

Address at HR Meet of IMI, Delhi on November 27, 2010.

Friends,

I would like to congratulate IMI and the organising committee of this seminar. They have designed this seminar in a very imaginative way. It is a wonderful mix of HR and IR issues with a concern about the future.

There is a saying that 'the trouble with future is that it arrives before we are ready for it.' It is a pleasant surprise therefore to find that the topic 'Towards an efficient Industrial Relations System' purports to discuss what needs to be done to shape the future.

Let us ask ourselves 'What will be the scenario if we are to have an efficient Industrial Relations system?' Perhaps 'efficient' is not the right word; I would suggest 'effective Industrial relations.' The answer is obvious: we will see a very positive workplace.

There are two organisations which are coming closer to achieving effective industrial relations. One of them is State bank of India. McKinsey's Quarterly published an interview of Mr. OP Bhatt, Chairman. Mr Bhatt brought about quite a transformation within the old bank. Permit me to read out a question and its answer from this interview:

The Quarterly: *You also had to bring the message to the trade unions?*

Om Prakash Bhatt: *These are important stake-holders, and I brought senior representatives from the unions and officers' associations together in a meeting similar to the management conclaves. I spent four days with 30 leaders from across the country. Some of my best advisers at the bank warned that the leaders weren't trustworthy and could be disruptive, but by being different and asking them to a conclave—like monks in a cave—I built up huge curiosity. They wanted to know what I was doing. I told them I'd sit with them, but only if they came as friends of the bank.*

....The results were fantastic. They had the good of the bank as much at heart as anybody else, and they came to realize the chairman cared about people as much as they did. Just as important, they had not understood how badly the bank had slipped but now saw they could do many things to reverse this shift. Pain and motivation came together.

And now the second instance. The management of Thermax is known for its employee friendly policies. And they seem to have influenced thinking of workmen too. The union has willingly participated in cost saving measures, saved crores of rupees. The union management meeting happens every Monday to take stock of situation and respond to production and people issues. Very quietly they have brought about a transformation of the organisation together. And here it another big decision on the part of the Union: They have decided that anybody who smokes or drinks cannot contest union elections! Can you believe it? This is true. At a recent event, the production manager and union secretary of Thermax made presentation of how they have transformed their work place which I had the opportunity to witness.

The achievement of these people will not be understood unless we contrast it with instances where the IR system has failed miserably. Here are two instances that come to my mind.

I am reading out from the cover story on Tirupur's Garment industry very aptly titled 'Driven to despair' published in Frontline, Sept 25 issue>

TIRUPUR has carved out a niche for itself in the world of garments. Its phenomenal growth in the highly competitive global scenario, particularly in the past two decades, has been made possible by the entrepreneurial spirit of its manufacturers and exporters and the sweat and labour of thousands of workers, both local and migrants from other parts of the State and from other States.

Of late, however, Tirupur has been in the news for the wrong reasons, particularly in the wake of reports relating to the rising number of cases of suicide and attempts to commit suicide. According to the police, 879 cases of suicide have been reported during the past 20 months – 491 cases last year and 388 (including 149 women) until September 11 this year. In July and August this year, 75 persons, including 28 women, committed suicide. According to informed sources, over 20 suicide attempts are made every day in the district, which was formed in February last year.

The State Crime Records Bureau data show that the rate of suicide cases in Tirupur has remained higher than the State average during the past three years....

.... Said M. Vijayabaskar, Assistant Professor, Madras Institute of Development Studies: "Cost-cutting measures assumed great importance in the competitive global market, particularly in the post-MFA era." [The multi-fibre agreement imposed quotas on exports by developing countries to developed countries. It was in force from 1974 to 2004 end.]

As manufacturers could not do much about cutting the cost of power or transportation or controlling foreign exchange fluctuations, they tinkered with the wages of workers.....

There is a similar story of Foxconn which, if you wish, you may read accessing Wikipedia.

There are enough stories of collaboration in Industrial relations but unfortunately those rarely make it to the press. Excellent work done by Infosys in building employee relations does not receive the publicity it ought to get, but the sexual harassment suit against it gets headlines. I would like to reassure this audience that some excellent work is being done in the corporate world, notable among such organisations are Colgate, Marico and, with a sense of pride, I will add Asian Paints.

The problem of building effective industrial relations begins at the stage of professional training itself. Students and young managers believe that the nature of industrial relations is adversarial. It may be true to an extent but it prevents them from acknowledging that there is a great scope for collaboration. So they act in the belief that every demand, every issue raised by a union is counter-productive. That brings out defensive reactions.

Besides the failure to appreciate the scope of collaboration, such defensiveness comes out of two reasons in my opinion. Firstly, we are not accustomed to allow another to have a say in an issue that affects both. Admittedly this is not easy. Perhaps this does not come naturally to us. Just look around and see the discomfort if not verbal duels couples have

during the first two years of marriage. It takes quite an adjustment to respectfully allow another person in your space. In work life this matter gets further complicated by the turnover of managers. This defensive stance often leads to arrogant behaviour, offence is the best form of defence, which is well captured in popular saying 'There are two opinions on this subject – my opinion and the wrong opinion.'

The second reason for defensiveness is that organisations are often reactive and not proactive when it comes to industrial relations. We saw a very proactive stance of OP Bhatt as well as Thermax. Being proactive can mean changing roles of employees to reduce cost, improve processes and productivity etc. These are not easy changes to introduce; they call for both, the skill and the will. It is well settled that such proactive stance comes out of leader's agenda; in other words, a weak leader will find his organisation in difficult industrial relations situation.

I was recently addressing a gathering of HR managers. They asked me 'Should we or should we not have a union at our workplace?' I replied that the question was phrased wrongly. We can't ask ourselves whether the workers should be allowed to unionise. They can do it, quite literally, as of their right. The concern a manager has is how he can retain influence over the employees. Phrased this way, we can see some solutions in spite of unionisation of workers.

If you have had experience of parenting, you will readily agree that the only way to retain good influence over your child is to allow them enough freedom. This might sound paradoxical but it is true of any relationship. Without allowing space, dignity and respect you cannot build good relations with anybody in this world. Any other method is counter-productive in the long run. But even this is not adequate. If we want to influence others we will have to be open to influence by others. It is never a one-way traffic. Remember that Mr Bhatt treated union leaders with respect and dignity. He practised openness when he shared information about the bank's problems and his future action. He was willing to trust them even when his colleagues warned him that the union leaders were not trustworthy. In State Bank Mr. Bhatt built trust, in Tirupur they destroyed it. Remember what Monday meetings achieve in Thermax - it is building trust and sensitivity.

Research has established that conversations within the organisations create the organisational culture. Change the language and change the culture. We, as managers, have to consciously adopt the appropriate language to create effective industrial relations.

I think there are three situations in the organisations life when the character of industrial relations becomes visible to all. These three situations are: One, when you set up a new establishment; Two, when you have to transform an organisation as in the case of State Bank, and Three, when you have to close down the establishment.

There are scores of examples of how people have messed up transformation which make horror stories. There are thousands of examples of voluntary retirements turning into compulsory retirements. There are several examples where people have closed down units by violent means just because they wanted to sell the property to a builder. What becomes clear to all is not just the character of relationship between employers and employees but also the values practised by the leadership of the organisation.

In final analysis, how you decide to treat your people, or call it your people policy, is what determines the industrial relations. Conflicts and disagreements will come in our way but there is a certain way in which we must handle them. There is a very apt couplet which tells us how we should handle conflicts.

Dushmani karni hai to jamke karo, par yeh gunjayish rahe/
Ke phir se dost ho jao to sharmindgi na ho//.

I think this talk will not be complete unless we talk about labour laws. It is heartening to note that Dr Manmohan Singh has made some observations about labour laws. There is a ray of hope. But the experience with other political leaders is not very encouraging. Labour laws need immediate amendments, they are completely outdated. On one side the industry wants change in Contract Labour Act, on the other hand Adecco has announced that they are now employing one lakh temps! But this is a situation which is not in the hands of employers or union leaders, and with due respect to all there is not much hope.

But I must acknowledge the will shown by Gujarat Government consistently for last several years. I am not here to praise Mr. Modi. Not only his government but his predecessors have also shown that they will intervene immediately if there is industrial strife in Gujarat. They act quickly and decisively to get parties to work together. The latest dispute at General Motors and the immediate State intervention tells the point clearly. Other State Governments have remained passive onlookers. I wish others learn a lesson from Gujarat.

To sum up, I would say that leadership, dialogue and communication play a great role in developing effective industrial relations. As we have seen, there is no substitute to seizing initiative in building effective industrial relations.

Thanks,

Vivek

