employers have rampantly started using contract labor in their operations. At times, contract labor constitutes more than 75 percent of their work force. Public sector, the erstwhile role model of industrial employment, has failed to retain its position as a vanguard and is now the biggest employer of contract labor.

³ <http://kilm.ilo.org/manuscript/kilm17.asp>

Differential Treatment: One can notice the differential treatment⁴ to contract labor deployed in any establishment versus their own staff though clearly prohibited under law. A vast difference in compensation, benefits, inclusion, and aspirations exists even though the nature of the work is the same. This creates an emotional divide and results in lack of respect which impacts the stability and productivity of the worker.

Disparity in Wages: IT, ITES, KPO, R&D and the services sector have, to some extent, been able to pay their people higher than traditional industries like manufacturing. This has not only resulted in higher attrition in these industries, but also created a skill shortage in the old economy as a lesser number of talented people wish to make their career in such industries. Workforce in these traditional industries has also started demanding higher wages and employers are compelled to increase wages to retain existing and attract new talent. (Deloitte Compensation Trend survey 2012⁵)

Shortage of IR Professionals: Industrial Relations is no longer viewed as an attractive profession. Young professionals are less inclined to make their career in this area of specialization thereby creating a vacuum of talent, unlike the early to mid-80s. This compounds the problem in a way that if we have a situation in hand, we do not have expert hands to deal with it. We have failed to proactively prevent such scenarios.

⁴ <http://www.bloomberg.com/news/2012-07-31/maruti-violence-may-signal-broader-india-labor-time-bomb.html>

⁵ http://www.deloitte.com/assets/Dcom-India/Local%20Assets/Documents/Thoughtware/Compensation_Trends_Survey_2012.pdf

Regional Polarization: In the recent past, we have seen polarization of the workforce because of regional and political interests. The unrest in Maharashtra against people from UP and Bihar, in Karnataka for people from North East India is changing the group dynamics which has a severe impact on employee relations. Politically vested interests of Unions are compounding this problem.

Increased Violence: As frustration levels grow and self-control decreases, we have seen an increase in violence during labor unrests. This has heightened the feeling of insecurity amongst management staff and reduced trust in people they work with. This lack of trust at the workplace is likely to lead to a less conducive and inclusive work environment.

Play Safe Approach: Most corporations, shackled by the lack of flexibility in the law, are adopting a 'play safe' approach by not hiring direct employees and maintaining the status quo. Compounded by political and economic uncertainty, this has a direct and significant impact on business expansion and employee relations.

Political Compulsions: As neither state nor central governments are free from pressure, they find it difficult to take bold and tough decisions. Numerous amendments in Labor Laws are pending and yet to be notified, for example, *Notification on LIC policy under Payment of Gratuity Act*. The Government has been unable to enact any reforming legislations. Even the recommendations of the Second National Commission on Labor remain unimplemented for over a decade. State governments are beginning to take traditional views on many issues for instance, *exemptions for IESOA are not being extended in Karnataka; Kerala has been working on mirroring the MRTU act of Maharashtra; Extension on employment of women post 8:00 pm is not being granted by*

Karnataka despite knowing that women are engaged in businesses which require them to work across timelines; Haryana has banned contract labor in Power Utility Services despite there being no major complaints or reasons to do so.

Diminishing Faith in Judiciary: The traditional approach on interpretation of the law and facts with delayed proceedings, which involve multi-tier appeals to reach conclusions, has led to a diminishing faith in the judiciary. Employees seem to have begun to lose their confidence, even as employer liabilities go up during long pending appeals.

Way forward for Proactive ER

- **Amend IESO Act** to suit current business realities by including a process of certification and workplace flexibilities such as increase or decrease manpower including during closure or transfer of the establishment.
- **Simplify and reduce administrative burden** of returns, registers and displays.
- **Amend Provident Fund (PF) applicability from the date of joining - including for contract and casual employees** and reduce administrative burden with no benefit. Create a central permanent number so there is no need to transfer the accumulated PF when an individual changes employment.
- **Enforce strict compliance of social security and minimum standards of living.**
- **Clarify Labor Law provisions for international workers.**
- Enhance **exemplary punishment including de-recognition or registration of parties engaged in violence.**
- **Implement recommendations of the Second National Commission** on Labor.
- **Replicate SEZ models** in other areas.
- Take **effective steps to prevent and arrest polarization** of industrial peace and employee relations.
- Make **alternative provisions of Union and Association in lieu of the Trade Union** for employees who are not workmen.
- Management not by mere compliance but by "ethical practices" including social responsibility.

The judicial system is viewed more as a parking ground or safety net against immediate issues rather than as a means to receive justice.

Compliance Default: Compliance of the law has become difficult especially in light of the new age working approach, workforce expectations and flexibility, for instance, *the concept of Flexi hours is not compliant with attendance and working hours' provisions of the law*. *Compliance with liberal global policies versus provisions of the IESO Act* has become completely redundant in view of the technology being used by employers today. Multiplicity of records required to be maintained under each Act leads to duplication of work and creates avenues for the inspecting authority to stress on non-compliance.

Possible Solutions and their Impact on Employee Relations

To create and sustain an atmosphere that optimizes overall growth, we require enhanced integration of the workforce with business. There is a pressing need to bring in Labor Law that creates a progressive environment, enables harmonious industrial relations, promotes and sustains industrial growth and generates greater employment and employability. Maximum and immediate impact can result from focusing and taking action in three broad areas, namely:

1. Employee Legislation and Compliance
2. Contract Labor
3. Sustainability

1. Employee Legislation and Compliance

Rationalize Labor Laws and Reduce Complexity:

It is time to look at rationalizing various Labor Laws to enable employers to

understand the requirements and create uniform policies compliant with law.

State legislations, statement amendments and regulations have made the process of compliance cumbersome. There is a strong need to rationalize the terminologies used under various Acts, for example, *definitions of wages are different in different Acts (PF, ESI, Gratuity, and Employee Compensation Act)*, even though the Acts are similar in intent. This becomes a hindrance for creating uniform, countrywide and global policies at the workplace.

Redefining 'Workman' under the Industrial Disputes Act:

It is time to revisit the definition of 'workman' as per this Act. According to existing law, an employee drawing wages of more than 10,000/- p.m. and having one person reporting to him or her, does not require any protection under Labor Laws, while an individual contributor drawing a substantially higher salary, say 100,000/- p.m. is protected under the Labor Law and treated as a workman. As a recommendation, the definition of 'workman' should exclude all employees drawing higher than threshold wages or providing expert technical skills, like highly qualified Engineers and Chartered Accountants.

Redefine the Ways to Arrive at Minimum Wages:

There is an immediate need to redefine minimum wages. These should be closer to fair wages, which allow an employee to maintain a respectable standard of living. It is also important to ensure that real wages (wages adjusted for inflation) do not go down in reality. Respectable living standards provide a more conducive work environment and productive workplace.

Provide Enhanced Flexibility: Employers should be allowed default rights to ramp-up and ramp-down based on business needs from time to time. A consultative and inclusive approach is required before ramping down. However, eliminating or reducing the need for prior government approval will provide confidence to the employers to better deal with difficult circumstances. The right should always come coupled with heightened responsibility. Severance compensation can be increased substantially to provide enough financial security to the retrenched worker.

Applicability of Industrial Employment

Standing Orders Act 1946: Given that the Standing Order formation and amendments are a cumbersome process, which require government intervention, it is time to revisit the applicability of this Act. The Act should be amended to the extent that allows certified organizations to have their own HR policies, which are more liberal and beneficial to employees. This could reduce government intervention, on one hand, and on the other, provide greater flexibility to organizations to change policies from time to time. We should look at further extension of the exemption for IT / ITES, R&D and allied sectors.

Promote Productivity linked Wages and Bonus: The Payment of Bonus Act **1961** requires attention and immediate amendment as it has outlived its purpose and is contrary to the spirit of performance. The wage ceiling for computing the bonus is far below minimum wages. In addition, the Act provides payments for longevity of service rather than being productive. The Act does provide for a productivity-linked bonus but does not approve schemes, which do not guarantee a minimum

payment. Current business realities require greater emphasis on the individual and team contribution, which is reflected in Variable Pay plans that organizations are implementing currently.

Continue Relaxations: It is recommended that relaxation in certain statutes for IT / ITES sectors, SEZ units and other sunrise industries should continue for another 10 years. We have seen that employment and the economic levels of people working in these industries have increased significantly as compared to conventional industries. Replicating a similar model in other industries could possibly give a serious boost to employment.

Rationalizing Administrative Compliance:

Currently, legislations are created in isolation and have a huge requirement for administrative compliance. Many of them duplicate existing law barring minor differences in the format. In many cases, the excessive burden to ensure ongoing compliance is leading to harassment by the labor department. Each statute requires a separate approval process from the appropriate authority to get exemption for keeping records in a different format, including in electronic form. Certain records and registers for compliance are not relevant to companies in select sectors. It is strongly recommended that these administrative requirements of record keeping and reporting be rationalized, and a consolidated reporting approach be created. Organizations should be allowed to maintain the records in an electronic form, which can be retrieved as and when required.

2. Contract Labor

The major objective of Contract Labor (Regulation & Abolition) Act of 1970 is to regulate the employment of contract labor, to provide for its abolition in certain circumstances and to ensure better service conditions and basic amenities to the contract workers. The Act, while providing protection to contract workers also needs to recognize business needs to employ contract labor in certain circumstances, especially for work that is non-perennial and incidental in nature. This would provide for the required flexibility to meet sudden increases or decreases in demand and not burden organizations with a permanent workforce.

The flexibility provided under this law is being blatantly misused by employers, in both the public and private sector, as a source of cheap and low cost labor. Despite provision in the statute and the principle of Equal Wages for Equal Work, contract labor is being exploited, offered very low wages, often minimum wages, made to work long hours, deprived of minimum statutory and non-statutory benefits and has no

job security.

The lack of flexibility to ramp-down their workforce, non-conducive employee relations and other allied causes are forcing employers to use this alternative rather than employing people directly. There are many employers, in both the private and public sectors, who extensively employ contract labor, who can, in some instances, constitute up to 60 to 70 percent of their workforce. Railways, Public Work Departments, mines and quarries, docks and ports, construction lead in the numbers of contract labor employed.

The Government and legislature has continued to allow use of contract labor notwithstanding their exploitation. The Second National Commission on Labor (2002) has recommended - "organizations must have the flexibility to adjust the number of workforce based on economic efficiency" and that it is "essential to focus on core competencies if an enterprise wants to remain competitive." The Commission recommended that contract labor should not be engaged for core production or service activities although it may be engaged in the

Table 1: Suggestive Steps to deal with Contract Labor Issues

- i. Create nation-wide policy for uniformity in approach on contract labor. Currently, there are different policies in different states. Amendments of Maharashtra, Andhra and Madhya Pradesh have conflicting views on where and for what jobs contact labor can be employed.
- ii. Evolve a code of conduct for employers to engage contract labor. Actively promote and regulate ethical and conscientious contract labor practices on the part of employers so that they engage such labor only where essential for flexibility and not to exploit them as a cheap alternative subject to differential treatment. Employers' Associations and Trade Unions should play an active role in promoting this fair practice.
- iii. Effective implementation of legal provisions through government machinery. This will ensure that the contractor and principal employer provide proper working conditions equivalent to those provided to regular employees, without any discrimination.
- iv. Equal and Fair remuneration for contract workers to be paid at par with permanent employees doing the same or similar work. Make fair wages the minimum standard.
- v. Replicate the UK model of TUPE [The Transfer of Undertakings (Protection of Employment)] model – which allows for the continuation of contract workers even if the Contractor changes. This may provide some protection to the contract workman.
- vi. Increasing safety net by introducing the provision for permanency of contract worker after a certain duration of continued service, for example, more than three years or so in an organization. The Government can, through its bodies like NSDC, work to retrain and upskill the contract worker. Make it mandatory for the Employer to send the Contract labor to such facilities.
- vii. Promote entrepreneurial skills, ventures and Small and Medium Enterprises. Direct and fixed term contracts should have different provisions and treatment because unlike in the past, contract labor is now being used even in highly technical and skilled jobs.

case of sporadic and seasonal demand for these activities. It implies that contract labor be allowed in almost all work in any establishment, except the permanent “core” jobs. Interestingly, Unions and labor organizations have condemned the recommendations. The Government as well as the judiciary has been shifting from condemning to justifying the use of contract labor in view of economic realities.

A shift to the other extreme would lead to labor unrest and violence as has been seen in various recent instances. This needs to be addressed. It is recommended that establishments should take a pragmatic and balanced approach, which caters to the needs of both sides, and act with fairness while taking a decision pertaining to contract labor.

The suggested actions (**Refer Table 1**) may not eliminate the issues associated with contract labor in totality but they would definitely set the tone towards their reduction and make the relationship between employer and employee more productive and mutually beneficial.

3. Sustainability

Sustainability has become a key focus for organizations as climate change, regulatory pressures and societal demands for greater environmental and social responsibility have increased. Organizations are being held accountable for their impact on environment and society. A Triple Bottom Line approach (People, Profit, and Planet) is now essential for all progressive organizations. Aspects of sustainability, such as environmental stewardship, workplace responsibility, human rights protection and good corporate citizenship, are increasingly part of an organization's social legitimacy. Research has shown that sustainable organizations have much better employee relations and business results.

Five major focus areas for successful application of sustainable ER/IR (or a sustainable organization) are Compliance, Governance, Ethics, Culture and Leadership. Lack of focus on any of these areas gives rise to Employee Relations issues.

Sustainability at times is confused with Corporate Social Responsibility (CSR). Sustainability focuses on creating a business model that is sustainable from an ecological, financial and social point of view and identifies “strategies and practices that contribute to a more sustainable world and drive shareholder value.” CSR is the responsibility of enterprises for their impact on society. It is concerned with decreasing the negative impact of corporate actions in pursuit of a business strategy. It is largely voluntary and practiced at a tactical level without affecting core business processes.

Sustainable HRM creates the skills, motivation, values and trust to achieve a Triple Bottom Line, ensures the long-term health and sustainability of both the organization's internal and external stakeholders, with policies that reflect equity, development and well-being and help support environmental-friendly practices.

The Global Reporting Initiative (GRI) Framework⁶ is a very useful structure, which organizations are beginning to follow to assess and disclose their environmental, social and governance performance.

⁶

<https://www.globalreporting.org/resourcelibrary/G3.1-Guidelines-Incl-Technical-Protocol.pdf>

Indicator Category	Total Number of Indicators	Indicators Directly Relevant to HRM
6	84	26
Economic	9	2
Environment	30	0
Labor Practices	15	15
Human Rights	11	8
Society	10	1
Product Responsibility	9	0

The GRI framework identifies 84 sustainability performance indicators in total. Interestingly, 26 (31 percent) directly relate to HRM and cover the areas of human rights, safety practices, labor standards, performance development, diversity, employee compensation and gender diversity. Employee Relations practitioners will appreciate that these aspects are the largest contributor to existing ER/IR issues.

The framework defines fifteen “Labor Practices and Decent Work performance Indicators⁷” that relate to Employment, Labor/Management Relationship, Occupational Health & Safety, Training and Education, Diversity and Equal

Labor Practices & Decent Work

Performance Indicators

Aspect: Employment

CORE LA1 Total workforce by employment type, employment contract, and region, broken down by gender.

CORE LA2 Total number and rate of new employee hires and employee turnover by age group, gender, and region.

ADD LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.

CORE LA15 Return to work and retention rates after parental leave, by gender.

Aspect: Labor / Management Relations

CORE LA4 Percentage of employees covered by collective bargaining agreements.

CORE LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.

Aspect: Occupational Health and Safety

CORE LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.

CORE LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.

CORE LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.

CORE **ADD** LA9 Health and safety topics covered in formal agreements with trade unions. Health and safety topics covered in formal agreements with trade unions.

CORE **ADD** **LA10** Average hours of training per year per employee, by gender, and by employee category.

CORE **ADD** **LA11** Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.

CORE **ADD** **LA12** Percentage of employees receiving regular performance and career development reviews, by gender.

Aspect: Diversity and Equal Opportunity

CORE **LA13** Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.

Aspect: Equal Remuneration for Women and Men

CORE **LA14** Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.

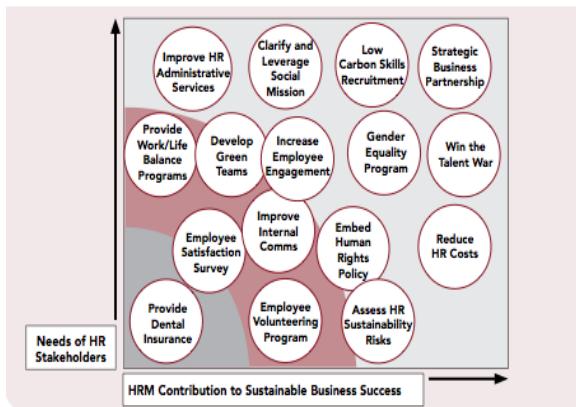
Opportunity and Equal Remuneration for Women and Men. These indicators set the minimum expectations relating to productive employment. They make it obligatory for the HR function to ensure employee inclusiveness and representation in line with the legal requirements and normative practices.

In an organization built on sustainable HRM principles, HR managers work more collaboratively and in the true spirit of dialog with employees and their representatives. This builds greater employee loyalty, reduces employee relations issues and enhances employee retention.

Through constant proactive communication about any changes, an organization demonstrates respect for employees and concern for their well-being in situations where workplace changes may lead to job losses, job changes or transfers.

Sustainable HRM includes the development of employee friendly policies and proactive consultation to address employee concerns prior to finalizing changes. According to GRI, “Collective bargaining is an important form of stakeholder engagement that helps build institutional frameworks and is seen by many as contributing to a stable society. The percentage of employees covered by collective bargaining agreements is the most direct way to demonstrate an organization’s practices in relation to freedom of association.” Many organizations, however, have disagreed with this indicator /GRI expectations.

¹<https://www.globalreporting.org/resource/library/G3.1-Guidelines-Incl-Technical-Protocol.pdf>



Organizations state, "We recognize that Unions play an important role in society, but the company does not believe a Union can accomplish anything for our employees that they cannot accomplish for themselves by dealing directly with the company."

Community involvement and Employee Volunteering Programs (EVP) enhance the organizational reputation and create a positive workplace culture, as follows:

Increase loyalty and motivation: Employees realize great personal satisfaction and sense of well-being at the opportunity to give back and help others. This satisfaction is potentially transformational for individuals and increases loyalty and motivation in the workplace.

Improve personal skills: Volunteering enhances personal skills, including leadership, coaching, listening and handling conflict. These skills are relevant in the workplace and contribute to improved relations, performance and productivity.

Enrich work experience: Provides opportunities to get to know different organizational environments, varied work content and

different styles of leadership, useful for an individual's personal development.

Build team skills: Enables employees to immerse in new working groups, bring employees from different departments together and improve the basis for teamwork and collaboration.

Improve personal employability: Through volunteering, employees gain personal benefits that contribute to their own potential employability. Research shows that employees who have demonstrated social consciousness and experienced involvement with non-profit organizations are more attractive to prospective employers.

It is important for organizations to re-evaluate their HR policies in line with the sustainability principles and build a Sustainable HRM Scorecard. Organizations should generate measurements to track the progress, action targets and publish results to build transparency and confidence amongst employees and prevent potential employee relations issues.

Sustainability will be the single most important and comprehensive representation of the 'Future Perfect Industrial Relations' scenario. Elements of diversity and inclusion, employee voice and human rights will become more important. HR practitioners and Managers need to acquire skills required for practicing sustainable ER/IR processes and structure.

The Way Forward

The changing industrial climate in terms of vision, value and mission will dictate the norms of business ethics. There are changes in the nature of labor force, union approaches to management process, physical and behavior characteristics of internal forces, all affecting the strategies of an organization.

But at the same time, we must face the reality that industrial relations in raw is a function of balance of power between collective groups. Whereas sound HRM practices should and will prevail at the level of individual employee relationship, the force of collectivism - that great emasculator of individual personality - has to be reckoned with. One of the harsh realities in such a situation is the wall that has become thicker, higher and stronger between the frontline manager, supervisor and the individual employees. This process has to be stopped so that it may not create a communication gap and a feeling of estrangement and mistrust between the most vital and productive partners at work.

Excellent industrial relations are and will continue to be the end-product of sound HR policies and programs based on human engineering. Hence, HR managers have to ensure that their policies are transparent based on performance, thereby enhancing human value, employee participation, and group dynamics, all leading to a team spirit.

It goes without saying that the effective management of Industrial Relations will continue to demand a very high priority in the coming era, not just to 'do well,' but also for the survival of both, the organization, as well as the employees' jobs.

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