

FROM INDUSTRIAL RELATIONS TOWARDS THE NEW PARADIGM OF LABOR RELATIONS

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Abstract:

There are different views regarding the meanings of each of the two terms, “labor relations” and “industrial relations”. Some experts argue that there are identifiable differences between terms, that there are differences of substantial nature that justify the use of each term, while others argue that the phenomena and concepts described are interchangeable in all respects.

The main purpose of this paper is to achieve a separation of the two concepts and to identify the areas of their intermission.

Key words: industrial relations, employment relations, *human resource management, union, conflict*

JEL classification: J5, J7, J8, K12, K32

INTRODUCTION

Identifying the features of the two concepts “industrial relations” and “employment relationship” cannot be achieved until after a prior presentation of their meanings and of the context in which the term “employment relationship” has made its presence felt in the literature. We aim to achieve this distinction because in some works of contemporary authors, the concept of “industrial relations” finds further use.

1. INDUSTRIAL RELATIONS - CONCEPT AND EVOLUTION

1.1. CONCEPTUALIZATION OF “INDUSTRIAL RELATIONS”

Some authors of the industrial period (Bain and Clegg, 1974) defined “industrial relations” as “the study of rules governing employment and the way in which the rules are changed, interpreted and administered”. Others, (Flanders, 1965) argued that “industrial relations deal with certain regulated or institutionalized relationships in an industrial unit” and in Hyman’s opinion they are “the study of control processes on employment relationship”. The term “industrial relations” was used before the emergence of HRM, and deals with interactions between employer (represented by management) and workforce (usually represented by unions), involving the processes of collective bargaining at the organization and industry level (McKenna and Beech, 2002).

Industrial relations were associated with specific problems of collective bargaining and with unions (Mabey and others, 2001), being limited only to certain sectors such as heavy industry, mining and transport. Industrial relations were also associated with conflict between unions and employers, creating thus negative images of some strikes and other seditions (Blyton and Turnbull, 1994). This image on traditional relations marred by threats, conflicts, demonstrations, boycotts, sanctions, strikes, lockouts and other such confrontations with negative connotations, is created also by contemporary authors (Dicker, 2003) in the definition given to these relations: “Industrial relations could be defined as the means by which people interact at work to determine the results

and conditions in which they are operating ... The main focus of traditional industrial relations is on solving disputes”.

We also find interesting the definition given by authors of Asian descent (Singh and Kumar, 2011): “Industrial relations is a discipline concerned with studying the relationship between employers and employees at organization’s level, industry branch or national level. It also refers to two-way interaction that state could have in influencing relations. These relationships are shaped by social, economic, political and technical factors that exist at a certain time. The study includes players and their objectives, structures and their functions, conflicts and their origins, solutions over conflict, environmental contexts and their impact, processes and their results”. Visual representation of this definition is found in fig. 1.

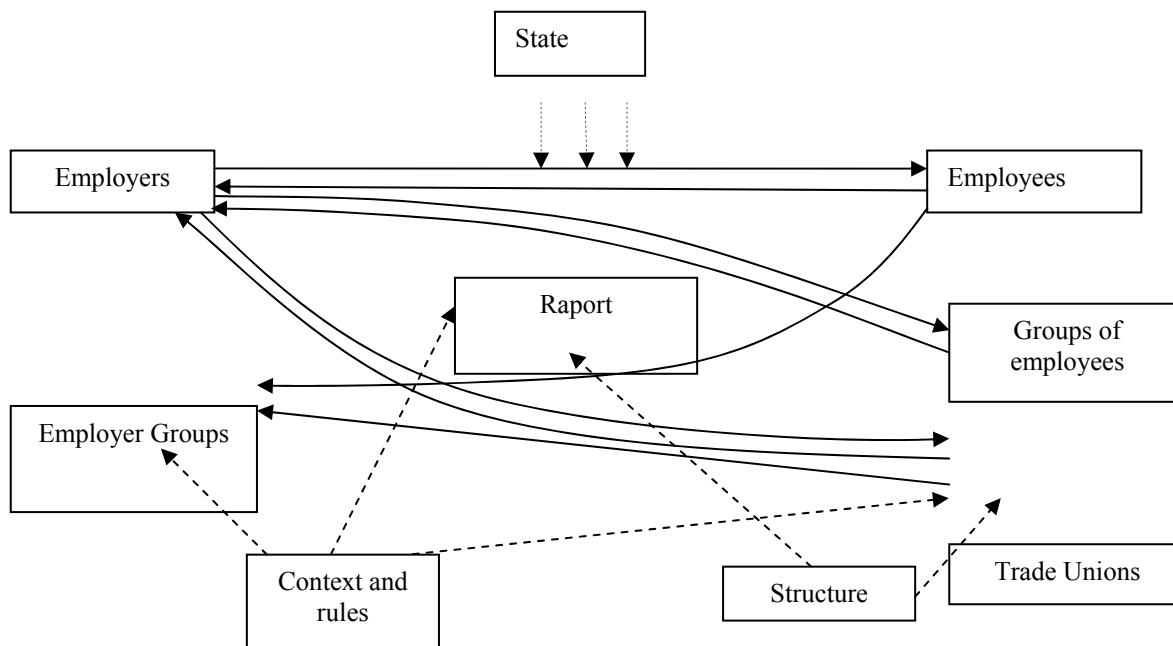


Figure 1. Industrial relations-a pictorial representation

(Singh and Kumar, 2011)

Industrial relations refer to the relationship held between the two organized sides represented by employers and employees referring to relations of common interest. Industrial relations term refers to all types of relationships between all stakeholders in the industry. The parties involved in industry are workers and management which is represented by the owners. Thus, industrial relations involves a broad complex of relationships between management and union, management and employees, union and employees, between employees and ultimately the relationship between employees, employers and the government arising from industrial activities (Mahapatro, 2010). Therefore, this definition suggests, in fact, that the industrial relations field involves not only the relations between employers and employees represented by unions but also relations between them and the state.

Therefore, watching and analyzing all the above definitions, we can conclude that industrial relations (IR) refer only to formal collective relations between employers and employees or between management and union dictated by complex and different needs and aspirations of both parties, conditioned by economic, political and social actors, and governed by the State. We bear in mind that lately contemporary authors use the term “industrial relations” when they want to cover all categories of employment relations, both collective and individual, and also in every sphere of economic activity.

1.2. EVOLUTION OF INDUSTRIAL RELATIONS (IR)

Referring to the evolution of industrial relations (IR), we appreciate that the term “industrial relations” came into common use in Britain and North America starting with 1920 and was used until the 1980’s together with the appearance of Human Resource Management science. In other words, industrial relations are, in fact, a legacy of the “industrial revolution”.

Thus, traditional industrial relations emerged, mostly due to existing conditions at **the end of nineteenth century and beginning of twentieth century** when the proportion of workforce compared to capital was very high and skill levels of staff were very weak. Human capital represents the dominant cost of an organization. Severe economic crises and unemployment in that period have led the emergence of formal systems regarding industrial relations. They have become regulated and guaranteed through the legal system of States so that States could intervene to settle industrial disputes (Dicker, 2003).

Starting with **the first part of the twentieth century**, the change towards secondary industries (e.g. manufacturing, constructions) led to mass production with a working organization dominated by specialization, division of labor and high capacity production. This was exemplified by assembly lines in cars industry and other fabrications.

With a total employment of workforce **during the 1960s** (mostly the male labor force) wages increased and workers believed that life was good and the future looked bright. In fact that period was carrying the seed of its decay. Shortage of available workforce gave unions wide powers at negotiating table. Excessive demands for better wages and conditions have greatly increased production costs. The relationship between an employer and employee has changed and thus become from an informal and personal relationship a formal and regulated one, and the nature of employer-employee relationship has changed from a private and individualized relationship to a standardized one.

Public employment had an impact on society and formal institutions emerged to regulate the relationship between the two parties. Thus is how unions appeared, from the need to establish a certain balance in the relationship between strong capital and weak workforce. Thus, trade unions and also employer associations have developed. Trade unions had to be considered as a power that is intended to negotiate with, especially since the interests of employers and employees were largely conflicting. Conflict was natural since the workers were separated from ownership of tools, materials and other means of production. The origins of industrial relations concept are here. The genesis of the term has influenced the general perception for many years. Conflicts of interests and ideological orientations have sent a contradictory relationship.

Industrial relations, therefore, provide a topic largely related to conflict management in industrial field. State intervention becomes needed to create and maintain good relations between workers and management. The State has tried to win the cooperation of both partners in the industry that support economic growth and development through improving the quality of working life. The State had an obvious stake in this relationship as an instrument of socio-economic progress.

Gradually, the term “industry” has been extended beyond economic activity to include all paid workforce, including service within the State. The relationship between the State and its employees also has characteristics of employer-employee relationship in the industry. Thus, employment in State enterprises and public sector, if the property belongs to the State, has also entered within the sphere of industrial relations.

Since the mid-70s, industrial climate began to change. Barriers regarding international competition were reduced, forcing many industries to restructure, to reduce their sizes or leave the business. It became a period of reduced activity and many workers have begun to question the value of unions and their membership began to decline. With job closing, a high unemployment rate and employees forced into different working arrangements, the comfort zone of the 60’s has disappeared. Protection period that led to complacency and lack of efficiency was the environment that fueled the systems regarding traditional relations in industry. Protection has also limited the spread of research, development and innovation. Practices of industrial relations have gained many

benefits for workers and some credit must be given to trade union's movement for significant improvements in the working conditions. But this came at a cost that, in the full light of open international competition, could not resist.

We are now in a period of uncertainty and ambiguity in which changes are occurring at an accelerated pace. Governments encourage privatization, free trade and international competition, workforce moves across international barriers and there is fierce competition for limited resources. We are witnessing a rapid change from industrial modes of production to informational ones.

Workforce versus capital is declining as a cost of production. There is a tendency within organizations towards restructuring, reduced size and reduced budget, and many functions are now outsourced. Organizations become more flexible, more adaptable and there is a change from permanent employment of labor to short-term contractual arrangements, temporary or part time. Greater emphasis is placed on workers seeking to learn all their life, qualifying themselves in several areas and on a wider range and are expected to be more flexible and meet a greater number of functions. Workplace hierarchies have flattened and now have smaller cores of medium and superior management, and there is a shift towards project management rather than line management. Change is the only factor guaranteed in all jobs. Old-fashioned industrial relations no longer fit with this environment of change. Some organizations have seen earlier the trend and have adapted. Others still continue to use traditional practices of industrial relations (Dicker, 2003).

2. FROM INDUSTRIAL RELATIONS TO EMPLOYMENT RELATIONS

The term "employment relations" is increasingly used in recent years, starting with the 80's, together with the emergence of human resource management when there was a period of steady decline in the importance of industrial relations and collectivism, decrease due to considerable reduction of power and unions role as a result of technological change, massive restructuring within organizations and restrictive legislation applied to labour actions in most countries.

Decrease in union membership suggests that employment relations have been transformed and we were witnessing "the end of institutional industrial relations" (Purcell, 1993).

The importance of HRM for understanding industrial labour relations and industrial relations change "is in its association with a strategic managerial approach, integrated and very distinctive for the management of people" (Salamon, 1998, p 19). Concerns of the 80's are increasingly oriented to determine the human dimension of organizational changes, towards giving more attention to employee involvement and relational system within organization (Manolescu, 2008).

Industrial world has experienced a new change with the emergence of globalization and increasingly competitive environment, from a simple approach on human relations to one on human resource management. This change is primarily responsible for confidence in the change from industrial relations to employment relations.

HRM approach is one of human resources and employees are treated as investments, emphasizing on policies, programs and practices that lead to a productive environment. HRM focuses more on employees, individually seen and not as a collective body (union) and, as some authors say, the concept of HRM is generally associated with a movement starting from collectivist employment relations - tense negotiations, union associations - towards individual negotiations, reinforced by individual contracts and performance-based payment systems.

Individual's role in labor relations is supported by specialists like Beardwell (1997) when he states that "perhaps for the first time in a century, it is possible to reconstruct the central issue of industrial relations, as being not so much the role of unions in market economy but the individual's role within the working relationships, and in this way to reform industrial relations frame, in order for traditional collectivism, which we were accustomed with, to be greatly reduced".

In this changed environment, the focus of labor relations has changed. Now there is a greater focus on individual employees than on employees as a collective body (Gennard and Judge, 2010).

Using the term “employment relations” instead of “industrial relations” is due to the fact that it has become increasingly appropriate in the context in which much of the labor force is not composed of members of unions, and the number of employees included in agreements collectively negotiated has seen a continuous decline (Rees and Porter, 2005)

Therefore “new employment relationship” go beyond the collective bargaining level to include non-union organizations where dialogue might be between employers and their employees, although with alternative bargaining structures (Price, 2004)

Among the changes that have led to the transition from industrial relations to the new paradigm of labor relations, we mention (Singh and Kumar, 2011):

- Greater convergence towards efficiency and competitiveness which required cooperation and teamwork;

- Globalization with opening the markets that forced employers to seek legislation less rigid, less standardization of employment and a greater focus on individual aspirations and efficiency at work;

- Increasing services and increasing number of skilled technical workers;

- Traditional concepts of “fair wages” and the standard terms and conditions of employment makes place for variable payments based on skills, outsourced jobs and flexible working methods;

- Emergence of new technologies and industrial automation that reduced dependence on industrial labor;

- Demographic factors with the development of “knowledge worker”, young workforce and feminization of labor. The most important feature of workforce composition is that no employee seeks long existence in an organization unless is in consent with his aspirations;

- Decline of trade unionism due to technological revolution and its impact on industrial landscape accompanied by poor performance of union in recent decades. The concept of unionization and collectivism was therefore replaced with an individual concept, in which each employee is trying to look after himself.

As a result, largely due to globalization, the shift from “industrial relations” to “employment relations” required adopting a proactive approach of employment relations management instead of a reactive one. This approach includes:

- Relations between managers and individual employees;

- Collective relations between managers and employees;

- Role of government in regulating these relations.

Transition to employment relationships involved the fact that regulatory traditional activities such as monitoring compliance with legislative requirements, rules and procedures, occupy a secondary place, and issues such as employee selection, staff retention/maintaining, performance management, communication with employees and involving come first. Developing relationships with employees is now considered the correct way to build the culture of an organization, based on the existence of shared values among its employees. This paradigm of “employment relations” has led to shifting focus from employment contracts to psychological contracts (Singh and Kumar, 2011). Psychological element is also emphasized in the definition given to employment relationship: “Employment relationship is an economic, legal, social, psychological and political relationship in which employees devote their time and knowledge to employer's interest in exchange for financial, personal and non-financial rewards” (Lewis and Saunders, 2003). Therefore, the employment relationship can be found, for example, in the public sector, nonprofit organizations or private sector.

3. EMPLOYMENT RELATIONSHIPS VERSUS INDUSTRIAL RELATIONS

Some experts argue that there are identifiable differences between terms, that there are nominal differences that justify the use of each term, while others argue that the phenomena and concepts described are interchangeable in all respects.

Blyton and Turnbull (1994) discuss this issue, explaining why they chose to use the term “employment relations” instead of “industrial relations”. The two authors begin by arguing that they see no strong and fast distinction between the two terms, the difference being in the tendency of each other to focus the subject within different limits.

They stress the fact that industrial relations:

- Get inevitably associated with unions, collective bargaining and industrial actions (strikes);

- Have a very strong tendency to see the world of work as being synonymous with strong mining and manufacturing sectors, sectors that were dominated by male workers who work manually and full-time and are declining in almost all developed economic sectors.

According to both authors, using the term employment relationships, gives the right to adopt a broader spectrum and:

- Include also the dominant service sector in almost all countries, sector that in many developed countries hires more than 70% of total workforce;

- Indicate changes in workforce composition, noting that more women are employed with part-time employment contracts and fixed-term;

- Include non-union relations, the same as union ones.

Other authors (Bright, 1993) states that employment relations, with their lighter tone, is different from industrial relations, to the extent that there is an emphasis on direct communication with the workforce and a connection with employees at individual level. This creates a scene where there is limited interaction with the unions.

Employment relations term occurred because of three reasons (Marchington and Wilkinson, 1996):

- Use, fashion and sliding;

- Is very much used by human resource management practitioners to describe relations regulation (collective and individual) between employer and employee;

- There are real and actual differences of concentration, employment relations focusing on management, on aspects related only on management and more on contemporary practices than historical ones.

The differences between industrial relations and employment relations assume, therefore, the following (Gennard and Judge, 2010):

- Industrial relations focuses on employees regarded as a collective body while employment relations put a strong emphasis on employees regarded as individual;

- Employment relations are based on greater cooperation between management and employee, being motivated to add value to the organization. Such employment relationships are considered as being based on management practices based on trust, fairness, knowledge and understanding of employee aspirations and attention to “employee voice” obtained through a variety of channels (e.g. employee and union representatives involvement and participation).

Industrial relations have come to dominate the workplace because of the need to deal with conflicts, mainly between workers and management, whereas, employment relations are dealing with developing a working environment where conflict is less likely to occur, and when this happens, is dealt with promptness and effectiveness by those involved (Dicker, 2003). Here industrial relations are associated with working disputes and the absence of conflicts characterizes employment relations.

CONCLUSIONS

Given the authors' opinions presented in previous pages on developments and differences between the two concepts, we conclude that, unlike industrial relations, employment relations adopt a wider range including other sectors such as services sector, focusing more on individual relationships between employer and employee than collective ones, without conflicts and on a participatory management approach, based on trust, loyalty and understanding the needs of employees. Employee relations management places a particular emphasis on communication between managers and employees and also among employees between them. We believe that lack of communication or poor communication can lead to organizational conflict, that's why is necessary that the company chooses a formal, open and fast communication using appropriate means depending on employees capacity of understanding, age and hierarchical position (Bălăneasa and Manolescu, 2011).

Thus, employment relations in the twenty-first century establish that the human factor is the most valuable resource in an organization, placing greater emphasis on the quality of employees' life than on getting profits. Profit can be gained if employees are asked to participate in making decisions and are informed about the priorities of the unit.

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