



**COURSE  
GUIDE**

**BHM 750  
LABOUR RELATIONS**

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## **Introduction**

*Labour Relations is a core course which carries two credit units. It is prepared and made available to all the students who are taking the Postgraduate Diploma in Human Resources Management in the School of Business and Human Resources Management. The course is a useful material to you in your academic pursuit as well as in your workplace as managers or administrators.*

## **Course Contents**

The course is made up of Five modules: Module 1 has 4 Units, Module 2 has 3 Units, Module 3 has 3 Units, Module 4 has 4 Units and Module 5 has 2 Units, covering areas such as the background on the subject matter, appropriate mechanisms for handling labour-related issues, instruments for handling strikes and industrial disputes, collective bargaining, industrial democracy and worker participation in organizational affairs, and trade unionism and employers' organization in Nigeria.

The course guide is meant to provide you with the necessary information about the course, the nature of the materials you will be using and how to make the best use of the materials towards ensuring adequate success in your programme. Also included in this course guide are information on how to make use of your time and information on how to tackle the tutor-marked assignment questions. There will be tutorial sessions during which your instructional facilitator will take you through your difficult areas and at the same time rub minds with your fellow learners.

## **Course Aims**

The main aim of the course is to expose you to the nature of labour relations, the mechanisms necessary for managing labour-related matters in the organization and the role of the trade unions and the employer association in labour relations. The course also aims at making you have a greater appreciation of the role of government as the regulator of the employment relationship between the employers and the employees in the organization.

The aims of the course will be achieved by:

- Explaining the nature of labour relations;
- Describing the necessary mechanisms and structures for managing labour-related matters;
- Explaining the nature and process of collective bargaining;

- Describing the necessary structures for managing strikes and industrial disputes;
- Explaining the nature of industrial democracy;
- Explaining the forms of worker participation in organization's affairs; and
- Discussing the peculiar role of the trade unions in labour relations.

## **Course Objectives**

After completing this course, you should be able to:

- analyze the nature of the term labour relation;
- identify the necessary mechanisms for managing labour-related matters;
- discuss the nature and styles of collective bargaining;
- explain the mechanisms for managing strikes and industrial disputes;
- explain the nature and practice of industrial democracy
- analyze the various forms of ensuring worker participation in decisions affecting organizational operations;
- identify the functions of trade unions in organizational setup; and
- describe the strategic role of the employers' association in managing labour-related matters.

## **Course Materials**

Major components of the course are:

1. Course Guide
2. Study Units
3. Textbooks
4. Assignment Guide

## **Study Unit**

There are sixteen units of 5 modules in this course, which should be studied carefully. These are as follows:

### **Module 1**

Unit 1 Overview of Labour Relations

Unit 2 Structural Decisions in Labour Relations Management

Unit 3 The Role of Managers in Labour Relations Management

Unit 4 The Role of Supervisors and Shop Stewards in Labour Relations Management

## **Module 2**

Unit 1 The Process of Negotiation in Collective Bargaining  
Unit 2 Nature and Methods of Collective Bargaining  
Unit 3 Principles of Negotiation and Role of  
Negotiators in Collective Bargaining

## **Module 3**

Unit 1 Strikes and Industrial Action  
Unit 2 Nature and Types of Industrial Conflict  
Unit 3 Mechanisms for Implementing Labour Relations Policy

## **Module 4**

Unit 1 Industrial Democracy  
Unit 2 Worker Participation and Industrial Democracy  
Unit 3 Economic and Financial Participation  
Unit 4 Worker Participation through Workplace Forums

## **Module 5**

Unit 2 Trade Unions in Nigeria  
Unit 3 Employers' Organisation in Nigeria

The first Module 1 unit 1 simply presents the general background on the subject matter of the course. The second unit is used to discuss the strategic decisions necessary for effective management of labour relations. The next two units (3 and 4) describe the main role players such as managers, supervisors and shop floor stewards undertake in managing labour-related matters. Module 2 units 1, 2, and 3) are used to explain the nature, process and negotiations in collective bargaining. Module 3 units 1 and 2 are used to discuss the necessary mechanisms for handling strikes and industrial disputes while unit 3 is used to explain the necessary organizational policies on managing employment rights and obligations. Module 4 units 1, 2, 3, and 4 are used to discuss industrial democracy and how the employees can be involved in decisions affecting organizational operations. The remaining two units 1 and 2 under Module 5 describe the role of both the trade unions and the employers' association in managing labour-related matters.

Each study unit will take at least two hours, and it includes introduction, objectives, main content, self-assessment exercises, conclusion, summary, tutor-marked assignment and references/further readings. Some of these exercises will necessitate contacting some organizations. You are advised to do so in order to observe labour

relations in practice. There are also textbooks under the references and other resources for further reading. They are meant to give you additional information if only you can lay your hands on any of them. You are advised to practice the self-assessment exercises and tutor-marked assignment for greater understanding of the course. By so doing, the stated learning objectives of the course will be achieved.

### **Assignment**

There are many assignments in this course and you are expected to do all of them by following the schedule prescribed for them in terms of when to attempt them and submit same for grading by your tutor.

### **Tutor-Marked Assignment**

In doing the tutor-marked assignment, you are to apply what you have learnt in the contents of the study units. These assignments which are many in number are expected to be turned in to your Tutor- for grading. They constitute 30% of the total score for the course.

### **Final Examination and Grading**

At the end of the course, you will write the final examination. It will attract the remaining 70%. This brings the total final score to 100%

### **Summary**

The course, Labour Relations (BHM 750) exposes you to the issues involved in employment relations, and how to manage them. On the successful completion of the course, you would have been armed with the materials necessary for efficient and effective management of labour-related matters in any organization.



<b>MAIN COURSE</b>
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Course Code BHM 750

Course Title Labour Relations

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## **MODULE 1**

Unit 1 Overview of Labour Relations

Unit 2 Structural Decisions in Labour Relations Management

Unit 3 The Role of Managers in Labour Relations Management

Unit 4 The Role of Supervisors and Shop Stewards in Labour

## **UNIT 1 OVERVIEW OF LABOUR RELATIONS**

### **CONTENTS**

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 The Role of the Employer in Labour Relations

3.2 The Role of the Trade Unions in Labour Relations

3.3 Government Intervention in Labour Relations

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

### **1.0 INTRODUCTION**

In the workplace we have the workers and the management team who represents the owners of the organization. Such groups of people in the organization engage in formal relationships, which is purely for operational purposes.

Essentially therefore, the relationship between the management or the owner manager and the workers is contractual, which is that of employer-employee (master-servant) relations. Hence it implies that labour relations as a term embraces the relations of individual workers and groups in the course of organizational operations.

In another perspective, labour relations as a concept embraces all aspects of employment relations between the employer and the employees in organizational setting. By implication, it relates to contractual relationship between the employer and the employees, regulation of conditions of service, collective bargaining, management of strikes, industrial democracy, trade unions-employer relations, and structural decisions by the employer on how to relate well with individual workers and their trade unions in the workplace.

In this unit, therefore, the three main role players in labour relations such as the trade unions, the employer and the government are considered.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the term labour relations
- discuss the role of employer in labour relations
- explain the role of trade unions in labour relations
- discuss government involvement in labour relations.

## 3.0 MAIN CONTENT

### 3.1 The Role of the Employer in Labour Relations

The employer has a major role to play in labour relations since the buck ends at the doorstep of the organization. In essence, the role of the employer revolves around the organization in terms of the structures it puts in place to ensure effective operational activities.

The role of the employer involves the following areas:

1. establishing appropriate structures to ensure industrial harmony;
2. ensuring harmonious relationship between the organization and the individual workers;
3. recognition of the trade unions which have been registered by Registrar of Trade Unions to operate in the organization;
4. ensuring harmonious relationship between the organization and the trade unions in the organization;
5. providing appropriate and conducive environment for collective bargaining to thrive in the organization; and
6. taking cognizance of existing laws on labour relations in labour matters.

### SELF ASSESSMENT EXERCISE 1

Identify the role of the management in the practice of labour relations.

### 3.2 The Role of Trade Unions in Labour Relations

Trade unions are the associations formed, organized and managed by the workers. The trade unions are, therefore, normally established by the workers and run by their representatives with the principal purpose of

using them to protect their interest and aspirations in both public and private organizations.

The prominent aims and objectives of trade unions are as follows:

1. Organization of workers who are qualified for membership;
2. Regulation of relations between workers and employers and between workmen and workmen,
3. Establishment and maintenance of just and proper hours of work, salary/wages and other conditions of service;
4. Represent the workers in collective bargaining forum; and
5. Represent the workers in negotiating machineries within the industry or organization concerned.

Generally speaking, the trade unions in Nigeria organize and represent:

- i) All employees in the senior cadres of the organization, e.g., Association of Senior Civil Servants of Nigeria (ASCSN), Senior Staff Association of Nigerian Universities (SSANU), PENGASSON, etc;
- ii) All employees in the junior cadres of the organization, e.g., Non-Academic Staff Union (NASU), NUPENG, etc;
- iii) All employees in technological cadres;
- iv) All employees in professional cadres, e.g. Nigerian Association of Resident Doctors;
- v) All employees in skilled, semi-skilled and unskilled cadres.

## **SELF ASSESSMENT EXERCISE 2**

Mention the areas of involvement of the labour unions in the practice of labour relations.

## **3.3 Government Intervention in Labour Relations**

The government in our society is both an employer and an umpire in labour relations matters. Therefore, besides the fact that the government employs a sizeable number of labour, it also intervenes in the operations of almost all aspects of labour relations towards ensuring healthy relationship between the other employers and the various categories of workers in the country.

The specific areas of government intervention in labour relations are as follows:

1. Setting rules and regulations for the practice of labour relations in the country;
2. Making representation in roundtable discussion between the employers and the trade unions;
3. Playing mediating role in resolution of industrial conflicts
4. Encouraging the use of collective bargaining in terms of conditions of service; and
5. Ensuring the protection of the workers' rights and privileges in the workplace.

The government intervenes in labour relations matters because it has the responsibility to ensure that there is industrial harmony in the country. Furthermore, the government also has the responsibility to ~~protective~~ <sup>promote</sup> legislations to regulate all aspects of the work situation in order to guide against the exploitation of the workers by their employers.

### SELF ASSESSMENT EXERCISE 3

Identify the areas of involvement of the government in the practice of labour relations.

## 4.0 CONCLUSION

The above analyses show that Labour Relations is very vital in the quest for industrial harmony in all organisations and should be encouraged. Therefore, it is very essential for the government to get involved in the practice of labour relations to ensure that the appropriate environment is created for all aspects of labour relations to thrive. The major reason, for government intervention in labour relations, is that the government has the onerous responsibility to protect the economy from instability and above all, to guide against the exploitation of the workers.

## 5.0 SUMMARY

The unit has thrown light on the meaning and scope of labour relations. The concept of labour relations is considered along with the role of the three parties (the employer, the trade unions and the ~~government~~ <sup>governments</sup>) in the management and practice of labour relations. ~~The~~ <sup>These</sup> reasons for government involvement in labour relations practice were also highlighted and discussed.



In the next study unit, you will be taken through the discussion on the structural decisions in labour relations management within the organizational setting.

## 6.0 TUTOR-MARKED ASSIGNMENT

1. Explain the involvement of government in the practice of labour relations.
2. Mention and discuss the various areas of involvement of the management or the employer in the practice of labour relations.

## 7.0 REFERENCES/FURTHER READINGS

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- Fajana, S. (1995). *Industrial Relations in Nigeria: Theory and Features*, Lagos: Labofin and Company.
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## **UNIT 2 STRUCTURAL DECISIONS IN LABOUR RELATIONS MANAGEMENT**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Organization Structure for Labour Relations Management
  - 3.2 Specialization versus Decentralization in Labour Relations Management
  - 3.3 Decentralization versus Centralization in Labour Relation
  - 3.4 Standardization and Formalization in Labour-Related Matters
  - 3.5 Decisions for Collective Bargaining Structure
  - 3.6 Organizational-level Structure, Mechanisms and Procedures
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

In the realm of general management, Cronje et al (1990) posit that a broad plan and objectives in themselves are not sufficient as a management strategy and that “there must be a framework or structure within which and in accordance with which management sets about putting organizational strategy or plan into operation. The development of such a structure includes the second fundamental element of management which is organizing.” They explain that organizing means developing mechanisms to put the strategy or plan into action.

Organizing decisions therefore deal, among other things, with the grouping of activities and the allocation of groups of activities to persons who will accept responsibility and accountability for them. This includes a number of structural decisions, as well as decisions concerning mechanisms for strategy implementation and the allocation of work.

In this study unit, the focus is on the application of these concepts in labour relations management. This involves decisions that top management should take about infrastructural and organizational elements involved in operationalizing the formulated management strategy in respect of labour relations. Indeed, these decisions must be

taken if the broad approach and concomitant functional strategies are to be implemented.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain specialization and devolution as they relate to labour relations management
- explain standardization and formalization of functions in managing labour-related matters
- identify the decisions necessary in structural arrangement for handling collective bargaining in organization
- discuss the organization-level structure, mechanisms and procedures relevant for managing labour relations.

## 3.0 MAIN CONTENT

### 3.1 Organizational Structure for Labour Relations Management

One of the most important decisions relating to organizing function has to do with who does what when it comes to the management of labour relations.

As already discussed, three parties are involved in the employment relationship. These are the state (the government), the employer or (organization) and employees (labour), and the representatives of these parties. However, the primary parties from a management viewpoint are the management team (representing employer) and the workers (traditionally, under the contractual control of management). The employment relationship which must be managed is that between employee and the employing organization (company or enterprise). The Management team is accountable to the shareholders or owners for the management of this relationship. Due to the fact that workers organize collectively, however, they elect representatives in the workplace, and these representatives become yet another group of “role players” in the employment relationship.

Generally, ‘managers’ are traditionally divided into various line and staff functions at different levels. Thus there are first-line and higher-level supervisors, middle-level managers, and senior and top-level managers. Personnel and labour relations functions, for example, have traditionally been regarded as typical “staff functions,” that is, as functions which are not directly concerned with the “core business” of

the organization. Nevertheless, management decisions should be taken regarding who plays what role in the management of the employment relationship. In this regard, specialization and centralization are two of the crucial aspects determining the management structure that has to be created for the role players involved in labour relations management.

### SELF ASSESSMENT EXERCISE 1

What are the specific functions of the three managerial levels in the organizations?

### 3.2 Specialization versus Devolution in Labour Relations Management

The successful management of the employment relationship is ultimately a line management responsibility.

In respect of the various levels of management, the question arises as to who formulates labour relations strategy and as to who is responsible for its implementation. Here, a distinction may be made between “initiators,” “facilitators” and “implementers.” Initiators, usually a small group of top and senior managers, are responsible for formulating strategy and policy. Facilitators, on the other hand, are usually labour relations specialists who give professional advice to line managers (or the implementers) and who provide top management (or the initiators) with feedback. Implementers are all the other role players in the organization, such as line managers, etc.

Management can, however, go on to decide who must be the facilitators and who must be the implementers. Sisson (1992) observes that in the past the role of the personnel department including labour relations specialists was traditionally very prominent and central. Personnel matters, and particularly the handling of the collective dimension, were left almost completely in the hands of specialists so that line management could “get on with its work.” This is a traditional trend that has been changing over the past decade. Storey (1992) confirms that line management is now playing an increasingly more prominent role and that the role of personnel specialists has been declining. The empirical evidence uniformly reveals the impressive emergence of general ‘business managers’ and line managers as key players on employment issues. There was evidence of these managers devising, driving and delivering new initiatives. This aspect, which is termed devolution, should therefore be considered at top management level as part of strategic management decision making regarding labour relations.

Indeed, Brewster and Holt-Larsen (1992) state that devolution is one of two core elements in a trend towards a more strategic approach to the management of employees. The degree of devolution regarding the role of line management in this area of management as opposed to the degree of specialization in respect of the role of labour relations specialists is a decision to be taken at top management level.

Indeed, decisions relating to specialization are at first, important principle of organizing as a general management task. After all, specialization refers to the degree to which special tasks are identified and are allocated exclusively to certain specially trained persons. Smith & Cronje (1992) succinctly observe that departmentalization regarding decisions about the process in which tasks are grouped into controllable units is therefore a relevant issue when a special department (or departments) is/are established to look after certain aspects of a matter.

Specialization may also be explained as the degree of authority that line management has in the area of labour relations as compared with the specialists, an aspect that will ultimately have to find a place in organizational policy. The less devolution, and thus the more specialization, there is, the greater the role of the specialist function. This, in turn, will mean that there will be a large number of specialists, and therefore a concomitant and complex departmentalization of the function itself. Marchington (1989) confirms that this was indeed the case in some countries in the sixties and seventies when labour problems were rife there.

The personnel and labour relations function had a great deal of decision-making authority in the area of labour relations management. Where this is the case, top management as part of its strategic management approach will be entitled to ask questions about the size of the personnel and labour relations department. The current trend internationally is towards devolution rather than specialization. However, some experts question the scope of this devolution and the accompanying autonomy which it apparently confers on line managers. Much of this debate however focuses on the decentralization of decision making.

Basically, these top management decisions should be taken in the context of the formulated grand strategy in respect of labour relations management. In this connection, it seems that management would be more inclined to opt for devolution as it moves up the vertical axis of the matrix organizational hierarchy, because it will be more likely to believe that all managers have the ability or potential to take more and more of the decisions about the employment relationship for themselves. If, however, top management considers that decisions in this area are too specialized for line managers and cannot effectively be taken by them,

the emphasis will rather fall on the role of specialists. This approach is typical of the paternalistic, cost-control and generic strategies.

## SELF ASSESSMENT EXERCISE 2

In your own opinion, should the line managers be involved in decisions regarding labour relations management? Give reasons for your answers.

### 3.3 Decentralization versus Centralization in Labour Relations

The role of the various parties such as line management versus specialist in taking decisions about the employment relationship will be influenced not only by top management decisions on devolution or specialization, but particularly also by decisions about the centralization or decentralization of decision making in this area.

Decentralization, in general management terms, refers to the extent to which decisions can be taken at lower levels without having to be approved at higher levels. Smith and Cronje (1992) put it like this: "Centralization is a high degree of authority at the top of the hierarchy while decentralization refers to a high degree of delegated authority." In the context of labour relations management, the centralization or decentralization of collective bargaining would thus be an important aspect of the decision-making process.

The emphasis herein is on the extent to which decisions relating to labour relations management including those with regard to negotiations are taken at a lower or higher level within the organization. The important consideration is the role, and the powers and participation, of various management levels including middle-level management and first-line supervisors when it comes to decision making. In multi-plant or multi-unit organizations, therefore, decisions have to be made about the extent to which head office as opposed to plant-level management has the autonomy to take management decisions about the employment relationship.

Top management should decide, within the context of the formulated grand strategy for the management of both dimensions of the employment relationship, about the degree of delegation and decentralization of decision making.

For example, if on one hand, a greater degree of decentralization is decided on, with each plant being empowered to make decisions about recruitment, selection, career matters, training, supervisory style, job evaluation and remuneration, in conjunction with a grand strategy of

“joint employee care,” then, typically, management-trade union committees or teams at plant level will be empowered to take these decisions autonomously at plant level. On the other hand, if top management adopts a grand strategy of “integrative, negotiated care” and also decides that, say, decisions regarding selection, training, welfare and remuneration will be centralized at head office level, then management personnel at head office will take these decisions. This is normally preceded, however, by regular, win-win negotiations with trade unions regarding these matters.

Such a decision should, however, be integrated with broader organization policy concerning centralization/decentralization in general.

Thus, depending on how organizations are structured, for example, what their product diversification strategy is and what their financial management strategy embraces (centrally controlled or with financial autonomy devolved and decentralized), everything interacts directly with these structural decisions concerning the management of the employment relationship. For instance, a decision may be taken to follow a strictly top-down approach with regard to instructions concerning the management of the employment relationship and to monitor key indicators in this sphere from the level of head office. Alternatively, top management may decide to lay down broad parameters only, with less emphasis on monitoring the performance of individual plants or business units in the area of labour relations management; or a great deal of autonomy may be granted, with little or no monitoring.

In order to retain a measure of control and coordination, top management has to decide on the degree of monitoring to be carried out in the event of decentralization. In this regard, information technology can create a great many new possibilities when it comes to conveying the necessary management information to head office. Where the structure of an organization is more complex (e.g., where there are also divisional levels), these levels, too, can play a part in decision making, coordination and control.

It should be clear by now that the general characteristics of organizations and how they are organized in general will have a considerable influence on top management decision making concerning the centralization or decentralization of labour relations management. For example, an organization with plants in other countries which are exposed to different trade unions, legislation, and so forth, will of necessity have to allow more decentralization.

Colling and Ferner (1992), in the context of the role of personnel and labour relations functions observe that “The pressure for decentralization has provided it with an opportunity...to shape a more strategic role, linked to the corporate objectives of the post-privatization era.” They note, however, that head office will still have to intervene at decentralized levels to resolve conflicts and to prevent repercussions shortly before listing on the stock exchange. Apart from this strategic, centralized role, head office can exercise control by means of monitoring and contact at plant level. Top management thus has to decide on the degree to which such measures are going to be applied when the circumstances of the organization change, for example as a result of privatization.

### SELF ASSESSMENT EXERCISE 3

In your own opinion, should the decisions regarding labour relations management be centralized or decentralized within the organizational hierarchy? Give reasons for your choice.

### 3.4 Standardization and Formalization in Labour-Related Matters

Two further concepts which are related to, and which partly arise from, the centralization/decentralization issue are standardization and formalizing. The former refers to management decisions on the extent to which specific rules have to be laid down for uniform management action in respect of labour-related matters. The stronger the centralized control, the greater the role of standardization and the less scope there will be for autonomous management decision making at lower levels of the organizations.

A related matter is formalization, which refers to the extent to which rules, processes and agreements are committed to writing. Formalizing thus has to do with, among other things, the formal (written) establishment of procedures in respect of aspects such as recruitment, selection, guidance, dispute resolution, grievances, discipline, collective bargaining, and even strike management, as well as with agreements arising from collective bargaining. In the case of constitutional bargaining strategies, top management will probably have to place far more emphasis on formalization than in the case of management-trade union cooperation strategies, where a stronger case can be made for a more informal approach.

In extreme cases of standardization, formalization, specialization and centralization, top management would therefore have a wide range of highly detailed procedures put into writing by specialists from head



office about such matters as job design and job descriptions, career planning, employment, conditions of service, discipline, the handling of grievances, and remuneration practices. Alternatively, top management might decide that it is better to decentralize management decisions about the employment relationship to plant level, but that formalization remains an important principle.

Head office can still, on the basis of, among other things, the individual procedures and agreements of plants and business units, monitor the status of the employment relationship after decentralization. Clearly, then, this aspect represents a further, important top management decision that will ultimately have an impact on the nature of the role played by the personnel and labour relations departments (or function) within the organization, and more specifically, at the various levels of the organization.

#### **SELF ASSESSMENT EXERCISE 4**

What is your view on the assertion that specific rules have to be laid down for uniform management action in respect of labour-related matters?

### **3.5 Decisions for Collective Bargaining Structure**

In the context of wider environmental demands such as legislation, top management should also decide on the most appropriate levels for collective bargaining with trade unions if any are involved.

Thus, within the framework of the grand strategy selected for the management of labour relations, the emphasis in the case of such a decision falls primarily on the trade union recognition and bargaining strategies.

This decision on the structure of collective bargaining is important in countries where trade unions and negotiation are so prominent. Nevertheless, the decision is a complex one which has to be harmonized with external environmental demands such as legislation, as well as with other structural elements of the organization and with the organization's business and labour relations strategy.

Bendix (2001), in discussing the collective bargaining structure at the generic level, states that the concept also encompasses "the concepts of 'bargaining units' and 'bargaining levels'." The former refers to the decision regarding whom and with who bargaining will take place and also whether bargaining will be conducted with one union only or with a number.

For the following reasons, among others, it is important to decide at what level and with whom negotiations will take place:

- This will determine which employees are covered by collective agreements.
- It will affect the degree of trade union influence in the organization.
- It will affect the degree of direct and indirect worker participation in management decisions.
- Ultimately, it will affect the degree of inter-union conflict.

Several factors or variables have to be taken into account when such decision is being made. These factors are the state of the ~~nationally~~ nation, the nature of the industry, legislation, historical variables, trade union representation levels, organizational policy and strategy, the scope of the trade union's registration, and competition between trade unions. Economic factors, as well as worker perceptions and needs, obviously play an important role, and especially government policy and relevant legislation. As we have mentioned, the structures, policies and general organization preferences of an organization are also important. The power of trade unions is probably one of the most crucial variables. Marchington and Parker (1990), in reference to the power of ~~trade~~ unions, observe that, it is unlikely that strong unions would ~~allow~~ management to amend collective bargaining without resistance. The decision will also be influenced by the perceptions of strategic decision makers as to the level at which management has the best chance of shaping collective bargaining outcomes and processes to the best possible advantage of the organization.

It is instructive to note that because trade unions argue that bargaining should be to their advantage, conflict between trade unions and management is always a possibility if the two parties advocate radically different structures. In the past, especially in the 1980s and early 1990s, this in fact led to a great deal of industrial disputes, and ~~industrial~~ even industrial action.

As it were, apart from the organizational rights of trade unions, it is management's grand strategy in respect of labour relations that will be the chief determinant in this decision. This is in view of the fact that it will basically facilitate either avoidance of or cooperation with trade unions. The decision as to whether or not a trade union should be formally recognized is also a fundamental one.

Another decision to be taken is whether to give preference to collective bargaining through an employer organization. If an appropriate bargaining council with jurisdiction does exist, it can be decided to what extent to participate actively in the negotiations of this council. Grand

strategies of constitutional or integrative, negotiated employee care may, for example, provide the framework for a top management decision to negotiate as little as possible with trade unions at organization level. It may be decided to react, as far as possible, only on the basis of centrally negotiated agreements and/or trade union requests to negotiate at a local level. In such cases, management may well want to bargain at corporate level rather than at plant level, precisely in order to limit trade union influence at decentralized levels.

A further implication is that, the more top management supports decentralized bargaining, the more the information that will be shared with trade unions about matters concerning the lower levels, and the more informal and non-standardized the decisions will become in order to create flexibility for the different conditions existing at various organizational levels. In the case of management trade union cooperation strategies, multilevel trade union involvement and participation may be stressed rather than formal collective bargaining at a particular level. Yet, it should be observed that collective bargaining with trade unions cannot really be avoided, especially if, for example, an organization operates in an industry or area where a bargaining council has jurisdiction.

However, the top management of a multi-plant organization may retain control at corporate level in all sorts of ways (even if it decides to decentralize collective bargaining) to the extent that a mere "illusion of autonomy" is created at plant level, because the real strategic decisions can be taken only by head office. Management may use this "institutional separation" to limit trade union influence over organizational matters if the grand strategy requires it, especially if the trade unions are seen as too strong, or if they are perceived to be a threat.

Similarly, top management may decide to opt for specialization rather than devolution when it comes to collective bargaining. Marchington and Parker (1990) comment that "Collective bargaining is dealt with by specialist industrial relations and personnel managers, who perform a 'buffer' or 'gatekeeper' role, thus keeping trade unions away from other senior managers who are therefore free to take strategic decisions without the need for bargaining solutions." Thus the infrastructure of collective bargaining can be organized in such a way that it is centralized at head-office level, while, at the same time, there is specialization rather than devolution.

Central control may also be retained by centralizing other aspects of employment relations such as remuneration decisions. If matters such as fringe benefits, job evaluation and remuneration structures are

centrally determined, and strict financial control is exercised in a multi-plant organization, decentralized collective bargaining may become an “illusion” because some of the principal topics of collective bargaining are still under central control.

Central control may, for example, be more strongly maintained over certain items about which collective bargaining takes place at a lower level. Therefore, top management must decide not only to what extent bargaining will take place at bargaining council and/or at organization level, but also about the levels at which it prefers to negotiate certain issues. In this regard, it is thus a question of the scope of collective bargaining, which naturally forms part of management decisions about the collective bargaining structure.

Other aspects to be decided on are whether management should:

- negotiate with more than one trade union, and especially with minority trade unions;
- adopt the closed-shop or agency-shop principle;
- join an employer’s organization;
- bargain with trade unions at different levels, for example, to participate actively at national level when “social contracts” are being negotiated.

Since circumstances are constantly changing, it is essential that management regularly reviews the collective bargaining structure. Due to the fact that the decision regarding the collective bargaining structure is such an important factor in top management’s preferences concerning centralization or decentralization in general, the issue cannot be avoided. The bargaining structure ultimately has to be appropriate not only to the organization’s business strategy and structure, but also, and especially, to the labour relations strategy. That is why these decisions are interwoven with decisions about management’s other control systems, such as financial and operational control systems. It can be a complex matter and should not be dealt with haphazardly.

As you can see, this type of decision can involve numerous variables. However, the most important thing for you to know is that management must think carefully before making such a decision.

As indicated, these decisions are closely related to the generic and grand strategy for the management of labour relations. What is also important is that these decisions will ultimately help determine, for example, the levels at which, and the persons by whom, decisions are taken about the management of the individual dimension (traditional

personnel management decisions). There are, after all, a number of role players involved in the management of the employment relationship.

### **SELF ASSESSMENT EXERCISE 5**

Differentiate between bargaining level and bargaining unit regarding the collective bargaining structure in an organization.

### **3.6 Organizational-Level Structure, Mechanisms and Procedures**

Management decision making on how to organize for the implementation of the organization's labour relations strategy also involves the structures, mechanisms and procedures used at organization level.

Preparation for the implementation of strategy is concerned with, among other things, decisions regarding these factors as a frame work to be used by all role players so that the employment relationship can be managed according to the laid down organizational policy.

The previous section deals specifically with the devolution and specialization decision and its implication for decisions about the size and organizational structures of the personnel and labour relations department. Virtually every authoritative work on human resource management has a section on where such a department fits in organizationally and how it can be structured in the organization. Every organization has to decide on these matters and also on precisely how the function is to be organized.

The specialist function may, for example, be centralized primarily at head office level, or at a divisional level, or at the business unit or plant level. As you have observed, this decision will affect other decisions about the size (personnel strength) of this functional area at different levels of the organization. Furthermore, it will also influence the degree of contact with, and control over, the decisions of this functional area at the various levels. Apart from these appropriate organizational structures, a number of other procedures, structures and mechanisms have to be considered.

Other aspects to be considered are communication systems, consultative committee systems (such as workplace for a), safety committees and various procedures. The drafting of procedures is a highly detailed task which is usually not dealt with by top management, but it is closely related to policy and plays an important part in the implementation of any strategy.

Decisions concerning procedures are closely associated with formalization and standardization, as highlighted earlier. Top management's approach to centralized control, formalization and standardization will determine the extent to which procedures, policy, regulations and rules regarding aspects such as employment, working hours, absence, leave applications, among others will play a role. Rules leave no room for discretion, but lay down specific standards of behaviour. Procedures, too, are fixed, but go further to specify precise, sequential and inter-related series of steps. Too many rules, regulations and procedures can however be an obstacle to flexibility. Grievance and retrenchment procedures, disciplinary procedures and codes, and dispute-resolution and strike management procedures are also essential and important in the management of labour relations.

Long term decisions about the necessary mechanisms and/or procedures must therefore be derived from, and be closely associated with the grand strategy for the management of labour relations. The strategy of trade union/management cooperation requires that trade unions and management should cooperate to a greater degree in laying down procedures for labour relations and personnel management. Details of these procedures can be worked out at lower levels of the hierarchy, where heads of the various functional areas can play a prominent role.

The examples used up to this point relate mainly to mechanisms with regard to the collective dimension. However, the same principles apply to personnel management aspects. Top management could decide, as part of its decision on centralization/decentralization, devolution/specialization, formalization and standardization, to what extent detailed procedures should be put in place for, say, employment (recruitment, selection and appointment) of new staff members and for determining commencing salaries, promotions and transfer. It might decide, for example, that each business unit or plant should make its own decisions about remuneration, performance evaluation and training. Nevertheless it might decide that specific, detailed procedures relating to these matters should be drawn up at head office.

Basically flexibility should be the watch word because the bureaucracy that result from too many procedures can slow down any business that is exposed to a rapidly changing external business environment.

Procedures are not the only important elements. There are also other "mechanisms" which the management of an organization may, or may not, decide to use in order to implement its chosen strategy. Earlier, we referred to communication systems, consultative committees and safety committees. Such committee systems can play a valuable role as the channel for the implementation of, say, a joint employee care strategy.

The purpose of such committees is to establish links at organization level. A structure of committees can be established at various levels in the organization. These may include adhoc management-worker task teams and management-union task teams. Decisions on the desirability of such structures are strategic ones. If top management intends, within the context of a grand strategy of joint governance, to implement extensive worker participation and union-management cooperation, it can start at the top with these alternative mechanisms and structures and devolve them to lower levels.

There can be a committee that deals with corporate strategy, a committee where management and trade union representatives jointly take care of managing the employment relations. Smith (in Anstey 1990) suggests in this regard, a Human Resources Committee where all department managers in the Human Resources Division and the full-time shop stewards meet to discuss policy and procedure on all people issues. Issues such as training, advancement, recruitment, health and safety, are discussed, debated and agreed. Reese (1991) also proposes organizational structures ranging from the workshop floor to plant management and even management board level, where supervisory boards can be employed as mechanisms to form part of a dualistic management board system similar to that encountered in Germany among other places.

## **SELF ASSESSMENT EXERCISE 6**

Identify and explain the various mechanisms necessary for the implementation of labour-related policies.

## **4.0 CONCLUSION**

From the above discussion it can be seen that top management has to take certain complex decisions about structures, procedures and mechanisms that can serve as instruments for the implementation of the organization's grand strategy. We reiterate herein that such decisions have wide-ranging resource implications. They will not always be taken on a perfectly rational basis, for social processes and "politics" can play a significant part. Nonetheless, the decisions have to be taken so that the organization's strategy or broad plan can be put into action.

## **5.0 SUMMARY**

This unit has been used to espouse on the decisions necessary towards the effective management of the labour relations in terms of whether the management should be decentralized or centralized in the organizational affairs. The unit also explains what should be done in terms of decisions

on the use of standardization and formalization in the management of labour matters. The unit has also highlighted the appropriate structure for the management of collective bargaining in an organization. In the next unit, you will be exposed to the various roles being played by the line managers, supervisors and the shop stewards in the management of labour relations.

## 6.0 TUTOR-MARKED ASSIGNMENT

1. Explain what decisions about the centralization or decentralization of labour relations management entail.
2. Identify and explain the factors to be considered in decision regarding the most appropriate levels for collective bargaining with the trade union(s).

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## UNIT 3 THE ROLE OF MANAGERS IN LABOUR RELATIONS MANAGEMENT

### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Story's Role Typology of Models in Labour Relations Function
  - 3.2 Brewster and Holt-Larsen's Role Typology of Models in Labour Relations Function
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### 1.0 INTRODUCTION

We have already noted several times in the preceding study unit, the role which the specialist labour relations function can play in an organization, but it will not be enough to generalize in this regard. The functions and roles of personnel departments vary greatly from one organization to another and even from one level to another in a given organization. In some organizations, the role and influence of the specialist function may be limited to the trade union-management dimension, while, in others, it may play an important part with regard to strategic management and change, and especially in the development of human resources.

The top management is to determine the general, long-term role of this department or function in an organization. Such a decision will obviously be closely linked with the specialization/devolution decision and will have a direct effect on related decisions, such as those concerning the size and structure of the human resources or personnel department.

In this study unit, you are introduced to the distinct roles to be played by various categories of officials at different levels of the organization. The unit also deals with the top management decisions in organizing the roles of these players by establishing the necessary framework within which they can manage the employment relationship.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the role played by personnel and labour relations officers and the line managers
- describe the role played by the supervisors and shop stewards.

## 3.0 MAIN CONTENT

### 3.1 Storey's Role Typology of Models in Labour Relations Function

In the literature on the subject, various general typologies are put forward as models of the role of the human resources or personnel department.

Storey (1992), based on his research establishes a typology of models, focusing on two dimensions:

- the manner in which the human resources or personnel department becomes involved in and intervenes in decisions of the organization; and
- the type or area of involvement.

With regard to the first of these dimensions, the department may get involved in the management of the organization either in a reactive (non-interventionary) or a proactive (interventionary) manner. In the case of the second, the focus may be on a strategic involvement (that is, on long-term, business-related issues) or on a tactical involvement (concerned with short-term, business-related issues), on a tactical involvement (concerned with short-term trouble-shooting and problem solving) in the area of labour relations alone. Figure 3.1 is a visual representation of the matrix which these two continuum can form, presenting four, typical general roles for these specialists and their department.

FIGURE 3.1: Storey’s role typology for the personnel function

<b>Inter Ventenary (proactive)</b>	<b>Strategic</b>		<b>Non InterVentenary (reactive)</b>
	Change Agent	Advisors	
	Regulators	Handmaidens	

**Source: Adapted from Storey (1992:168)**

### 1. The Advisor

In the case of the advisor’s role, the function is reactive and specialists act as advisors or consultants only if line managers request them to do so. There is devolution: line managers manage the employment relationship and generally take the decisions. If, however, there is any uncertainty about policy matters, the small group of advisors can be called in. The role of these specialists may even focus on related aspects. Such “internal consultants” are therefore well trained and competent, but work reactively and wait until approached for advice.

### 2. The Handmaiden

The handmaiden’s role is also largely reactive, but the focus is restricted to labour problems, especially with regard to administration, the well-being of workers, the collective dimension of trade union interaction, and all the contractual aspects which must be administered in this regard. The staff of such a department are available to assist in these areas when requested to do so by line managers. They therefore have a very subsidiary “service role” to play, especially at the lower levels (for example at plant level). Storey (1992) writes that ‘personnel specialists operating within this type’ are found to be engaged in servicing the routine requirements of line management. Specialists may, for instance, sometimes be called in when line management is in doubt to advise about grievances or discipline and about certain rules and/or regulations concerning the employment relationship. The main difference between the handmaiden’s role and the advisor’s role is that the service offered is of a more routine administrative, or at best tactical kind, rather than being in the nature of strategic advice. Thus interventions are reactive, and line management retains the key role in the management of the employment relationship.

### 3. The Regulator

Regulators are the typical, traditional labour relations managers. Important decisions on, for instance, trade union recognition and membership of employer organizations are taken in practice by the personnel and labour relations departments as regulators. Accordingly, line management leaves most of the decisions which are strictly labour-related, to the specialists.

Storey (1992) says that the regulators formulate, promulgate and monitor observance of employment rules. These rules ranged from personnel procedure manuals to joint agreements with trade unions. These are 'managers of discontent,' seeking order through temporary, tactical, truces with organized labour. Storey observes that personnel specialists of this type are decidedly interventionary in the conduct of people management but their interventions rarely involve engagement with wider business strategy.

### 4. The Change Agent

Change Agents have higher ambitions of initiating new forms of people management that are in line with the business needs of the organization. Interventions are launched in a practical manner so as to make a strategic impact and to add value to the business by going the extra mile to achieve worker dedication. Storey observes that the orientation is away from bargaining, away from adhoc arrangement and away from 'humble advice.' The dual forms of integration such as integration of the different aspects of resourcing, planning, appraising, re-warding and developing, and the further integration of all of this into the business plan are the characteristics of this type.

There can be two variations within this type of role model. The emphasis remains on integration with business strategy and on proactive, contributory interventions, but the approach to role fulfillment is sometimes "hard" and sometimes "soft." In the former case, the emphasis is on the business language of figures, where manpower planning is well quantified and accurate and where, consequently, the focus is on the maximum utilization of all workers in terms of quantifiable input-output ratios. It is, indeed, a supremely profit-maximizing role in which quantification and the bottom line are the predominant factors.

Thus the role of specialists will be so inherent as part of the business management plan that the department can hardly be called a "specialist" department, for all the "specialists" think along business lines. They are

not set apart as a group that provides a “specialist personnel-related” set-up, many line managers move over to the personnel department.

The “softer” role comprises a specific focus on the distinctive nature of their input to the team. They stress the importance of tapping the creativity and commitment of the resourceful specialists. The focus of the personnel and labour relations department is also on interventions directed at business strategy per se, but the emphasis falls rather on the unique technique in areas such as motivational aspects of two-way communications, developmental potential and the ultimate managerial leadership.

In this context, top management may, as regards this important decision, be guided by aspects similar to those in Storey’s role models, as spoused above.

### SELF ASSESSMENT EXERCISE 1

Identify and explain the functions of the role models as typified by Storey’s framework.

### 3.2 Brewster and Holt-Larsen’s Role Typology of Models in Labour Relations Function

Brewster and Holt-Larsen (1992) also provide a typology for “role models” of the specialist function. Their approach focuses more specifically on the role of line management in relation to that of the specialist department. It is closely related to aspects of labour relations management which we have already discussed, namely devolution and integration, with the latter being concerned with the extent to which labour relations management strategy is integrated with the organization’s business strategy.

In plotting these two dimensions on intersecting vertical and horizontal continuum, these authors again present us with four role models as shown in figure 3.2 below.

FIGURE 3.2: Brewster and Holt-Larsen's Models of Human Resource Management

<b>High</b>  <b>Integration</b>	<b>High</b>	Guarded strategist	Pivotal	<b>Low</b>
	<b>Low</b>	Professional Mechanic	Wild west	<b>Devolution</b>
	<b>High</b>			<b>Low</b>

**Source: Brewster and Holt-Larsen (1992:414)**

### 1. The Pivotal

In some organizations, it may be decided that line management should play the more prominent role in managing the employment relationship (keeping the specialist department more in the background), and, at the same time, to integrate human affairs fully with business affairs. Brewster and Holt-Larsen (1992) describe pivotal role succinctly on the grounds that small, highly respected personnel departments at the policy making level can exert a powerful, disproportionate influence. Furthermore in this type of model, the senior personnel specialists operate as catalysts, facilitators and coordinators at the policy level of the organization. They have powerful departments monitoring and advising, probably departments which are accessible in career terms to line management. The concentration on the development and monitoring of policy is correlated with the devolution of responsibility and authority to carry out the policy to line management.

Brewster and Holt-Larsen (1992) observes that this role model is typical of Sweden and Switzerland, and, while conceding that differences occur even within a country, they nevertheless state that intriguingly, empirical evidence tend to give some support to the view that the pivotal position is linked to success.

### 2. The Guarded Strategist

On the other hand, decision makers may opt for the role of guarded strategist. Empirical evidence provides that this type of role allocation is particularly common in Spain, France and Norway. The integration

of business strategy and the strategy for the management of the employment relationship is also well advanced, but there is specialization and little devolution of decision making to line functionaries. Here, the role of line management in labour relations management has been scaled down and largely taken over by the personnel and labour relations department. Brewster and Holt-Larsen (1992) observes that the specialists are usually powerful figures within the organization, working with senior managers to develop corporate strategy and operating in large and influential departments controlling such issues as how many, and who, is employed, who is developed and how the reward system operates. For the other managers, however, this can be a situation of considerable inefficiency and frustration. The line managers find that many aspects of relationships with subordinates are in practice abrogated by the personnel department.

The choice may also fall on little devolution plus little integration of labour relations management strategy with business strategy.

### **3. The Professional Mechanic**

In the case of professional mechanic role model, the restricted and specialized abilities of the specialist function are emphasized.

Brewster & Holt-Larsen (1992) observe that this represents the almost classical model in which the “professional” human resource manager as with other professions (law, medicine), sees himself or herself as having “higher imperatives” above those of the organization. This specialist believes that there are many areas of the specialism in which only the specialists can handle. The result therefore, is an increasing distance from the strategic interests of the business, an increasing obsession with the mechanical requirements of the function (with increasing work overload) and an ever-greater isolation from other members of the management team.

On the basis of empirical evidence, the model is particularly prominent in the United Kingdom and Italy, and, to a lesser extent, in Germany because devolution is much more common there. Brewster (1992) does mention that Germany is a special case. In Germany, strict legislation with regard to co-determination contributes to labour relations issues being integrated at the top level as a result of the high level and form of worker representation by trade unions.



#### **4. The Wild West**

The last role model of Brewster and Holt-Larsen (1992) is the “Wild West” model, which shows high devolution and low integration. Brewster and Holt-Larsen (1992) observe that under this role model, every manager is free to develop his or her own style of relationship with employees and, in extreme cases, would have the power to ‘hire and fire,’ to reward and to invest in employees as they wished. By implication, the potential for incoherence, inconsistency and a strong employee reaction is obvious. While the employment relationship is largely managed by line management itself, a potential problem is that line managers are not always properly trained to handle such matters as performance evaluation, communication, motivation, team-building, and the like. On the basis of empirical evidence, this is the case in both Denmark and the Netherlands, countries where the “Wild West” model is prominent. This is not necessarily a problem, however: historically speaking, line managers could already have built up good experience, knowledge and skills in managing the employment relationship. Where this has not happened, it may be risky for top management to make such a reactive, almost passive choice about labour relations management and the role of the various role players.

#### **SELF ASSESSMENT EXERCISE 2**

Identify and explain the functions of the role models as typified by Brewster and Holt-larsen’s framework

#### **4.0 CONCLUSION**

The preceding discussion emphasizes the importance and complexity of the top management decision on role allocation, particularly in so far as the line management/staff function at a higher level is concerned. The various typologies show many areas of overlapping and similarity. Top management can use these typologies to guide it in long-term decision. Both line management (higher level) and the personnel and labour relations department have a part to play at various levels of the organization and in respect of various aspects of labour relations.

Although the management of people employed by organization is the responsibility of the line management, the wider approach to the nature of the role at each level of management still has to be decided at the top.

The role, influence, autonomy, perceptions (hence frames of reference) and abilities of upper-level line managers are therefore important aspects of the management of labour relations. However, the role of line management at this high level is not necessarily just a matter of

implementing the strategy formulated with regard to the labour sphere. It can cover a wider field. These role players may even participate in shaping the nature and content of strategy and policy.

The general proposal is that the various levels of line management should be involved in the formulation, interpretation and implementation of strategy, especially by means of multidisciplinary task teams at various levels in the organization.

It follows that the top management decision will have an important influence on decisions as to who must receive what types of training in the management of labour relations, and at what level. Top management decides which groups at which levels must engage in the formulation and implementation of strategy, and thus policy in respect of the management of labour relations, and what degree. This is an important decision, because a lack of clarity regarding roles can lead to the non implementation of strategy and to the obstruction of the organization's pursuit of its business objectives.

Lower management levels, such as first – line supervisors, are also involved in the labour relations management, primarily at the shop floor level. It is here that the shop steward also has an important role to play. However, top management should reflect on the type of role of all lower –level participants if it wishes to formulate the necessary policy guidelines for all role players.

## 5.0 SUMMARY

From the foregoing analysis, you can appreciate that various categories of officials have some vital roles to play in the effective and efficient management of labour relations in the organization. This study unit has been used to address the strategic roles of the line managers in the management of labour-related matters in the organization. In the next unit, you will be taken through the role of the supervisors and the shop stewards in labour relations management.

## 6.0 TUTOR-MARKED ASSIGNMENT

Identify the roles played by the line managers as couched in the models discussed in this unit.

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## UNIT 4 THE ROLE OF SUPERVISORS AND SHOP STEWARDS IN LABOUR RELATIONS MANAGEMENT

### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Role of Supervisors in Labour Relations Management
  - 3.2 Role of Shop Stewards in Labour Relations Management
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
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### 1.0 INTRODUCTION

Horwitz (1991) observes that the implementation of a policy is not carried out by senior management, but rather by line management and superiors in their daily interaction with employees. He goes further to cite, as one of the reasons that the responsibility for the management of the employment relationship is confined to the personnel department, and no devolution takes place.

In the same vein, Frost (1992) also observes that the line manager's responsibility extends to the complete management of total human beings. It is his responsibility to deal with all issues that arise from managing his people at work. It is the responsibility of human resources to put the skills in his hands to be able to deal with these issues. Hence line managers must become more and more involved in management.

The emphasis in this unit is on the top management decision concerning the nature of the responsibility which role players at the lower level such as supervisors and shop stewards should play in the management of labour relations. Ultimately, it is not only these decisions that determine how such people are to be enabled through training to take on the necessary responsibilities but it should also follow from necessary policy. In this way, supervisors and shop stewards will obtain greater clarity about their role.

This decision links up not only with decisions about the broad, overall management approach to the employment relationship, but also with operationalisation aspects such as devolution, decentralization, control, and so forth. All of this should form an integral part of decision making about organizing for labour relations management, which will also call for clarity about the role of the department and of senior or higher management levels. Rigby (1992) observes that in many cases, management's own role as distinct from the role of the supervisors and shop stewards needs clarification and until this is done, there is little likelihood that supervisors will be clear about their own role.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the role played by the supervisors in labour relations management
- describe the role to be played by the shop stewards in labour relations management.

## 3.0 MAIN CONTENT

### 3.1 Role of Supervisors in Labour Relations Management

This section focuses on the management level at which the supervisor functions, namely at that level where non-management employees are managed. The “supervisor” is thus that person whose job represents first-level management, and who is responsible for the daily operational activities on the shop floor. Supervisors, in this sense, are persons in direct control of non-supervisory staff, such as production staff.

Their main task and role is to get the work done by non-management staff, thereby helping to achieve the organization's objectives.

First-line supervisors form the first crucial link between “management” and “workers”, or the primary parties in labour relations. That is why the required skills of supervisors are often primarily a question of human, communication and interpersonal skills. Empirical evidence has shown clearly that the role of a first-line supervisor is one of the most decisive organizational factors in the quality of labour relations in the organization. That is because these functionaries are often in direct contact with workers.

Thus, first and foremost, first-line supervisors rather than higher – level management, play a key role in the “informal” and individual

dimensions of the employment relationship. Kemp (1992) also posits that managers who interact effectively with their employees will be partly responsible for creating poor labour relations and for the problems arising there from in the work place.

A second aspect of the supervisor's role in this connection is the implementation of formal mechanism or systems, such as grievance and disciplinary procedures, and the application and execution of the provisions of management trade union agreements.

A number of statutory provisions, as well as official rules and regulations of the organization, govern this formal aspect of the supervisor's role as a manager of the employment relationship. Thus management must decide not only on the extent to which certain mechanisms and procedures are to be utilized in the organization but also on the role which each party will play in their design and application. If, for example, top management decides that, in the context of a grand strategy of antagonistic control, first-line supervisors may not take decisions relating to grievances, discipline or terminations of service, such a decision should be laid down as policy. First-line supervisors will then need no training in these areas, though second- and third level supervisors may. In the case of a joint care strategy, management might decide that shop stewards and first-line as well as higher – level supervisors will jointly design their own grievance and complaints procedures at each plant.

In the case of devolution and decentralization, again, all the role players together may decide about job evaluation (grading) in respect of various posts at each plant, or about the remuneration and performance bonuses of groups. Clearly, these decisions should also be an integral part of strategic decision-making processes. By implication, members of top management may well differ about such procedures, which underlines the social and political nature of decision making.

Generally speaking, lower-level supervisors should, at the very least, be involved in grievance procedures, the maintenance of discipline, the upholding of relevant legal and negotiated provisions, the institutionalization of sound interpersonal relations, and in the performance management and training of their subordinates. Erasmus (1991) also points out the role of supervisors in respect of, for instance, conflict management, communication, meetings and negotiations at a lower level, and, finally, in respect of various personnel management tasks such as recruitment, selection and career planning.

With regards to the informal dimension in particular, Kemp (1992) focuses on such matters as interactional skills, democracy and

participative leadership styles in the workplace. All this may be a part of what top and higher-level management expects from first-line supervisors, if that is what top management has decided is desirable in the context of, say, a grand strategy of integratively negotiated human resource management. In this regards, the importance of thorough training for those who have to put participative management into practice cannot be overemphasized. Many others aspects of the employment relationship also call for fully integrated decisions.

Let us explain it this way. If, for instance, a team approach is decided on (as part of, say, a strategy of human resources investment), this principle should be borne out by rewards for performance. In some cases, more extreme forms of participative management and the team approach form part of the grand strategy for the management of labour relations. Moreover, the redesign of work may so change organizational structures that management levels are either drastically reduced, or even eliminated. In such extreme cases, the traditional supervisory role may even disappear and groups will simply have “leaders” elected by themselves, with such leaders possibly being rotated in time. This flat-structured approach, with few job classifications and grades and with teams where there is basically no longer a distinction between workers and managers (or supervisors), is becoming increasingly common. Block (1992) observes that some companies call everyone ‘associate’. In such cases, which might belong to a grand strategy of joint management in which devolution and decentralization are important, there will have to be serious reflection on the role of “supervisors”, with their role possibly being reformulated from scratch. In this situation, role division between supervisor and shop steward might disappear entirely, with the two functions becoming one and the same.

### **SELF ASSESSMENT EXERCISE 1**

What are the roles of the Supervisors in labour relations management?

### **3.2 Role of Shop Stewards in Labour Relations Management**

In other, less extreme, cases, the role of the shop steward would still call for careful consideration on the part of top management. Again, the decision regarding this role would flow from the grand strategy and would be related, among other things, to organizational decisions about devolution and decentralization. Generally speaking, a policy of greater devolution should result in a more prominent role for the shop steward, in the sense that line management will want to deal with labour –related matters at the lowest possible level.

By the same token, a decision in favour of extreme specialization, that is, where only the personnel department can take decisions about personnel and labour relations-related issues, and line management is forbidden to do so, may result in a situation where shop stewards have contact with higher-level specialists rather than with lower-level line managers. In the same way, the shop stewards role is enhanced if collective bargaining takes place at a decentralized, workplace level. Bendix (1992) comments generally that the shop steward plays a pivotal role. Accordingly the shop steward performs his union duties in the course of his employment and is the one official who can directly represent workers' interest towards both management and the union. He also acts as link between the union and the workers and the union and management.

To workers and management, he or she often is the trade union, to the trade union, he or she is the information link, the one who knows what is happening on the shop floor, and the one who represents and cares about the trade unions interest. At the same time, shop stewards as employees have to perform their normal work diligently. Sometimes they themselves first-level (or even higher-level) supervisors who were originally ordinary workers, but who were later promoted. Rigby (1992) observes in this regard that many supervisors are ultimately members of the union, as a result of their job grading and the definition of bargaining unit. This places them in an impossible position, especially if they are also shop stewards.

Given all these complexities, top management will have to consider the role of the shop steward with regard to labour relations management. The specific functions and rights of shop stewards are usually negotiated as part of collective agreements. The role and operations of shop steward committees, as well as the general functions, rights and duties of these role players, are refined at the level of the organization. Thus, while general guidelines do exist in this regard, the actual details will ultimately depend on the grand strategy decided on by management. In the case of formal trade union recognition and bargaining strategies, there will obviously be more emphasis on agreements and the administration of agreements, while the informal, cooperative and constructive part that can be played by the shop steward will vary according to the specific grand strategy.

Management will have to take deliberate decisions about these roles as well. For instance, there would be more scope for full-time shop stewards if a more "enlightened" and constructive role were provided for them, and this is a policy decision for top management. Such policy may result in changing structures for shop steward organization in the workplace.



It needs to be stressed once again that this is not a simple management decision that can be taken at a low level. Not only will different frames of reference among managers lead to typical political and social processes in the inner circles of management which decide on these matters, but the particular strategy, structure and policy of the trade unions concerned will also play an important role in this context. Just as management may find it difficult to implement a grand strategy of cooperation if the trade unions in question are absolutely opposed to it, it will also find it difficult to achieve cooperation between shop stewards and the different management levels if trade unions do not want this.

Nevertheless, top management can decide what it wants in the long run and then plan accordingly to realize this, even if trade unions are resistant. In such cases, management is free to take the responsibility of trying to create a situation in which the role of shop stewards take another form, that is, if, within the context of all the environmental variables, top management believes that this would promote the business strategy. For example, shop stewards might begin to participate in various traditional personnel management decisions regarding issues such as appointments, career changes, job evaluation, performance assessment and training. Decision making concerning the role of shop stewards is therefore an extremely important step that affects the way in which an organization manages labour relations.

In this situation, we have focused on important decisions which top management should take about the nature and scope of roles that should be played by various role players in the organization regarding the management of labour relations. We pointed out that these are complex decisions, which as part of the organizational decisions pertaining to labour relation management must be closely related to all other aspects of a strategic approach to management decisions about labour relations. Another important organizational decision concerns the creation of infrastructure, that is, mechanisms and procedures for labour relations management at organization level.

## **SELF ASSESSMENT EXERCISE 2**

What are the roles of the Supervisors in labour relations management?

## **4.0 CONCLUSION**

From the above analysis, it is clear that various categories of officials have vital roles to play in the effective and efficient management of labour relations in the organization. Hence you are introduced to the roles of the supervisors and the shop stewards to enable you understand

the fact that these officials, though lowly placed in the organization, also have important roles to play in labour relations management.

## 5.0 SUMMARY

This study unit has fully discussed roles of the supervisors and the shop stewards in labour-related matters in the organization. As you have observed, the respective roles of the supervisors and the shop stewards in the management of labour-related matters are complementary to the role played by the line managers as well as the personnel specialists in the organization.

In the next unit of this course, you will be exposed to the process of negotiation in collective bargaining.

## 6.0 TUTOR-MARKED ASSIGNMENT

Identify and discuss the various roles that can be played by supervisors and shop stewards in labour relations management.

## 7.0 REFERENCES/FURTHER READINGS

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## **MODULE 2**

Unit 1 The Process of Negotiation in Collective Bargaining

Unit 2 Nature and Methods of Collective Bargaining

Unit 3 Principles of Negotiation and Role of Negotiators in Collective Bargaining

## **UNIT 1 THE PROCESS OF NEGOTIATION IN COLLECTIVE BARGAINING**

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### **1.0 INTRODUCTION**

In collective bargaining the parties involved have the power to prejudice each other in a conflict situation which is not handled satisfactorily. Consequently, processes must be devised for the handling of conflict on an ongoing basis. Basically, collective bargaining is viewed as the overarching process for managing this complex relationship. The collective bargaining process, in which conflict and negotiation are central themes, is a complex one requiring considerable sacrifices and a great deal of understanding and tact on the part of the parties involved.

Therefore, in this study unit, you are introduced to the negotiation terms of the inherent phases involved in collective bargaining negotiation. In addition, the necessity for the use of persuasive communication in the process of negotiation in collective bargaining is also considered.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the negotiation process in collective bargaining
- discuss the pre-negotiation phase in negotiation process
- discuss the interactive negotiation phase in negotiation process
- explain the concluding phase of the negotiation process
- discuss the post-negotiation phase of the negotiation process.

## 3.0 MAIN CONTENT

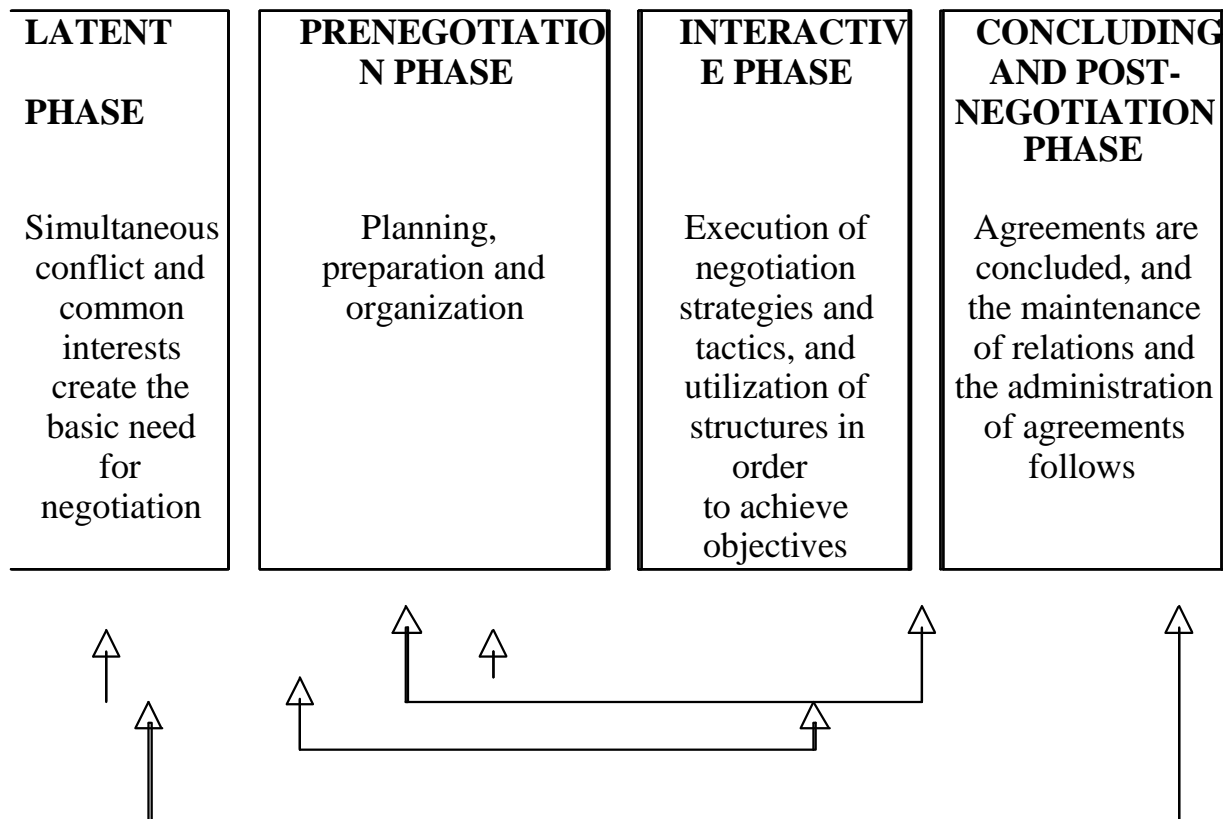
### 3.1 The Negotiation Process

Negotiation as part of collective bargaining is mainly a process which management and trade unions reciprocally make and demands, and make concessions, in order to reach agreement. Each negotiating situation is unique, being determined by certain variables such as complexity and formality. For conceptual purposes we identify various important steps or phases, depending on the approach that is followed. For instance, there is a latent, a prenegotiation, an interactive and a postnegotiation phase.

However, the real negotiation process does not begin at the latent phase, and therefore we shall not discuss this phase any further. And, strictly speaking, the postnegotiation phase is still part of the “contract administration” of collective bargaining. Still, the negotiation process may be regarded as comprising four phases.

This four-phase process is depicted in figure 5.1 Note, however, that this is an oversimplistic representation so that the process can be more easily understood.

FIGURE 5.1 Phases of Negotiation



**Source: Swanepoel et al (2002) Labour Relations Mgt: Micro, p.81.**

In practice, the process is a lot more complex and all the aspects are interrelated, as the feedback links show.

### SELF ASSESSMENT EXERCISE 1

Identify the phases of negotiation process in collective bargaining and explain them as depicted above.

### 3.2 The Pre-negotiation Phase

Careful planning, preparation and organization are essential before negotiations can begin. This preparation and planning for the initial negotiations begins the moment the two parties make their first contact with each other. When agreement is reached, the preparation phase for the next round of negotiations begins.

The more comprehensive and complex the subjects of negotiation, the more time and energy the prenegotiation phase will require. These topics may vary from procedures (such as grievance, discipline, retrenchment or dispute-resolution procedures) to independent matters

such as working hours, wages, leave, job evaluation, bonuses, opportunities, health, safety, and many more.

Even before the first negotiations begin, decisions have to be taken about “pre-negotiation issues,” such as the levels at which to negotiate, the appropriate units, the scope of negotiations, and also the approaches or strategies to be followed during negotiations.

During the pre-negotiation phase, close attention should be paid to broader environmental influences that can affect the negotiations. For instance, the other party’s interests and perceived position must be analyzed and one’s own negotiating mandate and limitations clearly identified. Inter-organizational negotiations are typically an important element of pre-negotiation phases. It is also important during this phase to appoint competent negotiating teams, to train them and to synchronize their efforts.

Obviously, the pre-negotiation phase demands a lot of time, hard work and serious data-gathering, as well as a lot of other preparations. Apart from other things that must be done during this phase, the gathering of all types of information is extremely important. More basic, “organizational matters,” such as where and when the negotiations will take place, secretarial and recording facilities, media coverage, meal arrangements and other related matters, also have to be sorted during this phase.

The methodology used and the quality of this preparatory and planning work is of cardinal importance if the negotiations are to be successful. Richardson (1985) proposes the log-book system for collective bargaining by objectives.

During the planning and preparation for the approach phase or Richardson’s collective bargaining by objectives (CBO) model or approach (also known as the “management by objectives” approach to collective bargaining) could be used. The data which are gathered can be categorized according to the principles underlying the CBO model. This will greatly simplify the negotiation process, because the information will help negotiators to keep to the objectives and decision within the framework of such objectives.

In terms of collective bargaining by objectives, all data must be recorded and updated accurately and consistently (Richardson 1985). The proposed format can therefore serve as a valuable source document for future negotiations and as a reference source for the current negotiation process. The proposed format can also help to structure the prenegotiation phase and can help negotiators who think in terms of

specific objectives or negotiable objectives from the beginning, particularly as it applies to each negotiable item and is in the interests of those whom they represent at the bargaining table.

Richardson (1985) emphasizes that the parties to negotiations should use a structured table of the various items. For maximum effectiveness, the columns are divided into “financial items” and “non-financial items” see figure 5.2

FIGURE 5.2 Richardson’s CBO (collective bargaining by objectives, Richardson 1985: a structured guide to the preparation, behaviour

		Demarcation of Negotiation Objectives				Evaluation Results		
						P	R	O
Nonfinancial items e.g								
SS-training (days per year paid)	2 10 8 6 15							
Paternity leave (days) 4 8 5 2 12								
Financial items, e.g								
Wages 1 15% 9% 6% 3%								
Bonuses 3 N500 N800 N400 N200								

Source: Swanepol et al (ibid), p. 84. and evaluation of negotiations

\* Classify items into two groups: financial and non-financial

\*\* Relative priority of each negotiation item in relation to other items.

The brief discussion that follows outlines the basis of Richardson’s CBO methodology and can therefore also serve as the basis and framework for the planning of collective negotiations.

### Column 1

This column contains a list of all negotiation items (also called “bargaining topics”), regardless of who places such items on the agenda. All issues or topics to be negotiated are listed in this column (Wages, leave, sick leave, retrenchments, and grievance procedures). The list should preferably be divided into financial and non financial items.

## Column 2

In this column, the topics listed in column 1 which must enjoy priority are considered and listed as such. In this way, one can get an idea of those issues in respect of which sacrifices can more readily be made, as well as of those issues which are likely to be “difficult” bargaining topics.

## Columns 3, 4 and 5

These columns reflect the boundaries of negotiation objectives. The “realistic position” of the topic in question is recorded in column 4. This might be the realistic wage per hour for a certain group of workers for which management is prepared to settle in the light of the organization’s interest as well as the interest of both employees and employers, or the industry as a whole. The “pessimistic position” is recorded in column 3 (e.g. the highest wage per hour which management is prepared to grant if the trade union concerned exerts sufficient pressure).

The “optimistic position” is the “best” wage per hour which management can expect to get accepted if the other party (the trade union) does not exert too much pressure. This is recorded in column 5. Thus the columns simply show the upper and lower wage limits at which management is prepared to settle, as well as the realistic wage for the work performed by the employees. The term “realistic” in this context means that which management regards as the most likely outcome or settlement. “Optimistic” means that which management would most likely want to see (but it must still be realistic), and “pessimistic” means that which management would accept as the absolute maximum, but still being able to meet its business commitments.

## Column 6

The column lists a very important item, namely the negotiator’s initial bargaining position. In this column, “gambit openings” and “bargaining items” are listed.



## Columns 7, 8 and 9

These columns are used throughout to evaluate what has been achieved. They ought to show how far a negotiator's final position has moved from the originally planned position, and to what extent it serves the actual or real interests of the mandator (i.e. the organization's top management or the trade union's constituency) and of the industry, economy and the country as a whole. This information is also important for the planning of future negotiations. The evaluation columns should therefore reflect the course of the negotiation process so as to make it possible to analyze why certain things happened as they did. In this way, negotiators can learn from their mistakes and build on their successes. These columns can also help negotiators to monitor the settlements arrived at and to compare them with set objectives and the whole range that has been identified.

The basic principles of this system therefore include the following: structured, formalized planning, structured record-keeping; and ongoing evaluation. This approach has been used to good effect in training because it is based on practical experience and knowledge gained in the course of a number of negotiations. It also provides a meaningful framework for the development of personal negotiating qualities and skills. The inexperienced negotiator, or the negotiator who leaves the outcome to chance or puts his or her trust solely in favourable circumstances or power, may find this method (which calls for discipline, hard work and an orderly approach) too demanding.

Richardson (1985) does not consider his method at all theoretical. According to him, it can help negotiators to start the negotiation process without being too uncertain about what they are doing, about what their objectives are, or about their chances of success (they therefore do not have to rely totally on themselves). Richardson believes, in fact, that his method is a systematic, useful negotiating instrument, with the following potential advantages:

- a. It focuses on the need to record facts and interests that will be important for subsequent negotiations while these are still fresh in the negotiator's memory;
- b. Meaningful factors in the planning process receive proper consideration;

- c. It makes the planner formulate a number of achievable objectives for each item;
- d. Information is accessible: both parties can readily identify and study the conditions of relevant contracts;
- e. It establishes a cross-referencing system which gives all concerned access to information about any negotiating topic dating from the time when the original contract was drawn up to the date of the current contract.
- f. It provides an effective means of ensuring continuity and eliminating duplication. It is therefore an aid to record-keeping.

Thus the approach of bargaining by objectives has many advantages for both experienced and inexperienced negotiators. The whole approach to the negotiating process is therefore systematic and purposeful. Certain objectives are identified right from the start, and progress made during negotiations can be monitored in terms of these objectives.

## SELF ASSESSMENT EXERCISE 2

Discuss the concept of collective bargaining by objectives.

Lombard (1978) makes the point that this methodology in itself will not ensure successful negotiations, but admits that, used in combination with other personal expertise; it can provide one of the most effective frameworks for maximizing the chances of success.

The chief advantage of Richardson's methodology is obviously its capacity to provide the negotiator who is involved in the bargaining process with an effective planning and monitoring instrument (record-keeping). It is not a substitute for an accommodating attitude, but is flexible. In a large, mature trade union or organization with many full-time negotiators, the CBO approach can be used with great success because it can simplify a series of bargaining meetings.

One of the potential problems with this approach is that an essential part of its success depends on pre-negotiation preparations. This is time-consuming and calls for certain negotiation skills. In a small, very new organisation, where one or two people are responsible for all the negotiation, the time needed to implement this method may simply not be available.

Lombard (1978) makes it possible to identify the following potential advantages of the CBO systems:

- i. It stresses the give-and-take aspect that characterizes all negotiations.
- ii. It can give negotiators direction, as well as tangible objectives against which to measure the progress they make during the negotiation process
- iii. It can provide a better basis for the collection and systematization of data, since the relevant objectives are identifiable.
- iv. The range of negotiation objectives becomes a demarcated area in which negotiating teams can work.
- v. Negotiators can form a “concept” of their strategy and tactics with regard to all the financial and nonfinancial items to be negotiated.
- vi. It can supply specific details of each item to be negotiated, as well as a list of possible outcomes in each case.
- vii. Trade unions in both the public and private sectors can use the method.
- viii. It does not change normal negotiating practice, but merely supplements it.
- ix. Details of previous negotiations can be used for training purposes and when preparing for future negotiations.
- x. The system can make things a great deal easier for lower-level negotiators, because it forces them to be thoroughly prepared before entering the negotiating arena.
- xi. It provides the various trade union negotiating teams with a measure of direction and structure, thereby contributing to consistent behaviour.
- xii. Blocks of interest are demarcated in a positive way, which facilitates the analysis of relevant issues and underlying reasons for and sources of conflict.
- xiii. It can supply data for costing contracts.

- xiv. It can give negotiators a basis for evaluating their work, thereby helping them to prepare for future rounds of negotiations.
- xv. It can also be useful as a simulation technique in detailed negotiator training sessions.
- xvi. Finally, it can facilitate the delegation of competence to negotiating teams and can be used to ensure the “performance of negotiators”.

### SELF ASSESSMENT EXERCISE 3

It makes an appointment with a labour union official in your organization or someone at an organization known to you. Ask him or her to show you the lists of initial demands/proposals and counter-proposals tabled by the parties at the latest round of negotiations. Also ask how much time and energy he or she generally devotes to this preparatory phase,” and request him or her to explain how these preparations are handled. Ask whether the CBO system would possibly be of help – and note the reasons why it would or would not be of assistance.

### 3.3 The Interactive Negotiation Phase

Some initial interactions may take place during the pre-negotiation phase when the parties start corresponding, making initial demands and counter-proposals, and testing the water during brief telephone conversations. Such information interaction is useful in preparing oneself for the real thing, probing the other side’s point of view and trying to decide what to expect. It is however not yet in itself the real thing that happens when face-to-face negotiations take place between the parties’ representatives.

The “real thing” starts with the official opening round, when the parties exchange greetings, sit down and start getting down to the nuts and bolts.

During this phase, the two parties lock horns and systematically try to persuade each other to modify stances with regard to interests and conditions.

Certain negotiating tactics are employed during this highly complex phase, in the context of the grand negotiation approach or strategy. Remember that negotiating strategy relates to the grand approach to the negotiation process. Tactics, on the other hand, relate to the specific

actions of the parties when they interact during the negotiation phase of the negotiations.

### **3.3.1 Specific Guidelines during the Interactive Phase**

Knowledge and skills play an important part during this phase. The following are some potentially useful hints for negotiators during this negotiation phase:

- i. Follow the agenda as closely as possible;
- ii. Maintain order at all times;
- iii. Keep to the facts and do not discuss people as such (i.e. separate people from the problems);
- iv. Take note of and use body language and gestures, and use them effectively;
- v. Listen more and speak less (“two ears, one mouth”) – ask the right questions in the right way in order to obtain the right information;
- vi. Be on your guard at all times;
- vii. Confirm at regular intervals that you have understood, and obtain confirmation that the other party understands;
- viii. When in doubt about anything, stop to caucus on the matter;
- ix. Take your time; never speak, act or decide hastily;
- x. Always be pleasant, frank and courteous;
- xi. Treat everybody with the respect they deserve;
- xii. Be sensitive to cultural and language differences;
- xiii. Take accurate notes and constantly be on the lookout for alternatives as well as inaccurate information and arguments;
- xiv. Offer the other party a variety of possible choices or options, and make sure that everything is understood in the context of the real, relevant interests;

- xv. Behave in an emotionally stable manner – do not allow yourself to be unnerved by militant action or heckling. Let a colleague do the talking if you get angry;
- xvi. Check progress regularly and summarize the state of the process – make sure that everybody understands;
- xvii. Always be flexible as regards your negotiating positions or points of view, and keep reminding the other party of the interests under discussion;
- xviii. Negotiators should concern themselves not only with what the other party is saying or doing, but should also continually find out what the real interests and reasons are which underlie the stated positions or problems;
- xix. Ask for detailed explanations when something is not clear;
- xx. Respect the other party's need to save face, and be humane;
- xxi. Do not begrudge them or their dignity;
- xxii. Be constantly on the alert for the other party's real intentions, not only with regard to objectives and positions, but also when it comes to their actual interests and priorities;
- xxiii. Build a reputation for being fair, but firm;
- xxiv. Take each negotiating decision in the light of the other decisions; in other words, weave all the interests into a single whole;
- xxv. Pay careful attention to all communications; do not interrupt, and listen to what is said and what is not said. Never hesitate to make quite sure that you understand a point exactly as it is intended;
- xxvi. Remember that negotiation in the labour sphere is essentially a process of compromise. There is no such thing as winning or getting everything you want;
- xxvii. Try to understand the "people" on the other side of the table – their personalities, fears, interests, observations, needs, and so forth, for this is an approach that pays dividend;

xxviii.Keep assessing current negotiations in terms of their effect on future negotiations – remember that collective bargaining results in long-term relationships;

xxix.Remain positive and assert yourself;

xxx.Sanctions can be used, but must never be abused;

xxxi.Pay careful attention to the wording of every clause in the agreements you negotiate. Words and phrases (or expressions) often contain valuable information;

xxxii.Read agreements carefully before signing anything. Do not overlook the fine print;

xxxiii.Conclude the negotiations by summarizing the key points agreed upon, and break eye contact. Then get up and shake hands in a pleasant, civilized way;

#### **SELF ASSESSMENT EXERCISE 4**

What are the guidelines to be adhered to during the interactive phase of negotiation?

### **3.3.2 Use of Persuasive Communication in Negotiation**

The key aspects of the interactive phase are communication, persuasion and debate. During this phase of the negotiations, the parties discuss and debate the merits of their respective arguments. One needs to remember that the goal of negotiation is agreement – “negotiation for the sake of negotiation” is no good to anybody. Persuasive skills are, therefore, crucial.

### **3.4 The Concluding Phase**

The “final phase” of active negotiations should be borne in mind throughout, that is, the phase when agreement is reached and recorded and summaries of all agreements are compiled. All parties should openly take responsibility for conveying and implementing the matters agreed upon to their respective constituencies. Before the parties leave, they must make sure that everybody understands all the issues in the same way. Never unnecessarily hurry the final steps of the interactive phase. Remember that the way in which the parties say goodbye to each

other and depart sets the tone for future negotiations and determines the spirit in which both are likely to implement the agreements.

The correct implementation of agreements is an important issue. As you already know, a successful interactive phase generally ends with some other type of agreement (contract) which can be put on paper. This means that all differences must have been settled or agreements reached on specific problems. There are, of course, times when negotiations are not entirely successful. In such cases, dates have to be set for future negotiations, or, in the case of a deadlock, the parties have to follow the appropriate dispute-resolution procedures.

Both parties have to respect all agreements, even when this is difficult, because this promotes trust and leads to mutually advantageous, long term relations. Contract administration is the key concept here.

### **3.5 The Post-negotiation Phase**

The post-negotiation phase usually covers the entire period stipulated by the agreements. During this period, the parties ensure that all players keep to these agreements (on, for instance, procedures and other matters such as wages and conditions of service). The grievance and disciplinary procedures followed during this phase are naturally extremely important.

The role of trade union representatives (shop stewards) during this phase is also of critical importance, and good communication and daily contact with all other relevant role players are some of the key elements. Trade union representatives must ensure that every clause of the agreements is honoured. When negotiations take place in the framework of bargaining councils, inspectors from these councils also have an important role during the post-negotiation phase.

The entire concept of “bargaining in good faith” becomes relatively meaningless if any of the parties neglect the post-negotiation phase. All agreements must be implemented honestly and sincerely.

The post-negotiation phase may be regarded as the dramatic climax of the collective bargaining process. Trade unions are often more interested in the post negotiation phase. That is why trade union representatives play such an important role during this phase. They have to see to it that agreements are implemented smoothly from day to day, for, if they are not, such agreements will not be worth the paper they are written on. Any problems that arise should be brought to the attention of the trade union and/or management so that the necessary follow-up meetings and discussions can be arranged.



## **SELF ASSESSMENT EXERCISE 5**

Outline and discuss the various phases of negotiation in collective bargaining.

### **4.0 CONCLUSION**

From the foregoing analysis, you can understand that negotiation is very critical in resolving labour matters. In this unit, you have learned a number of issues that relate to negotiation in areas of the negotiation process and the necessity for the use of persuasive communication for effective negotiation in collective bargaining.

### **5.0 SUMMARY**

You should understand by now that negotiating in the labour relations involves some process in terms of the necessary phases inherent in such negotiation. As it were, it is necessary for the organization to train some specialists in the art of negotiation. Such specialists would readily be available to take up the responsibility of handling the issue of collective bargaining whenever the situation arises.

In the next study unit, you will be taken through the various stages involved in reaching collective agreement in labour matters.

### **6.0 TUTOR-MARKED ASSIGNMENT**

1. What does the “prenegotiation” or “approach phase” consist of?
2. Discuss the following facets of the interactive or “progress” phase of negotiation:
  - a. the beginning of a dialogue session
  - b. negotiation interactions

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## **UNIT 2 NATURE AND METHODS OF COLLECTIVE BARGAINING**

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- 2.0 Objectives
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  - 3.3 Critical Factors for Effective Collective Bargaining
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### **1.0 INTRODUCTION**

In order to avoid industrial disharmony, organizations use to institute some defined measures through which the management team and the representatives of workers meet from time to time to discuss issues of common interest.

You will understand that industrial harmony can only be achieved in an atmosphere of mutual trust and understanding between the management and the workers occasioned by constant interaction of their representatives.

The appropriate forum for such mutual interaction is the subject matter of this study unit. Therefore, the issues that are discussed in this unit are the basic ways through which employers and employees can meet to regulate the environment of work, the job itself and the inherent benefits and cost to both parties.

Such basic methods of mutual interaction between the management and the unions are in the areas of deputation, joint consultation and collective bargaining. All these three issues are discussed in this unit but an elaborate analysis is devoted to the subject of collective bargaining since it constitutes the main preoccupation of the unit.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- identify and discuss the basic methods of mutual interaction between management and workers
- explain the meaning and nature of collective bargaining
- identify and explain the critical factors for effective collective bargaining
- list and discuss the various styles relevant to collective bargaining
- discuss the peculiar nature of collective bargaining in public sector in Nigeria
- explain the procedures relevant to collective bargaining.

## **3.0 MAIN CONTENT**

### **3.1 Deputation and Joint Consultation**

From the introductory part of this study unit you have been exposed to the various ways through which organization can ensure industrial harmony. The two aspects of such basic methods are discussed herein.

#### **1. Deputation**

According to Akubuiro (2003), deputation is commonly used in organization where the workers are non-unionized or ineffectively unionized. Under this scenario, the workers are granted freedom to express their views only on the basis of symbolic gesture. The ultimate decisions are still the prerogative of the employer or management.

Hence the responsibility of the operational decisions is entirely that of the employer or management and not that which is shared by both the management and the workers.

#### **2. Joint Consultation**

Akubuiro (2003) posits that joint consultation involves mutual interaction between the representatives of both management and workers for the purpose of exchanging information, considering suggestions or proposals and repercussions of the results of the decisions as may be taken.

Under this forum, discussions are normally depersonalized and the sense of responsibility for such decisions is shared by those who partake in the deliberations.

For the purpose of joint consultation, some employers in allied trade form themselves into joint industrial councils while the workers form a joint consultative committee. The purpose for the existence of a joint consultation body is to provide a forum for regular contact between management and workers as a means of improving conditions of work and by extension the level of productivity.

The other reason for the formation of a joint consultation is the essence of the need to meet the workers' demand regarding closer participation and better insight into the management of the organizations in which they work.

### **SELF ASSESSMENT EXERCISE 1**

Differentiate between Deputation and Joint Consultation.

### **3.2 Nature of Collective Bargaining**

Collective bargaining is regarded as the practice by which employers and employees meet in conference from time to time to agree upon the terms under which labour shall be performed.

According to Akubuiro (2003), collective bargaining can be viewed as a process which determines under what terms labour will be bought and sold and under what terms labour will continue to be supplied to a particular company. The implication is that each individual employee's contract has been replaced by company agreement with union, and whatever is agreed by the union and management also binds not only present employees but also future ones.

In another perspective, Akubuiro (2003) espouses that collective bargaining includes all methods by which groups of workers and relevant employers come together to attempt to reach agreement in matters by a process of negotiation, matters discussed here generate a relationship of rivalry and decisions are reached through concessions and compromise.

In an all-inclusive definition of collective bargaining, Davey as quoted by Egbo (1987) views it as:

those formal and informal processes of accommodation through which an employer, or a group of employers and their organized workers attempt to establish a mutual set of relationships which will allow them to achieve their respective goals. It involves the formulation of labour agreements (contracts), the application of those

agreements to the production processes involved, and the solution of the inevitable differences which arise over their interpretation and application.

The process of collective bargaining involves negotiations about working conditions and terms of employment between an employer and union for the purpose of reaching mutual agreement. It means that under the collective bargaining issues of divergent or congruent interest can be discussed. Hence the parties at dispute see themselves as opponents.

The issues or items for collective bargaining whether negotiable or non-negotiable are normally categorized into three distinct groups such as discussed below.

#### **i) Mandatory Items**

These are the items that both management and unions have accepted to constitute the issues of negotiation. An important example is the issue of wage regulation. Another example of mandatory issues is the condition of service.

The number of mandatory items which are accepted by both parties for negotiation largely depends on the arm twisting tactics of each party. This is the ability of union to convince management to accept on one hand and management resistance against unions desires.

#### **ii) Voluntary Items**

These are the items which neither party in the dispute can be compelled against its wish to accept for negotiation. Examples of such issues are fringe benefits like car loan, housing scheme, bonus, transport scheme, long service award, death benefit, shift work, and medical care.

In essence, voluntary items are regarded as middle range issues for which neither party can be forced against its wish to negotiate upon or sign for in the process of negotiation. By implication, such items are not binding on the employer.

#### **iii) Exclusive Items**

These are issues which are exclusive prerogative of the management of the organization which fall under the procedural agreements. Hence the unions are not supposed to interfere with them because they are under the ambit of the functional responsibility of the management.

Examples of exclusive issues are employment, promotion, transfer, termination, suspension, and discharge. In some cases, the unions may

be allowed to have consultation with the management on such issues but the management still reserves the right to take exclusive decisions on them without recourse to the unions.

## **SELF ASSESSMENT EXERCISE 2**

What are the categories of negotiable items in collective bargaining?

### **3.2.1 Bargaining Power**

The term, according to Akubuiro (2003), is the ability to control the setting of wages, sometimes within given limits. In another perspective this is the proprietary ability to withhold production or products pending the negotiations for transfer of ownership of wealth. In another view, it is regarded as monopoly power, which is related to and possessed by the organization. Accordingly, the bargaining power, since it is prerogative of the employer, denotes power to exploit. Hence it is the relative power of contracting parties particularly the company, to influence the wage in the light of all prevailing factors.

Bargaining power also refers to the monopoly of wealth as it is related to the organization's ability to exploit and impose costs. Since it is the power to exploit, an increase in bargaining power means increased capacity to exploit. According to Slitcher, bargaining power is the cost of A imposing a loss on B.

### **3.2.2 Cost of Agreeing and Disagreeing**

A union's bargaining power at any point is the management's willingness to agree to union's terms, and such management's willingness to agree in turn depends upon the cost of disagreeing with union terms relative to the cost of agreeing to them.

In a situation where the cost of disagreeing is less in relation to that of agreeing, then union's bargaining power is enhanced and vice versa. The parties involved in collective bargaining can change this power through the use of tactics with which to influence each other.

Furthermore, the usual shifts in economic conditions, public opinion and government influence can affect bargaining power or actually change it.

By and large, the nature of demands made which occasioned collective bargaining and the costs of agreement or disagreement normally affect and indeed change bargaining power.

### **3.2.3 Union Tactics and Cost of Disagreeing**

The Trade unions normally use strike to withhold their labour until their terms are met. On the other hand, employers make use of lockout to withhold employment until their terms are accepted.

For all intents and purposes, both the union and employer usually suffer some cost which comes in form of wage loss by the union and cessation of operations by the employer. The implication is that while union seeks to strengthen strike, the employer will seek to weaken it.

The unions normally use tactics such as timing of strike, skill level of workers in the union, ability to provoke sympathetic action from other people, and the sympathy strikes, that is, the secondary boycotts.

### **3.2.4 Management Tactics and Cost of Disagreement**

Management has the capacity to increase cost of disagreement to unions through lockout by withholding employment except on terms agreeable to management necessarily with due cognizance to the prevailing market conditions.

The management of an organization can also use its financial muscle to take strike insurance policy. Management is also at liberty to sack the employees and replace them with others or machines. Management can also weep up or resort to public opinion, government or professional pressure.

### **3.2.5 Strength of the Union**

The strength of the union in negotiation depends on some factors, which are as highlighted below:

- i. Persuasive or coercive skills of the union executives.
- ii. The membership strength of the union.
- iii. The prevailing economic condition in the country.
- iv. The purse or financial resources of the union.
- v. Workers willingness to embark on strike.
- vi. Ability of the union to call members on strike.
- vii. The goals of the bargaining parties.

### **SELF ASSESSMENT EXERCISE 3**

List and explain the various intricacies involved in negotiation.



### **3.3 Critical Factors for Effective Collective Bargaining**

According to Akubuiro (2003), there are desirable conditions which are imperative for effective collective bargaining as discussed below:

#### **1. Faith in Collective Bargaining**

Both parties in dispute must be convinced and ready to accept that collective bargaining offers a good means of regulating employment conditions in addition to the use of deputation and joint consultation.

#### **2. Favourable Political Climate**

This is the prevailing political climate, which must be favourable to both parties in dispute. For instance, the government must believe in the efficacy of collective bargaining as a veritable means of resolving trade dispute by both the employers and the trade unions.

In a particular situation where the government does not encourage the institution of collective bargaining such as the use of restrictions on trade unionism, the use of collective bargaining may only bring a limited success. The government can only encourage collective bargaining through policy measures on the form and contents of agreement in negotiation.

#### **3. Freedom of Association for the workers**

The institution of collective bargaining can only thrive if the workers are free to promote trade unionism amongst themselves and also at liberty to join trade unions of their choice. The government can encourage freedom of association for the workers at the instance of an enabling legislation for the formation of associations.

#### **4. Stability of Trade Unions**

The workers' organizations in form of trade unions must be strong enough to stand the test of time. Such strength will make the employers to accord them recognition and hence grant them the right to represent their members (the workers) in the process of collective bargaining for the negotiation of favourable terms or conditions of their service.

#### **5. Willingness to Give and Take**

For a collective bargaining to be meaningful and achieve the desired result, both parties must engage in voluntary and cooperative method of

bargaining. Hence either party regards their organization as a veritable ingredient for earning their livelihood.

It means both parties will only present core demand as basis for negotiation and in the process of bargaining one party will agree to reduce its demand in return for some concession from the other party. Naturally one party will win more concessions than the other, which actually depend on relative strength of the two parties, the prevailing economic conditions, and skill in negotiation.

## 6. Recognition of Trade Union

A trade union that is recognized by the management can muster the necessary authority and power to negotiate on behalf of the workers in the process of collective bargaining.

## 7. Joint Authorship of Agreement

It is usually desirable and ideal for both parties to jointly sign agreement arrived at during the negotiation to indicate the willingness of both parties to honour the terms contained therein. The refusal of any party to sign the agreement can lead to creation of loophole for the subversion of the agreement.

## 8. Avoidance of Unfair Trade Practices

In an atmosphere of restricted trade practices, the practice of collective bargaining will be distorted. Such unfair trade practices include breaching of anti-union contracts by the unions, transfer of unionists due to union activities and denial of trade union officials of their rights because of involvement in union affairs.

## SELF ASSESSMENT EXERCISE 4

List and explain factors which are necessary for effective collective bargaining.

## 3.4 Styles of Collective Bargaining

There are some styles which are normally adopted in collective bargaining, which we shall discuss in this part of the study unit.

### 1. Conjunctive Bargaining

This style is in tandem with the absolute requirements that agreements be reached so that the operations on which both parties have

depended may continue to function or exist. In terms of bargaining relationship between both parties in dealing with matters of divergent interest, each party tries to secure some advantage to the extent of its relative bargaining power.

Furthermore, each party normally strives to aim for maximum advantage possible without much regard for the effect on the other party. The style is capable of being used to establish a system of industrial jurisprudence whereby employer and employee resolve their dispute rationally and peacefully.

This style is weak in terms of complete incapacity to satisfy the objectives of both parties. In addition, there is the problem of rigidity, which tends to reduce benefits and the needed cooperation. This style of collective bargaining is widely practiced in US.

## **2. Distributive Bargaining**

This style of bargaining is somehow similar to the conjunctive bargaining since each party is only interested in what it can achieve even at the expense of the other party.

In essence, the style implies that one party strives to gain at the direct expense of the other party. This style is normally when the issues at stake are in areas of monetary benefits, rest time, hours of work, and overtime pay, among other similar grounds of negotiation.

## **3. Cooperative Bargaining**

Cooperative bargaining method arises because of one party's sympathetic regard for the other and its voluntary choice of the other as partner; the management and the workforce regarding each other as partners in progress in their organizational setting.

This style is normally adopted to ensure that the objectives of both parties are satisfied. Hence the method enables both parties to share their rewards.

The style is employed to ensure maximum cooperation by both parties. The style ensures that each party is depending on the other, so that both parties can achieve their objectives more effectively, by winning the support of the other.

Under this style of bargaining, each party to the dispute depends on the other party for fruitful result since they can only achieve success with

the cooperation of each other. The style is particularly useful when the issues at stake are of common interest to both parties.

#### **4. Integrative Bargaining**

This style of bargaining is like the cooperative bargaining. Under this bargaining method, the emphasis is on common interests in its form of bargaining as greater consciousness means that each party will gain the cooperation of the other.

Some unions have conducted themselves in this manner for the purpose of joint protection of the industry from competitors or joint demand for special concessions from the government. More so it is not unusual, for instance, in the American system for the trade unions and spokesmen to come together in order to lobby for public subsidies and special legislation in favour of their industry.

In the style, both parties to the dispute have mutual recognition of each other's purpose and therefore, both parties will be prepared to make concession. This style of bargaining becomes useful in periods of economic recession resulting in shifting grounds on several issues under dispute.

#### **5. Fractional Bargaining**

Fractional style of bargaining involves the sectional activities of some work groups who, because of either their strategic location in the work flow or special skill, seek supplementary agreements on behalf of the group alone.

Such groups of workers are usually cohesive with their informal authority structure. Examples of such groups of workers in the public sector in Nigeria are the Lecturers and Medical Doctors.

In the event of the representatives (particularly the executives) trying to follow a policy of a particular local trade union which runs counter to the group interest, the members of the work group will simply ignore the elected officials and follow informal spokesmen.

Given that a work force is made up of a collection of different work groups, it may be easier to appreciate such interest which accompanies bargaining and implementation of collective agreements.

## **6. Connective Bargaining**

This style or style of bargaining implies that each party comes in to bargain in such a manner that it strives to achieve its best while aiming at maximum result with minimum cooperation.

The style becomes useful in a situation where one party will be interested in seeing that organizational operations are on course but will not like to lose out either.

## **7. Individual Bargaining**

The method involves an individual employee seeking an improvement on the prevailing conditions of his employment. This is done mainly by the white collar job holders particularly in the middle and top management hierarchy in organizations.

As you can observe, employers generally tend to institutionalize individual bargaining for middle and higher members of management. More so, the Nigerian government has through measures, insisted on different workers' organizations for both white collar and manual workers, while the former group is prevented from affiliating with the Nigeria Labour Congress.

## **SELF ASSESSMENT EXERCISE 5**

List and explain the various styles inherent in collective bargaining.

## **3.5 Collective Bargaining in the Public Sector in Nigeria**

The nature of collective bargaining in the public as observed by Fashoyin (1987) sector is quite different from what obtains in the private sector. Since the creation of the public sector, the main policy guidelines on employee-government relations have been embedded in the civil service regulations, the document which was previously known as the general order.

The civil service rules as obtained in the present day public sector regulate most of the conditions of employment which suffice for the collective bargaining process in the public sector. Therefore, the issues of collective bargaining which constitute the conditions and terms of service for the civil servants in the civil service regulations are in areas of wage increase, grievance procedures, promotion, discipline, leave, terminal benefits, and pension, among other similar issues.

The crucial fact that must be pointed out is the absence of any machinery for the government employees to participate in the determination of these conditions of service as contained in the civil service regulation.

The government also uses another approach in place of bargaining by setting up the salaries and wages commission, which it has used over the years to regulate salaries and allowances of the public workers. The most recent one is the Shonekan Commission which recommended consolidated salaries for the public workers in January 2007.

The Nigerian government has used so many wage review commissions since the colonial era; the major ones are those headed by Tudor Davies 1945, Harraigin 1946, Miller 1947, Gorsuch 1955, Mbanefo & Morgan 1959, Adebo 1970, and Udoji 1972.

The use of the wages commission to regulate salaries and allowances has been rationalized by officials who affirmed that the government has the right to set wage rate in any establishment where either the wages are unreasonably low or where no adequate machinery is available for adjusting wages and conditions of service. However, the scope of this study text does not cover the argument for and against the use of such commissions to regulate terms of remuneration for the public workers.

### **3.6 Procedure for Collective Bargaining**

According to Akubuiro (2003), procedure for collective bargaining refers to the ways through which both the management and union should ensure that strikes and other forms of industrial disputes are avoided.

The laid down procedures are not the same for all industries. Procedures for collective bargaining are being used to settle the major types of disputes, which are discussed below.

#### **a) Economic Disputes**

These are the issues that affect employee compensation in form of salaries, incentives, fringe benefits and other related allowances which are financial in nature.

#### **b) Legal Disputes**

These are the union-management disagreements which border on the interpretation and authorship of agreement.

### **c) National Disputes**

These are the political issues affecting the whole nation normally handled by the umbrella union such as the Nigeria Labour Congress. Examples of such issues are deregulation of the petroleum products pricing or the downstream sector of the industry, national electoral process and other government policies affecting the whole country.

According to Akubuiro (2003) the prescribed procedures for handling industrial disputes which are necessary for ensuring industrial harmony are as analyzed below. As you will see, the procedure is a process as structured out in stages.

#### **Stage 1 Union Recognition Stage**

The important thing herein is the recognition of the workers' union by the management. The labour laws in Nigeria permit workers to form and register trade unions in any organization. The minimum number of workforce in an organization that can form a trade union is fifty (50) employees.

Once the union has been formed and registered with the appropriate authority, the employer is duty bound to accord it recognition and work with it for the good of the organization.

#### **Stage 2 Pre-Negotiation Stage**

At this stage, both the union and the management are expected to draw and study an agenda for the process of collective bargaining. Each party is expected to generate authentic information for the purpose of balanced argument in the collective bargaining exercise.

Both parties are expected to study their respective bargaining power in terms of numeric, financial, skills of the executives, and the like. At times the union may use consultants and engage in espionage activities in the firm in order to generate relevant data for the purpose of meaningful negotiation.

#### **Stage 3 Selection Stage**

This involves the selection of those that will represent both parties at the collective bargaining forum. People with qualities such as tact, boldness, great wit, wisdom, good character, skillfulness, and courage are to go for the negotiation. Therefore, the most qualified persons to represent the union may not be its executives but other members of the union.

The union may be compelled to engage the services of labour experts to do the bargaining on their behalf but necessarily in their presence. The management team is also to make use of its knowledgeable members or a panel of experts for the negotiation. The actual representation is a function of agreement by both parties.

#### **Stage 4 Negotiation Stage**

The major preoccupation under this stage involves strategizing towards the bargaining process taking into consideration the basic policies to be respected. More so, decisions on the possible concessions or compromise to be conceded are made.

#### **Stage 5 Contract Stage**

The collective bargaining itself takes place under this stage. Traditional styles of backbiting, hitting the table, shouting, bluffing, and holding back concessions are the norms in the process of negotiation for the collective bargaining.

Nevertheless, in the modern-day collective bargaining, the norms are concession, compromise, mutual negotiation and discussions for beneficial decisions.

The watchword is ethical consciousness in terms of behaviour of the negotiators and the central focus revolves around level of productivity, organizational image, and the future of both the workers and business. This mutual understanding normally leads to the drawing up and signing of contracts, which are the procedural agreements, reached by both parties and must be jointly appended to by the representatives of both parties necessarily after a careful perusal.

Under this stage, the main styles of collective bargaining can be used. You will recall that these approaches include voluntary bargaining style, cooperative bargaining style, and conjunctive bargaining style, and lastly by adhering to the laid down legal framework.

#### **SELF ASSESSMENT EXERCISE 6**

Identify and explain the stages involved in the collective bargaining process.



## **4.0 CONCLUSION**

You should understand from the above analysis that collective bargaining is sine qua non for industrial harmony because such process affords both the trade union and the management to discuss the condition under which the workers operate and to ensure that it is conducive for ideal level of productivity, and at the same time that it affords the workers the opportunity to fulfill their aspirations in the organization.

Furthermore, collective bargaining presupposes that the representatives of both parties meet on a regular basis to rub minds together towards avoiding unnecessary bickering and strikes which do not benefit either party. Both union and the management can at times use such forum to lobby and in extreme cases pressure the government into acceding to the wish of the organization, which benefits the two parties in the final analysis.

## **5.0 SUMMARY**

The analysis of the concept of collective bargaining in this unit has afforded you the opportunity to understand that it is possible for an organization to operate without disruptions of operational activities. Such industrial harmony can be guaranteed with the use of collective bargaining. Hence the unit has been used to expose you to the essence of collective bargaining, its process, critical factors for effective collective bargaining, methods of collective bargaining, procedure for collective bargaining, and lastly the peculiar nature of collective bargaining in the public sector in Nigeria.

In the next study unit, you will be taken through the principles of negotiation and role of negotiators in the process of collective bargaining.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. Identify and explain the critical factors for effective collective bargaining.
2. Mention and discuss the various styles which can be adopted in the process of collective bargaining.

## 7.0 REFERENCES/FURTHER READINGS

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## **UNIT 3 PRINCIPLES OF NEGOTIATORS IN COLLECTIVE BARGAINING**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Negotiation in Collective Bargaining
  - 3.2 The Basic Principles of Negotiation
  - 3.3 Trade Union Power in Negotiation
  - 3.4 The Team of Negotiators
  - 3.5 Tasks of a Negotiator
  - 3.6 Qualities and Skills of Successful Negotiators
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

It is a well known fact that conflict between management and labour is one of the central issues in the management of labour relations. Worker participation, communication, the handling of problems and grievances, and discipline are all designed to keep conflict levels as low as possible. But, this is not necessarily enough. Basic principles necessary for successful negotiation must be recognized. Furthermore, those organization officials chosen for negotiation must possess some qualities and skills imperative for successful negotiation.

Therefore, in this study unit, you are introduced to the basic principles of negotiation as well as the role of negotiators for effective negotiation in collective bargaining.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- explain the concept of negotiation as it relates to collective bargaining
- outline and discuss the four broad categories of principles underlying negotiation
- describe the typical steps of the negotiation process
- analyze the roles and tasks of the negotiators
- identify and discuss the qualities and skills of successful negotiators.

### **3.0 MAIN CONTENT**

### 3.1 Negotiation in Collective Bargaining

In this section we shall deal with aspects of collective bargaining in areas of negotiation process, dynamics of a negotiation situation, and principles of negotiation initiators.

Negotiation is an integral part of collective bargaining, for the “negotiation” relates to the actual, practical implementation of the concept “collective bargaining”. Our own focus in this study unit is thus on negotiation as such or “in its own right”. Clearly, then we do not regard the concepts “negotiation” and “collective bargaining” as synonymous.

All of us negotiate with other people virtually every day. Sometimes, these negotiations are complex, and sometimes they are very simple.

Of course, at home we negotiate with our families about which friends to visit or which television programmes to watch, and the children negotiate about which games to play. At work, we negotiate, among other things, with our superiors about matters such as time off or how to cope with budgetary restraints. Generally speaking, negotiation is thus a broader (more general) concept than collective bargaining, because negotiation takes place in every sphere of life. Unlike collective bargaining, negotiation is not restricted to the sphere of industrial or labour relations. Collective bargaining is a concept that is used, among other things to refer to negotiations between the representatives of the parties involved in labour relations; labour and management.

From a labour relations perspective, however, negotiation is a narrower concept than collective bargaining, and this might cause confusion. In the context of labour relations, collective bargaining includes negotiation: collective bargaining refers to the whole system and process, including broader institutional or structural arrangements, and is designed to structure and facilitate interactions between the parties. In this sense, negotiation is only a part of collective bargaining, namely that part concerned with the actual execution of certain aspects of the collective bargaining arrangements.

In the light of this, we need to make it clear that negotiation is an extremely important part of life in general, and of collective bargaining in particular. Really competent negotiators are rare, and specialized and intensive training is needed to make one a successful professional negotiator.

#### SELF ASSESSMENT EXERCISE 1

Explain the concept of negotiation in the realm of collective bargaining.

### **3.2 The Basic Principles of Negotiation**

Before proceeding to discuss the detail of the negotiation process, you need to understand all the basic principles that underlie successful negotiation. All the parties in negotiation should be aware of these basic principles. Such principles are important and, while not strictly prescriptive, can probably contribute to more successful negotiation.

These principles include the following:

#### **1. Always try to strengthen the relationship of trust**

Since, normally, the parties are in regular contact and have to maintain a sound collective relationship over long periods, they should be careful to do the following:

- a. Never give misleading information. Both parties know that a certain amount of bluffing may take place during negotiations, but deliberate deception will prevent a relationship of trust from developing;
- b. Implement and honour all agreements. This really is the “absolute minimum.” If this is not done, the relationship of trust will either be gravely damaged or it will never come about in the first place;
- c. Keep to official and non official codes, procedures and rules;
- d. Protect the confidentiality of information shared between the parties;
- e. Keep to negotiation rituals, customs and processes;
- f. Try to conclude agreements within the mutually agreed period;
- g. Record agreements in writing at regular intervals, especially during the initial phases of collective relations;
- h. Offers that are made or accepted should never be withdrawn.

#### **2. Accept the basic principles of any negotiation process in a good spirit**

According to this principle, the parties should act as follows:

- a. All parties should be prepared to negotiate;
- b. Compromise is necessary. All parties should be prepared to understand the viewpoints of others and should be prepared to modify their original demands and/or offers;
- c. Agenda should be exchanged in good time, giving everybody sufficient opportunity to study the discussion points and to prepare;
- d. Precedents will be created over a period of time, because there are usually items arising from or relating to similar items in previous agreements;
- e. All parties must be committed to reaching agreement. Without such a commitment, negotiations cannot take place in good faith;
- f. Avoid excessively legal or technical approaches, for such approaches tend to have a negative effect on the development of a sound, long-term collective relationship;
- g. Complex technical details should not be included in the final agreements.

### **3. Accept the other party's negotiating status**

This implies the following, among other things:

- a. Acknowledge and respect the other party's independence, and admit that there are some basic differences between the parties;
- b. Accept that negotiators can only negotiate if they have a mandate from their constituencies. Respect the mandate not only of your constituency, but also that of the other party.

### **4. Accept the realities of power, including the fact that each party potentially has the power to "disadvantage" the other**

The balance of power between parties ultimately plays a fundamental role in the success or otherwise of negotiations. The greater the power of one party, the better that party's chances of manipulating things and "winning" in divisive types of negotiations. However, some aspects of power commonly characterize both parties:

- a. The support which the media (such as the press and television) can give to either party;
- b. The ability (financial and otherwise) of either party to take legal action (if this is necessary) in order to "win.";
- c. The state of the economy probably favours either the employers (downswing) or the trade unions or employees (upswing), adding yet another element of power to the proceedings.

## **SELF ASSESSMENT EXERCISE 2**

List and explain the main principles of negotiation in collective bargaining.

### **3.3 Trade Union Power in Collective Bargaining**

Power usually refers to the ability of one party to achieve the outcome it wants or to force the other to modify its expectations. As a result, the perceptions that parties have of the relationship of power between them will considerably affect the tactics and strategies they use. Trade union power includes the following:

- Trade union membership largely determines the trade union's power base as opposed to that of management;
- A trade union's power may also be increased by an ability to form coalitions with other trade unions and trade union federations;
- A trade union's power can be considerably enhanced by the power to draw other organizations and industries into sympathy strikes or go-slows;
- The type of industry in which a trade union operates may also be a source of power to it (e.g. if the company produces a raw material which other companies need for the manufacture of their own products);

- Trade unions may also have excellent financial resources which they can use to acquire information, appoint consultants and support striking workers;
- International contact and support can do much to enhance the power of a trade union;
- The quality of the skills of its skilled members, and the dearth of these the skills can also enhance the trade union's power. This is one of the reasons why the organization of skilled workers into trade unions is becoming so important.

### **3.4 The Team of Negotiators**

As mentioned earlier, the groups of people involved in the negotiation context of labour relations, and who are most interested in the negotiations, are usually the teams of negotiators. For them, the actual negotiation meetings are the climax of the collective bargaining process.

#### **3.4.1 The Chief Negotiator**

The chief negotiator usually plays the key role in the negotiation, debates and arguments. He or she helps to find common ground, to understand and persuade people, and to move them towards an agreement. The chief negotiator is also the person who has to signal that agreement has been reached.

#### **3.4.2 The Recorders**

The job of recorders is normally to record important developments, arguments and events forming part of the negotiation encounter. They take notes on the movements and positions of the other parties, enabling negotiators to check the development of patterns until such time when all conclusions and agreements have been recorded.

#### **3.4.3 The Analysts**

Analysts make a careful and critical analysis of the strategies and tactics deployed by the parties. They endeavour to identify the interests and true reasons that underlie the various arguments and tactics. They



perform all sorts of calculations and cost calculations in respect of contracts, and they interpret the potential effects of proposals, demands and requests. They also try to identify the flaws in arguments, and notify recorders and chief negotiators of these.

### **3.4.4 The Observers**

Observers generally attend negotiations in a purely passive role, to observe events and to learn. Often, they have to play a more supportive, active role in observing actions and reactions and bringing these to the attention of the analysts.

### **SELF ASSESSMENT EXERCISE 3**

List and explain the respective roles of the various negotiators who are involved in collective bargaining.

### **3.5 Tasks of a Negotiator**

According to Salamon (1992), the chief task of any negotiator in the context of collective bargaining is ultimately to reach an agreement that is acceptable to all the parties. This task includes the following functions:

- Advising the chief negotiator about the bargaining objectives and strategies of the various interest groups, thus enabling him or her to make the necessary preparations for dealing with these;
- Arranging and conducting the negotiation meetings;
- Stating, explaining and defending the cases of interest groups;
- Listening to, examining and trying to understand the other party's case;
- Using good judgement to assess a particular situation; deciding when to affirm and/or adjust negotiating positions, and when to deploy which tactics within the broad, predetermined strategy;
- Consulting the chief negotiators, appraising them of progress being made in the negotiations, and discussing this with them to ensure that the real interests of interest groups are served and that negotiation objectives are adjusted where necessary;

- Trying to influence other parties/negotiators and persuading them to modify their views and review their interests so that the parties can come closer to an agreement;
- Trying to establish and maintain sound, long-term personal relations with the negotiators of the other party.

### 3.6 Qualities and Skills of Successful Negotiators

To be successful, negotiators would do well to note the following qualities dealt with in the works of Salamon (1992), Kniveron (1974) and Alfred (1984). They should:

- be well trained and knowledgeable about the intricacies of negotiation;
- have good social and interpersonal skills;
- enjoy working with people, especially in difficult circumstances;
- be good planners, which also means that they should have information-processing skills;
- have a positive attitude, trying to reach common objectives (egocentric people are rarely successful negotiators);
- be good communicators, capable of listening with an open mind and expressing themselves clearly;
- be highly trained in the use of persuasive skills;
- be alert, noticing what happens (and does not happen!) around them;
- be discrete and have good analytical skills and judgment;
- be patient and capable of handling stress;
- be able to control their emotions (in other words, keep their heads in difficult circumstances);
- have good conceptual skills in order to link up the various elements and keep visualizing the “bigger picture”;
- be able to concentrate on long-term rather than on immediate objectives;
- be flexible thinkers with an open mind, but at the same time purposeful and persevering;
- be creative so that they can formulate counter-proposals and alternative arguments;
- be intellectually astute and be fast thinkers, but not the kind of people who act hastily;
- have a good sense of humour;
- be reasonable, willing to compromise where necessary;

- be able to remain in the background when necessary, and should not be constantly on the defensive or quick to take offence;
- be diplomatic honourable and trustworthy;
- be able to deal firmly with facts, but be gentle with people;
- Be people of integrity – without this quality, it is impossible to achieve long-term success in negotiations.

#### **SELF ASSESSMENT EXERCISE 4**

List ten skills and qualities of a successful negotiator.

### **4.0 CONCLUSION**

You can appreciate from the foregoing analysis that negotiation is very critical to the realm of collective bargaining. In this unit, you have learned a number of issues that relate to negotiation and the basic approaches to negotiation. You have also learned about the roles, and qualities of the negotiators who normally represent various parties in collective bargaining.

### **5.0 SUMMARY**

You should know by now that negotiating in the labour relations context is an art and takes a lot of practice. Incompetence in this area can be costly. It may mean that unhealthy levels of conflict persist; agreements may not be reached or else those collective (or individual) agreements that are reached may have negative effects for the organization in its pursuit of success.

In the next study unit, you will be taken through strikes and industrial actions as well as peculiar industrial problems which collective bargaining is meant to obliterate.

### **6.0 TUTOR-MARKED ASSIGNMENT**

1. What do we mean when we say that “negotiation” is at one and the same time a more inclusive and also a narrower concept than “collective bargaining”? Explain in detail.
2. List fifteen qualities and abilities of typically “successful negotiators”.

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Unit 1 Strikes and Industrial Action  
Unit 2 Nature and Types of Industrial Conflict  
Unit 3 Mechanisms for Implementing Labour Relations Policy

## **UNIT 1 STRIKES AND INDUSTRIAL ACTION**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
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  - 3.1 Definition of a Strike
  - 3.2 Types and forms of Strike or Industrial Action
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  - 3.4 Essential Services and Strikes
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- 5.0 Summary
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### **1.0 INTRODUCTION**

Basically, strikes and other forms of industrial action are an inherent part of collective bargaining and, by extension, of labour relations in general. Strikes are the ultimate “weapon of power” that may be used by labour against employers (if necessary). You may regard strikes as completely unnecessary, many workers may have taken part in strikes themselves; and yet others may have had to deal with a striking labour force. Whatever is the case, strikes (and other forms of industrial action) are an issue which many people find easy to identify. Strikes are highly visual events, and people usually know from media coverage when a prominent strike is in progress.

Due to the fact that one cannot always be certain that negotiations (collective bargaining) will be “free” of serious labour conflict, it is necessary to develop a good understanding of strikes and other forms of industrial action. From a management viewpoint, strikes are a very important issue. In this study unit, therefore, the emphasis falls on the management of strikes as a form of industrial action.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- explain the term strike
- outline and discuss the various types and forms of strike
- identify and explain the various strategies for management of strikes or industrial disputes.

### 3.0 MAIN CONTENT

#### 3.1 Definition of a Strike

A strike is termed as the partial or complete, concerted refusal to work, or the retardation or obstruction of work, by persons who are or have been employed by the same employer, or by different employers, for the purpose of remedying a grievance or resolving a dispute in respect of any matter of mutual interest between employer and employee.

According to Akubuiro (2003), in terms of incidence of strike, there are a host of strikes such as:

- i. Official strike: - this refers to all strikes which are approved by the union.
- ii. Unofficial strike: - which as the name indicates, refers to the strike not sanctioned by the union executives but initiated especially by the shop stewards.
- iii. Unconstitutional strike: - this refers to all strikes caused by the union leaders but are in breach of the constitution or did not follow legal procedures.
- iv. Work to rule: - this indicates that the workers still report to work, do some routine assignment but do not exceed the normal time for work.
- v. Dealing with equipment: - this means that workers cannibalize the major work tools thus making work impossible.

In terms of the costs of strike, the following areas are affected:

- i. Number of man hours lost
- ii. Loss of business
- iii. Disruption of operations
- iv. Dampening of the workers morale
- v. Enmity created between management and workers
- vi. Goodwill and image of the company destroyed
- vii. Loss of valued customers
- viii. Distortion in the projected earnings
- ix. Loss of output
- x. Loss of sales and revenue

- xi. Payment of Compensation to customers
- xii. Loss of competent employees.

### **SELF ASSESSMENT EXERCISE 1**

Keep a diary of industrial action (strikes, lockouts, and the like) over the next two months by reading newspapers every day. Analyze the media reports and try to establish the reasons for such industrial action.

## **3.2 Types and Forms of Strike or Industrial Action**

The types and forms of a strike are often the result of the cause of a strike. There are many types or forms of industrial action, and these can be classified according to their different approaches or structures. Common types or forms of industrial action include the following.

### **1. The Wildcat Strike**

This type of strike occurs suddenly and is not preceded by any notice or intensive negotiations. It can assume various forms;

### **2. The Go-Slow Strike**

Here, employees perform their work, but at a snail's pace. They work strictly according to the rules, and sometimes even slower. They thus refuse to maintain normal production rates and volumes;

### **3. The Solidarity Strike**

In the case of the solidarity strike, employees at one plant or company stop work in solidarity with other employees who wish to enforce a demand made on their employers;

### **4. The Rotating Strike**

Here, groups of employees at different plants or in different departments or sections take turns to stop work according to a set pattern;

### **5. The Boycott**

In the case of a boycott, labour is not necessarily withheld, but employees bring pressure to bear by way of other drastic action. For example, in the case of an overtime ban; employees refuse to work overtime. Production boycotts involve mainly trade union members and their families who stand together and refuse to buy the products (or services) produced by the employer;

## 6. Picketing

This is a form of demonstration of power. Employees and/or their representatives form groups inside or outside the workplace and state clearly that they are dissatisfied about something. Picket lines are usually a peaceful way in which striking workers make public (advertise) their industrial action with the purpose of encouraging others to join them. Workers normally stand in front of their workplace with placards. In addition, they try to convince suppliers and customers not to enter the premises.

It is important that a labour relations manager is familiar with the various types of industrial action so that he or she can decide how such action should be managed.

## SELF ASSESSMENT EXERCISE 2

List and explain the forms of strike which can occur in an organization

## 3.3 Management of Strike or Industrial Dispute

When a strike is embarked upon by a labour union, there arises an industrial or trade dispute arising from some unresolved disagreement between the union and the management of an organization. In most cases, as you know, the disputes are resolved through negotiation or collective bargaining. In the event of failure to reach a compromise by the two parties, a third party intervention is sought.

The third party intervention involves the use of a third party in the settlement of disputes or strikes. Such third party intervention involves a process, which goes through some stages. These stages can be classified into distinct phases in a progressive manner as analyzed below.

### 1. Mediation

It involves an appointment of some people by both union and management. These people are normally the knowledgeable experts in industrial relations. In Nigeria, the officials of the Federal Ministry of Labour and Productivity are normally involved in the mediation of disputes between labour unions and their employers. The essence of mediation, as you are aware, is the need to make the union and management involved in the dispute to reach an agreement towards the resolution of the dispute or strike. As it were, the advice of the mediator is not binding on both parties.

### 2. Conciliation



The issue of reconciliation comes into play when the mediators cannot resolve the dispute between the union and the employer. Fundamentally, the party that feels not satisfied by the intervention of the mediator will declare a trade dispute. This is an indication that the government should intervene. The government thereupon such declaration, will appoint a conciliator whose duty is to ensure the settlement of the dispute between the two parties. The conciliator's award is again not binding on the parties.

### **SELF ASSESSMENT EXERCISE 3**

Differentiate between mediation and conciliation as they relate to management of strikes.

### **3. Board of Inquiry**

The board of inquiry as a fact-finding body, is normally set up by the government to probe into the dispute and give recommendation on the way to resolve the problem. The board is usually constituted with membership drawn from a circle of those people who have expert knowledge in industrial relations.

The statutory procedure for the use of the board of inquiry is incorporated in the Trade Dispute Act of 1976 such as follows:

The parties in dispute put it in writing to the Minister of Labour that they cannot resolve their problem through voluntary means.

The Minister of Labour has these responsibilities:

- i. to appoint a person to act as a conciliator for the purpose of striking a settlement deal between the parties in dispute;
- ii. to constitute a board of inquiry where the reconciliation machinery fails to achieve settlement of the dispute;
- iii. to refer the dispute to the Industrial Arbitration Panel (IAP) when all efforts made fail to resolve the dispute;
- iv. to take the dispute to the National Industrial Court (NIC) for the settlement of the dispute. The National Industrial Court is the last resort in the event of prolonged dispute between a union and the management of an organization. The (NIC) acts as the final court of appeal for industrial disputes.

### **4. Industrial Arbitration Panel**

The panel as a standing body arbitrates over industrial disputes which are not amenable for resolution through the other means that might have been exhausted by the parties in dispute.

The Industrial Arbitration Panel is usually made up of 10 members. Such membership includes a chairman, the Vice Chairman and other members. The Employers Association normally appoints two members and the workers organization appoints two members as well. The Minister of Labour has the prerogative to appoint the remaining members of the Panel, who are supposed to be expert Assessors in industrial disputes.

The responsibility of the panel centers on holding meetings to review the cases involved in the disputes and recommend appropriate award. This task must be carried out within a period of forty-two days in the absence of other period allowed by the Minister of Labour.

On the strength of the Panel's recommendation, the Minister is duty bound to publish the details of the Panel's award and gives twenty-one days within which any of the parties in dispute can raise objections to the award of the Panel.

In the absence of any objection from both parties to the dispute, the Minister publishes the award of the Panel on the dispute in the Government Gazette with the intent of confirming the award.

The dispute, however, goes to the National Industrial Court as may be referred by the Minister of Labour, if there is any objection to the award of the Industrial Arbitration Panel.

## **5. National Industrial Court**

The National Industrial Court has the responsibility for the determination of the disputes referred to it by the Minister of Labour.

The court as the last resort in cases of industrial disputes has membership of a president and other four members. The president must have been a judge of the high court and the other members must be reputable assessors, appointed by the Federal Executive Council.

The law permits the president of the court, apart from the members as indicated above, to appoint four other persons, out of whom two are suggested by the employers association and two others from the union to assist the court for special opinions.

The court has an exclusive jurisdiction to:

1. Make final awards for the purpose of settling the disputes referred to it;
2. Determine questions regarding the interpretation of any awards made by the Industrial Arbitration Panel and the terms of settlement.

The court is to handle only cases which cannot be settled by the Industrial Arbitration Panel. Nevertheless, the Minister of Labour has the right to refer a case to it without necessarily going through Industrial Arbitration Panel especially if the case is an essential one. The court is to handle cases within seven days of notice.

The court is the final court of appeal in all industrial disputes. Nevertheless any party to a case who feels that his constitutional rights have been violated can appeal to the government, as the constitution takes precedence over the ruling of the court. Legal practitioners are allowed to stand for parties involved in cases in this court. The court can review its order.

#### **SELF ASSESSMENT EXERCISE 4**

Differentiate between internal and external mechanism for management of industrial disputes.

### **3.4 Essential Services and Strikes**

By virtue of the Trade Disputes (Essential Services) Act of 1976, there are those government workers who are barred from embarking on strike. And therefore they cannot even form unions.

The Act provides that essential services refer to:

- i. the public service of the Federation or of a State which shall for the purposes of this Act include service in a civil capacity, of persons employed in the Armed Forces of the Federation or any part thereof and also, of persons employed in any industry or undertaking (corporate or incorporate) which deals or is connected with the manufacture or production of materials for the armed forces of the Federation or any part thereof;
- ii. any service established, provided or maintained by the Government of the Federation or a State, a Local government council or any municipal or statutory, or private enterprise –
  - a) for the supply of electricity power or water or fuel of any kind;
  - b) for the sound broadcasting or postal telegraphic, cable, wireless telephonic communications;

- c) for maintaining ports, harbours, docks or aerodromes;
- d) for the burial of the dead, hospitals, the treatment of the sick, the prevention of disease;
- e) for the dealing with outbreaks of fire;

iii. service in any capacity in any of the following organizations:

- a) the Central Bank of Nigeria;
- b) the Nigerian Security Printing and Minting Company;
- c) any body corporate licensed to carry on banking business.

According to Akubuiro (2003), the arguments in favour of this prohibition rest on the principle that government services as well as those of other identified establishments are essential to the health, safety and welfare of the society. And the strike is an economic weapon, which should not be used in these areas.

### **SELF ASSESSMENT EXERCISE 5**

Give reasons which necessitate classifying some services as being essential for the economy.

## **4.0 CONCLUSION**

The above analysis has shown that strikes are sometimes inevitable in any economy. Therefore, it is very essential for the government to get involved in the settlement of industrial disputes. The reason, as might have observed from above analysis, is that government services as well as those of other establishments in the economy are essential to the health, safety and welfare of the society. Therefore, strikes are to be minimized at all cost. Hence the government has instituted some machinery for the settlement of disputes so as to prevent the workers from embarking on strike action.

## **5.0 SUMMARY**

The unit has been used to espouse on the intricacies of strike action by the workers. Hence in the unit the concept of strike and the associated with strike are treated. Other issues analyzed in the unit include types of strike and forms of strike or industrial action, management of strikes or industrial dispute, and essential services and strikes.

In the next study unit, you will be taken through the discussion on the nature and types of industrial conflict.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. Identify and explain the types and forms of strikes.
2. Mention and discuss the various methods by which industrial action or strike can be managed.

## **7.0 REFERENCES/FURTHER READINGS**

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## UNIT 2 NATURE AND TYPES OF INDUSTRIAL CONFLICT

### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Nature of Industrial Conflict
    - 3.1.1 Functional Conflict
    - 3.1.2 Dysfunctional Conflict
  - 3.2 Various Types and Levels of Conflict
  - 3.3 Causes or Sources of Conflict
  - 3.4 Variables that Moderate and or Aggravate Conflict
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### 1.0 INTRODUCTION

Fundamentally, trade unions would never have originated and developed had it not been for the inherently conflict-laden nature of the work situation. Workers began to form these “collectivities” in order to “stand together” and thus correct the imbalance of power in the workplace.

Conflict has to be handled in various ways and on a day-to-day basis. While trade union-management conflict (between representatives of these groups) is dealt with largely by way of collective bargaining, the optimal management of conflict in any organization that hopes to succeed in the modern business world entails a good deal more.

In this study unit, therefore, you are introduced to important aspects of conflict in the workplace. As it were, you must understand that, while conflict management is dealt with here in a separate study unit, it cannot be studied in isolation. Consequently, you must integrate this theme with all your labour relations studies and knowledge.

You have to understand that conflict has to be handled professionally so as to support the organization in its pursuit of success. For this reason, it is extremely important that you understand the dynamics of conflict and that you develop the necessary skills for managing and controlling it.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the nature of industrial conflict
- discuss the various types and levels of conflict
- identify and describe the causes of conflict
- identify and describe the variables that moderate or aggravate conflict
- explain the conflict management process.

## 3.0 MAIN CONTENT

### 3.1 Nature of Industrial Conflict

To most people, the concept “conflict” has a very negative connotation. And most people are opposed to conflict. In fact, people would more often than not prefer to avoid it altogether than to handle it. The most likely reason for this is that conflict is very often associated with hostility, defensive behaviour and protracted trouble leading to loss, suffering, damage and bad intentions. In short, conflict is commonly perceived as a negative element that should be avoided as much as possible.

As it were, most informed people regard these assumptions as being incorrect. To start with, they point out that conflict is a ~~byproduct~~ <sup>byproduct</sup> of all human interaction, which is why it is present in any work situation. Tension in work situations is common, and specialists in conflict management are therefore constantly searching for new ways of handling conflict in the labour relations sphere.

You should therefore accept that conflict is a fact of life and rather try to understand it. It is, as we have mentioned, an essential element in all social interaction. If one accepts that a measure of conflict is unavoidable, then the task of conflict management should be to understand why and how various forms of conflict occur, and how they can be identified and used to the advantage of all parties involved.

Conflict situations are common in all organizations, and such conflict is usually accompanied by certain types of behaviour. Naturally, conflict is always present in the labour relations context. For instance, if a trade union wants to negotiate a wage increase of 22 percent, and the employer’s representatives regard 8 percent as the maximum increase that can be granted, conflict arises. Members of the management negotiate an increase they should settle on – some may feel that if they could negotiate an increase of, say, 10 percent, this would be acceptable

to the workers, whereas others may feel that nothing more should be offered. In other words, in this situation, there is also conflict within the management group.

You can understand then, that conflict occurs when there is a gap between various parties' points of view, or when they have contradictory objectives, needs and ideas. If this were not so, collective bargaining would not be necessary-not even integrative bargaining or inter-organizational bargaining, or any restructuring of attitudes.

Conflict may occur even when there is only a perception that such a gap or contradiction exists. From the foregoing, you can appreciate the fact that it is impossible to formulate a single, uncontested and "correct" description of conflict.

### 3.1.1 Functional Conflict

A number of studies have shown that conflict, correctly handled, can be a powerful, constructive force that invigorates a social entity and in fact revives relationships.

For example, conflict can:

- Be a source of energy, thus becoming a catalyst for change and adjustment;
- Be used to maintain internal group identity and solidarity when groups are in conflict with one another-thus it can be instrumental in meeting the need "to belong";
- Stimulate the structuring or regulations of situations so that rules, procedures and process can be designed for the management of conflict;
- Sensitize people to different needs, perceptions and ideas, which results in better understanding of people;
- Motivate parties to assess the power balance between them (is one group too dominant?);
- Be used as the catalyst for a new, cooperative type of relationship, especially if the parties, in handling the conflict, can identify common ground;
- Make the parties more sensitive and objective when seeking solutions to problems;
- Help to define the limits of acceptable behaviour in the future;
- Help to diffuse accumulated frustration and tension, thereby creating a more positive climate.



### 3.1.2 Dysfunctional Conflict

Conflict can, of course, become dysfunctional (i.e., can damage relationship and organizations) when it is too intense (or even not intense enough), but such type of conflict can also be put to good use. As noted earlier, it can strengthen relationships and produce negotiated results that are beneficial to everybody. However, if the potential advantages or benefits of conflict are to be realized, the whole topic must be thoroughly understood and conflict must be managed professionally, not only during collective bargaining but on a day to day basis as an integral part of management.

#### SELF ASSESSMENT EXERCISE 1

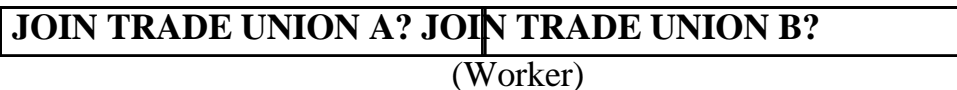
Differentiate between Functional conflict and Dysfunctional conflict, pointing out their similarities, if any.

### 3.2 Various Types and Levels of Conflict

Functional conflict is that type of conflict, which actualizes the positive effects that are inherent in any conflict situation. There are other ways of categorizing different types of conflict without labeling them “dysfunctional” or “functional”. One of these methods focuses on the level or point in the system where conflict occurs.

#### 1. Intrapersonal Conflict

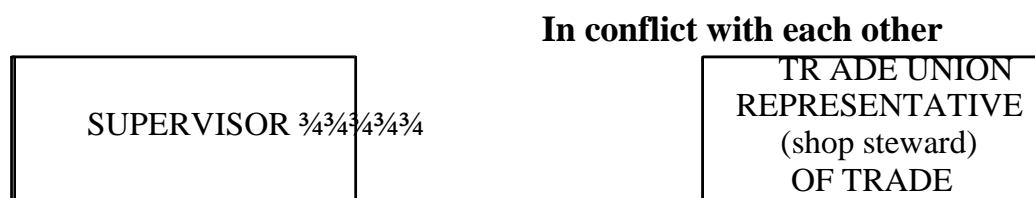
It is a conflict that occurs within an individual (e.g., an employee cannot decide which trade union to join).



**Figure 9.1 Intrapersonal Conflict**

#### 2. Interpersonal Conflict

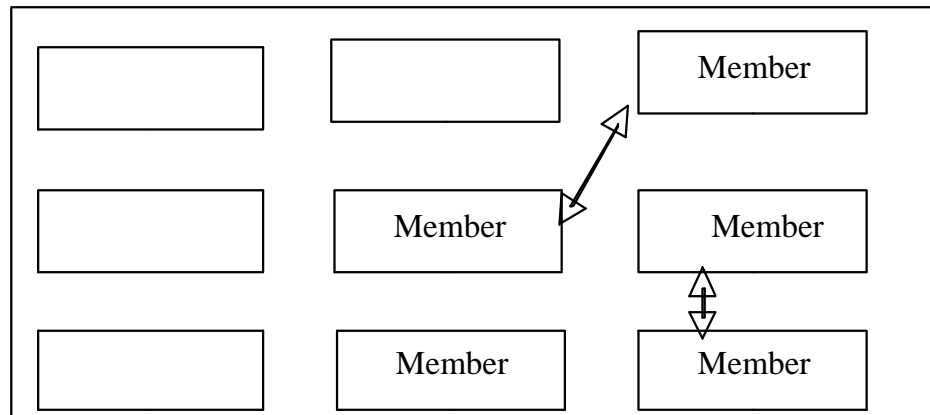
Interpersonal conflict is a conflict between two individuals (e.g., a supervisor treats a trade union representative unjustly because he or she belongs to a trade union which the supervisor thoroughly dislikes).



**Fig 9.2 Interpersonal Conflict**

### 3. Intragroup Conflict

Intragroup conflict is a conflict between members of the same group (e.g. differences of opinion arise between members and officials of the same trade union about how to approach negotiations or differences between members of the management team about wage negotiation zones).

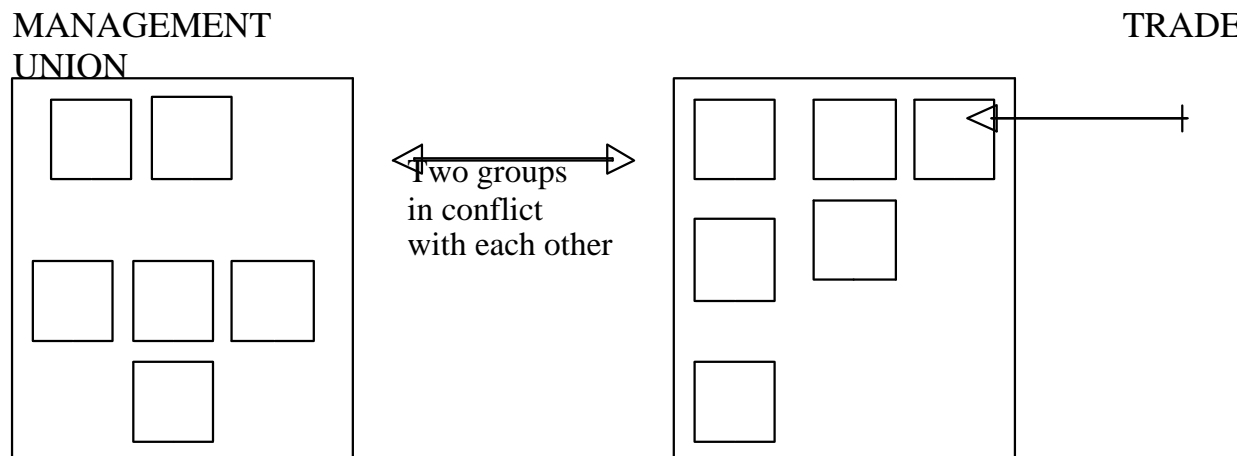


**Fig 9.3 Interpersonal Conflict**

(Members of the Same Trade Union Conflict with One another).

### 4. Intergroup Conflict

Intergroup conflict is a conflict between various groups (e.g., differences of opinion between the management team as a group and trade union representatives as a group, or between various departments in an organization).



### **Figure 9.4      Intergroup conflict**

#### **5.      Suspected (Latent) or Observed Conflict**

This relates to the likely potential for conflict which is experienced by a person or group, but which has not been manifested in their behaviour. In other words, there is only “suspected” conflict, because no outward signs of it have yet appeared.

#### **6.      Unmistakable or Actual conflict**

This type of conflict is usually observed between people or groups during the later phases of conflict episodes. It may even occur in the form of “abnormal”, defiant or aggressive behaviour.

#### **7.      Spontaneous or Natural Conflict**

This type of conflict may arise from natural causes, such as the simple fact that people are different.

#### **8.      Engineered or Orchestrated conflict**

This occurs when one party deliberately creates conditions that promote conflict. For instance, if person A dislikes person B, A might tell tales about B to C, thereby causing conflict between C and B.

### **SELF ASSESSMENT EXERCISE 2**

Mention and explain various types of organizational conflict.

#### **3.3      Causes or sources of conflict**

Conflict has many causes, including the following:

##### **1. Different Objectives**

This is more particularly the case where people seek to realize opposing objectives, but, at the same time, need one another (i.e. are interdependent). This is what happens in the case of employers and employees. Employees need jobs and employers need employees, but employees want more money and want to work shorter hours, whereas employers want to cut down on costs, including labour costs, and want employees to work longer hours, harder and more efficiently.

##### **2. Limited Resources**

This is closely related to the previous cause. Due to limited financial resources and time restrictions, managers typically want workers to put more into their jobs, whereas workers want to get more out of them. This leads to competition between the parties for scarce resources.

### 3. Structural Imbalance

This arises when parties perceive imbalances in a system; in other words, when for instance, a perception exists that some people have too much money and power, whereas others have none at all. This perception is part of the Marxist theory that criticizes capitalism because it creates an unfair structural imbalance between the owners of capital and the working class. Class conflict therefore arises, and becomes an important variable. This emerges clearly from the multiple levels of organizational structures, where jobs are graded – some “higher” (in status) and some “lower”.

### 4. Communication or Information-Related Causes

These may include the following:

#### a. A Lack of Communication

The interdependence and integration of job-related actions require effective communication between individuals and groups, something that does not always happen in practice.

#### b. Availability of Information

The conservation, retrieval and interpretation (or, rather, misinterpretation) of information may in itself be a cause of conflict.

#### c. An Interruption in the Flow of Information

Conflict also occurs when the flow of information is interrupted. This may mean that people do not know what is going on, or that they are kept in the dark. Information is sometimes deliberately blocked, or incorrect information is furnished (disinformation). In addition, correct information may be misinterpreted because of a phenomenon, which is referred to as “psychological noise”.

#### d. Language differences

This is evident where so many different languages are spoken. Managers often think that some workers are saying something negative,

when the problem may simply be that they do not understand the workers' language. This is a possible cause of conflict and disunity.

e. Problems with the media

Information gathered by the media is not always accurate, which means that the "news" they disseminate may create further conflict. Sometimes, of course, the media are out to create sensation, in which case inaccurate or exaggerated information may increase the levels of conflict between the parties.

### **SELF ASSESSMENT EXERCISE 3**

Identify and explain the various ways in which communication in organization can induce conflict. Suggest means through which such problems can be minimized.

Other potential sources of conflict include the following:

- a. historical factors
- b. ideological differences
- c. low level of trust
- d. cultural differences
- e. a flawed collective bargaining system
- f. differences in education level
- g. uncertainty and ambiguity

### **SELF ASSESSMENT EXERCISE 4**

Read more than one newspaper a day over a period of four to eight weeks. Be on the lookout for reports on any type of conflict. Mark these clearly and then underline those that have to do with management (employers/organizations) and/or trade union (labour/workers)

## **3.4 Variables that Moderate and/or Aggravate Conflict**

While some factors may be the direct cause of conflict between labour and management, others may at times simply be variables that raise or lower conflict levels. For instance, an organization's labour relations history might influence current cooperation or conflict levels. Or, to put it more directly, when a trade union and management have had serious differences for some time, it is likely that conflict negotiations are going to take place in that organization, even after the historical issues have been resolved. The following are some of the factors that can aggravate or moderate conflict.

## **1. Mutual Recognition of Legitimacy**

An important factor in labour relations is the extent to which the two parties recognize the validity of the other's objectives. This recognition of legitimacy also means that the other party is accepted as a partner in dialogue. The entire collective bargaining process is based on acceptance of the other party's right to hold an opinion and to act in a certain way.

The negotiation process is therefore, based on the extent to which the parties recognize one another's viewpoints and right to a viewpoint, and accept one another's right to exist and to use certain methods of operation. In the absence of such recognition and acceptance, conflict levels will probably increase.

## **2. Personal Qualities of the Leaders**

Obviously, the personalities of trade union leaders and management representatives may have a significant effect on how the relationship between the two groups develops.

You appreciate the fact that a highly authoritarian personality; that is a person who is conservative, callous, power hungry and hostile to outsiders is more likely to create distrust and advocate a "win-lose" approach to collective bargaining.

## **3. Professionalism and Maturity of the Parties**

People who have learnt from past conflict situations are usually better equipped to handle conflict than inexperienced persons. By the same token, parties who do not understand conflict and who are not trained to handle it may act incorrectly, thus causing the conflict to rise to dysfunctional levels.

## **4. Competing Goals**

In a sense this refers to a relationship between parties who compete for scarce resources. The division of economic benefits between labour and management self-evidently becomes a cause of conflict. Collective relationships could therefore be more harmonious if both parties use every opportunity to cooperate in matters of mutual interests.

Many of the issues faced by management and labour are power-related, and a power struggle may be dealt with in a number of ways. On the one hand, trade unions may see the entire collective bargaining process in the light of absolute power, in which case they will engage in a constant battle for supremacy, and any advantage which they gain will be seen as a loss to the employer. If, on the other hand, management and labour see their task as a matter of problem solving, both will try to reach a compromise when faced with conflict, or at least a solution that will require a minimum of sacrifice from both parties. In other words, conflict levels are raised or lowered according to whether the parties choose an integrative or divisive type of bargaining.

## **5. Superordinate Goals**

An issue closely related to the previous one is the matter of superordinate goals. It has been found that the most effective way of reducing excessively high intergroup levels of conflict to minimal levels is to lay down a series of superordinate objectives or goals. This places the emphasis on “us” rather than on the separate parties (labour and management). The areas and modes in which hostility and frustration between management and labour (hence dysfunctional conflict levels) may be reduced could include the following:

- a. Training and education programmes that benefit both parties.
- b. Joint inspection of the reduction of expertise and waste.
- c. Promotion of occupational health and safety in the workplace.
- d. Promotion of human dignity, regardless of race, gender, colour, and so on.
- e. Measures to alleviate the housing needs of workers and their families.
- f. The pursuit of a better –quality working life.

These are potential areas of common interest for which more integrative or cooperative bargaining styles are needed. In other words, it involves working towards a situation that is to everybody’s advantage.

## **6. External Factors**

It needs to be emphasized once again that labour relations in organizations cannot be viewed in isolation. Any study of labour relations must take into account the general social and political milieu in which management and labour find themselves.

The government promulgates and enacts labour legislations in accordance with which management and trade unions are required to function. Such legislations are designed to institutionalize conflict

between these two parties. The IAP and the Industrial Court were for instance established as independent entities with the tasks of assisting management and trade unions to resolve conflicts between them.

It is important that we distinguish between pure conflict resolution and true conflict management (Bendix 2001). Conflict resolution refers to the achievement of an agreement between two parties who have difficulty regarding a particular matter. However, it often happens that such an agreement is reached because one of the parties has more power than the other and the “weaker” party merely acquiesced. In this situation, one or more of the parties will still be dissatisfied, despite the agreement that has been reached. To truly manage conflict, no duress should emanate from one of the parties, or from a third party. Both parties must be satisfied with the outcome and the potential for future conflict reduced. The overarching goal therefore is to improve the relationship between the two parties.

### **SELF ASSESSMENT EXERCISE 5**

List and explain the factors that can aggravate or moderate conflict.

## **4.0 CONCLUSION**

From the foregoing analysis, you can appreciate the fact that industrial conflict cannot be avoided or wished away by the management of any organization. Hence it is imperative that you should understand the nature of conflict, its manifestation, factors that aggravate it, and how to manage it in your own organization.

## **5.0 SUMMARY**

This study unit addressed the importance of conflict and the management thereof in labour relations. Conflict in labour relations is controlled mainly by way of the collective bargaining process, which involves detailed negotiations by all parties in such bargaining. Sometimes the initial negotiations are unsuccessful, resulting in the manifestation of serious industrial action.

In the next study unit, you will be taken through the various mechanisms for implementing labour relations policy.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. List and discuss at least eight potential benefits of conflict;



2. Explain at least five categories of possible causes or sources of conflict in collective bargaining.

## **7.0 REFERENCES/FURTHER READINGS**

Swanepoel et al (2002). Labour Relations Management: Micro. Pretoria: University of South Africa.

Bendix, S. (2001). The Basis of Labour Relations. Kennyn: Juta.

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## **UNIT 3 MECHANISMS FOR IMPLEMENTING LABOUR RELATIONS POLICY**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
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    - 3.2.1 Duties of the Employer towards the Employee
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    - 3.3.1 Employer's Rights
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  - 3.4 Discipline and Disengagement of Employees
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    - 3.4.2 Disengagement for Incapacity
    - 3.4.3 Disengagement for Operational or Business Reasons
  - 3.5 Critical Considerations in Retrenchment
- 4.0 Conclusion
- 5.0 Summary
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### **1.0 INTRODUCTION**

Specific structures and procedures, sometimes collectively termed mechanisms, must be put in place towards implementing the organization's labour relations policy. These structures and procedures are usually the outcome of collective agreements. In this study unit, we shall focus on the nature and operation of some of these mechanisms.

Such mechanisms are designed to add value and bring about cooperation, rather than to keep conflict levels in check, and facilitate the implementation of agreements.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- explain the rights of employers and employees in contractual relationship
- describe the responsibilities of the management and employees in organizational setup
- explain the conditions for disengagement of the employee.

### **3.0 MAIN CONTENT**

#### **3.1 Individual Agreement in Labour Relations**

The individual agreement is the contract of employment by means of which the relationship between the individual employer and employee is regulated. Since the contract of employment constitutes a very important component of labour relations management at the organization level, it is important that it is considered.

Basically, once a person offers his or her services (labour) to any other person (an employer) in exchange for remuneration, a specific contractual relationship comes into being. There does not need always for such agreement to be a written, formal contract. Where an oral agreement is concluded between the two parties, such parties are expected to abide by the provisions agreed upon.

A contract of employment is essentially a bilateral agreement between an employer and an employee. The employee offers his or her labour potential to the employer, and, in exchange therefore, the employer remunerates him/her labour. The content of the employment contract is determined by the employer and employee, but relevant laws and agreements laying down minimum conditions also have to be taken into consideration.

Usually, the contract sets out the rights and obligations of the employer and employee by way of provisions dealing with issues such as: job description; remuneration; working hours per day; annual leave, sick leave, maternity leave, compassionate leave and study leave; benefits (pension, medical fund and housing); protection of the company's interests – confidentiality and restraint of trade; the term of the contract, retirement age and notice period; requirements in respect of closed-shop agreements or agency-shop agreements; occupational health and safety rules; disciplinary rules; and any relevant procedural or substantive agreement between the employer and a trade union.

The implicit aspect of this contract of employment is that both employer and employee have specific rights and duties. The employee sells his/her services to the employer and in return the employment relationship requires the employer to render counter-performance.

The rights of the employee in the organization normally include the right to associate with other employees (that is, to belong to a trade union), to bargain collectively, to withdraw his labour or go on strike, to be protected and to receive training, among others.

### 3.2 Duties of the Employer and the Employee

Both the employer and the employee have some duties to perform from the contractual relationship between the two parties. Such duties are set out below.

#### 3.2.1 Duties of the Employer towards the Employee

The duties of the employer are as follows:

##### 1. Duty of Employment

Once a contract of employment has been concluded between an employer and an employee, the employee must be employed by the employer in accordance with the provisions of the employment contract. The employer must therefore take the employee into his/her service and remunerate the employee as from the date agreed upon. Implicit in this duty is the duty to keep the employee in employment and not to dismiss him or her arbitrarily.

##### 2. Duty to Provide Work as Agreed Upon

The designation of the job to which the employee is appointed is usually specified in the contract of employment, and, in such contract, the employee's duties are set out in broad outline. The employer must, within the limits of the provisions of the employment contract, use his or her discretion regarding the utilization of the employee's services. Nevertheless, the question that must always be asked is what the intention of the parties was and what can reasonably be expected of the employee.

An example which is clearly indicative of breach of contract in this regard is that where a person is appointed as a manager, but is demoted to a lower post after a few months, yet still receives the same salary. Another of such a breach of contract is that where a person is appointed as a training instructor, but is instructed after two weeks to perform low-level, clerical work for a few months. In both cases, there is no consensus (a meeting of the minds) and a lowering in status is the outcome. The employer is not entitled to unilaterally amend the terms of the employee's appointment.

##### 3. Duty to Remunerate

In the contract of employment, the parties agree that remuneration is payable periodically (daily, weekly or monthly). The remuneration need not necessarily be payable in money (an employee may, for example, be

entitled to part of a harvest). Moreover, not all of the remuneration need be paid in the form of a wage or salary, but may be calculated on a commission basis. The remuneration must, however, be fair and reasonable vis-à-vis the services rendered. It is the employer's duty to remunerate the employee for purely making his/her services available, which means that, where the employer is prevented from utilizing the employee's services owing to circumstances beyond the control of the employer, he/she (i.e. the employer) must remunerate the employee, provided that the latter continues to offer his/her services. The principle of "no work, no pay" however applies where an employee fails to make his or her services available as a result of participation in a strike.

#### **4. Duty to Provide a Safe Working Environment**

Every employer is expected to exercise reasonable care in ensuring the safety of the employees. In essence, not only must the workplace be safe, but also the machinery, equipment and work systems which are used.

There are relevant safety laws in Nigeria that impose specific obligations on the employer as regards the safeguarding of the work environment. Nevertheless, numerous matters pertaining to safety are negotiated by employers and trade unions, such as the training of employees and safety representatives in safety matters.

#### **5. Duty to Grant Leave**

The employers are to grant paid vacation leave to their employees. Where the employee cannot go on leave due to the nature of his or her work, the leave bonus must be paid.

#### **6. Other Duties of the Employer include**

1. to contribute to the pension fund;
2. to keep certain prescribed records;
3. to provide severance allowance at the instance of separation;
4. may not disallow employee from belonging to a trade union; and
5. to encourage the use of collective bargaining.

#### **3.2.2 Employee Duties to the Employer**

The employee also has specific duties to perform, arising from the contract of employment. Such employee duties include the following:

### **1. Duty to Make His or Her Services Available**

Every employee has a duty to make his or her services available to the employer as agreed upon in the employment contract. Thus, his or her right to remuneration depends on the availability of his or her services and not on the actual rendering thereof.

### **2. Duty to be Competent on the Work**

On the strength of a person's application for employment, he or she tacitly guarantees that he or she is able and competent to do the work required by the position. Every employee undertakes, by way of his or her employment contract, to exercise the necessary care and competence in performing his or her work. It is only when an incapacity is serious that termination is justifiable.

### **3. Duty to Act in Good Faith**

On conclusion of a contract of employment, a relationship comes into being between the employer and the employee. Therefore, the employee is required at all times to serve his or her employer honestly and to act in good faith. The employee must further the employer's business interests and the personal interests of the employee may not conflict with the interests of the employer.

### **4. Duty to Protect Property and Information**

Employees may also not misuse the property of their employers or divulge confidential information or business secrets.

### **5. Duty towards Good Behaviour**

Employees must refrain from committing acts of misconduct such as dishonesty, theft, intoxication, and the like.

### **6. Duty to Render Services in Subordinate Capacity**

Employees are expected to render their services in subordinate capacity, and to obey the lawful and reasonable instructions of the employer. They are also required to act respectfully towards the employer and senior colleagues.

An employer may only take disciplinary action against the employee if the employee's refusal to carry out lawful instructions is intentional and of a serious nature.

## **SELF ASSESSMENT EXERCISE 1**

Outline and discuss the duties of the employee to the employer.

### **3.3 Employer's Rights and Management Responsibilities**

#### **3.3.1 Employer's Rights**

The employer has specific rights vis-a-vis the employees. Therefore, the employee must:

- i) perform the required duty and may not arrive unnecessarily late, be absent from the workplace or be under the influence of alcohol or drugs;
- ii) be obedient, must not ignore lawful and reasonable instructions of management, and must not incite or intimidate co-workers;
- iii) behave properly and acknowledge and respect the authority of management, must not swear or fight, must not be dishonest towards management, must not commit fraud and must not insult co-workers;
- iv) exercise the right to associate, negotiate and engage in strike in a reasonable and responsible way; and
- v) be loyal to the employer.

#### **3.3.2 Management Responsibilities**

The management is responsible for ensuring that both parties respect each other's rights and abide by their respective duties. Such management responsibilities include:

- i) determining organizational objectives and strategies;
- ii) arranging for the utilization of resources to realize the objectives of the organization;
- iii) entrenching quality assurance to ensure that products or services satisfy the requirements of consumers or the customers;
- iv) ensuring that things are done efficiently;
- v) ensuring that customers are satisfied and will therefore buy and use the products or services, thereby guaranteeing the overall success of the organization.

## SELF ASSESSMENT EXERCISE 2

Outline the rights of employees in contractual relationship with their employers.

### 3.4 Discipline and Disengagement of Employees

An organization's disciplinary system provides the necessary mechanisms by which management can keep employee conduct in line with the organization's requirements. Discipline and dismissal are therefore important subjects for every manager towards ensuring that an erring employee is punished.

Nevertheless, the termination or dismissal of an employee should always be fair. A disciplined workforce is a prerequisite for the successful operation of any organization. Hence misconduct and incapacity cannot be tolerated, and employees must do their daily work satisfactorily.

Two basic principles of fair dismissal are as follows:

#### 1. Substantive Fairness:

This relates to the reason for the dismissal, which must be a fair one. In terms of common law, an employer does not have to give any reason whatsoever for dismissing an employee. The only obligation in terms of common law is to give the employee the required notice agreed on in the contract of employment.

#### 2. Procedural Fairness

This relates to the way in which an employee is dismissed. In most cases, an employer has to give the employee an opportunity to state his or her case in reply; an opportunity to defend himself or herself. In other cases, employers have to consult employee representatives such as trade unions.

A dismissal has to be both substantively and procedurally fair to qualify as a fair dismissal.

Fair reasons for dismissal are as discussed below:

##### i. Incapacity

Capacity refers to the employee's ability to do his or her work. For the employer to dismiss an employee on ground of incapacity, the reasoning will be that the employee does not have the ability to do the work and



should therefore be dismissed. Incapacity usually falls into one of two categories such as poor work performance or medical unfitness due to ill-health or injury.

ii. Misconduct

Dismissal as a result of employee's behaviour relates to the employee's conduct. In such a case, the employer would reason that the employee should be dismissed on account of some form of misconduct or misbehaviour. Instances are insubordination, assault on a fellow employee, theft of company property, frequent lateness to work, or intimidation of co-workers.

iii. Operational Reason

Retrenchment for operational reason is also called a "no-fault" dismissal because it relates not to employee's conduct or ability but solely to the organization's operational requirements. The reasons for such disengagement are related to economic considerations; such as economic downturn resulting in low revenue. Other examples include that; the employer no longer trusts the employee; the employee's presence has a negative effect in the workplace (called incompatibility), etc.

### **3.4.1 Disengagement on Ground of Misconduct**

Formal procedures do not have to be involved every time a rule is broken or a standard is not met. Informal advice and correction is the best and most effective way for an employer to deal with minor violations of work discipline. Dismissal should be reserved for cases of serious misconduct or repeated offences.

The principle of progressive discipline means that the punishment becomes proportionately more severe as the seriousness or frequency of the misconduct increases. For example, an employee may receive oral warning on the first occasion of lateness to work, a first written warning on the second occasion, and a final written warning on the third occasion. When the employee arrives late the fourth time, dismissal might follow.

### **3.4.2 Disengagement for Incapacity**

Dismissal for incapacity must be both substantively and procedurally fair just like the case of dismissal on the ground of misconduct. The employer must prove that there is a reason for the dismissal; that the

employee fails to meet a required standard, and that the employee is in fact aware of what is expected of him or her.

Procedurally, an employee must be given an opportunity to improve, and dismissal should only be considered an appropriate sanction for work performance if there are no other alternatives such as warnings, change of status and a transfer to another department, among others.

### **3.4.3 Disengagement for operational or business reasons**

#### **1. Substantive Fairness**

The substantive fairness of a dismissal for operational reasons is determined by the reason for the retrenchment or redundancy. The employer must have a valid economic reason for terminating the services of an employee. Such a valid reason may include the introduction of new technology, the restructuring of the company, the downsizing of the enterprise, or a desire to increase profit. Retrenchment is essentially a result of employees having become redundant; the employer no longer needs the labour potential of the particular employee(s).

It is unfair to retrench employees in order to avoid a disciplinary hearing. It is also unfair to retrench a large number of employees in order to get rid of a particular trade union.

The following are some of the circumstances giving rise to retrenchment:

- i. A decline in production occurs, or the demand for goods decreases or the purchasing power declines on account of poor economic conditions.
- ii. Organizations or industries change their activities, thus rendering certain positions redundant.
- iii. The employer decides to divest or relocate the enterprise.
- iv. The business is taken over and certain work is no longer required.

#### **2. Procedural Fairness**

Since the retrenchment of workers is a serious affair, it is essential that the employer first explores all other possibilities for sustaining the business before resorting to retrenchment.

These possibilities include the following:

- i. Not appointing new employees to perform the same tasks in the section where the employer intends reducing the number of employees.
- ii. Acceding to requests by older workers to take early retirement.
- iii. Reducing costs by; introducing shorter working hours, cutting back on overtime, and dividing up the work and by transferring employees.
- iv. Retraining employees so that they can do work which has become available as a result of vacancies.
- v. Introducing a shorter working week, of say four days a week.
- vi. Temporarily closing a plant or a part of an enterprise.
- vii. Compelling employees to take all their accumulated leave.

### **SELF ASSESSMENT EXERCISE 3**

List and discuss the reasons which can give rise to the disengagement of employees by their employers.

## **3.5 Critical Considerations in Retrenchment**

### **1. Consultation in the Retrenchment Procedure**

Basically consultation is a process that takes place at various stages of the retrenchment programme. Where employees are represented at plant level, consultation may take place when determining the general policies and procedures for retrenchment. This type of consideration will most likely culminate in a general agreement pertaining to retrenchment, thus eliminating the need for repeated consultation of this nature.

Employees' representatives will want to know in what circumstances the employer will regard retrenchment as essential. It is also advisable to agree on mutually acceptable standards or methods possible for verifying such circumstances. Consideration must be given to possible alternatives to retrenchment. But the most important matters during this phase are the negotiation of mutually acceptable criteria for selecting employees for retrenchment, and reaching agreement on the exact steps and procedures which must be followed in the case of the actual retrenchment process.

### **2. Criteria for Selection on Retrenchment**

The question as to what criteria should be accepted for selecting employees for retrenchment is often one of the most controversial ones in the debate about retrenchment. The policy of "last in, first out" or

“LIFO” principle is frequently adopted in this regard. The principle rewards length of service and is the most objective criterion. Moreover, it is the easiest to apply.

It also prevents any favouritism or discrimination against trade union members. Yet one could argue that “LIFO” operates to the disadvantages of trade unions, for often, their members are the younger employees. Apart from the “LIFO” principle, special circumstances must also be taken into account, for example, the need to retain specific skills in order to ensure efficient operation of the business in future.

Criteria that must be objectively considered in making the selection are the abilities, experience, skills and occupational qualification of the individual employees; the length of service; age of the employee; and family circumstance (e.g. single breadwinners, disability), among others.

### 3. Severance Pay for Retrenchment

The amount of the severance pay in the case of retrenchment is normally negotiated by the employer, the employees and the particular trade union and or workplace forum as the case may be.

#### 4. Notice to Employees on Retrenchment

The issue of the period of notice which must be given to employees remains one of the most controversial aspects of the retrenchment. To avoid a decline in morale and productivity, employers try to delay giving notice to specific employees who are to be retrenched until the last possible moment. Although their reasons for doing so are sound, trade unions insist that adequate notice be given to employees.

One of the reasons why trade unions do this is the severe psychological effect which sudden notice on employees have. To know that one will be without work in a few days has a considerable impact on employees. However, some managers believe that the speedy breaking of the relationship is preferable to a long, drawn out separation.

#### 5. After-Care for Retrenched Employees

Once dismissals resulting from retrenchment or redundancy have been finalized, it is essential that all necessary assistance be given to employees in claiming unemployment payouts and other benefits. Even

where the paper work has been done before the actual retrenchment take place, there will always still be enquires and problems.

Employers should also keep on assisting those concerned to find other meaningful employment if possible. For these reasons, among others, it may be necessary in the case of either partial retrenchment or total closure (and especially in case of mass retrenchments) to establish a temporary after-care office. This could be part of the human resource or personnel department or entirely independent of the employer's other business operations.

Nevertheless, some trade unions have argued that adequate notice will enable the workers to look for alternative jobs and to also prepare themselves psychologically for the new life ahead of them.

#### 6. The Undertaking to Re-Employ Employees

Many trade unions demand that preference be given to retrenched employees where vacant positions arise in the organization in future. The appropriate procedure would be to inform the trade unions concerned of the vacancies and to give them an adequate opportunity to contact retrenched employees who could possibly fill them. The demand that reappointment be offered is a reasonable one, but is one that must be carefully considered.

#### 7. Retrenchment Policy and Procedure

It is advantageous for an organization to have a retrenchment policy irrespective of whether or not there is a trade union, since it is preferable to have some policy or procedure in place rather than stumbling and rummaging about for solutions when management is faced with the reality of retrenchments.

Many companies that have agreements with trade unions have agreed on retrenchment policies and procedures. Nevertheless, those companies which do not have a significant trade union presence should consider having policies and procedures in place. These could take the form of guidelines, or could be elevated to an official policy which is made known to employees or employee representatives.

A clear and fair retrenchment procedure is a prerequisite for ensuring consistency in the retrenchment of employees. It is a formal procedure which foresees the possibility of a reduction in the workforce when the need arises. Such a procedure lays down principles and practices which will ensure that, when retrenchment stares the company in the face, the

necessary information is provided, that there is consolation, and that objective selection takes place when retrenching employees.

### **SELF ASSESSMENT EXERCISE 4**

Mention and discuss the critical considerations involved in retrenchment of employees by their employers.

## **4.0 CONCLUSION**

The above discussion has exposed you to the necessary areas within which both employers and the employees can exercise their rights regarding the contractual relationship between them. It is instructive to note that such contractual rights carry with them some defined obligations. Hence as both parties are entitled to their rights, they are also under obligations to reciprocate in the like manner.

## **6.0 SUMMARY**

This unit has been used to discuss the rights of the employers and those of the employees under the contractual relationship between both parties. In addition, the unit also treats issues which border on the factors to consider when disengaging employees from the services of the organization. The unit also explains what should be considered in situations of dismissal of erring employees for serious misconduct in the organization.

In the next unit, you will be exposed to issues on industrial democracy, an area that can be used by the management team towards earning the confidence of the employees, who are actual partners in progress to the former. This will guarantee organizational effectiveness and profitable operations.

## **6.0 TUTOR-MARKED ASSIGNMENT**

List and discuss the various rights of both the employee and the employer in a contractual relationship.

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## MODULE 4

- Unit 1 Industrial Democracy
- Unit 2 Worker Participation and Industrial Democracy
- Unit 3 Economic and Financial Participation
- Unit 4 Workers Participation through Workplace Forums

## UNIT 1 INDUSTRIAL DEMOCRACY

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- 2.0 Objectives
- 3.0 Main Content
  - 3.1 An Overview of Industrial Democracy
  - 3.2 The Concept of Worker Participation
  - 3.3 Goals of Industrial Democracy
  - 3.4 Reasons for Allowing Worker Participation
- 4.0 Conclusion
- 5.0 Summary
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### 1.0 INTRODUCTION

The worldwide trend towards worker participation is in line with the principles of democracy. It has to do with the empowerment of workers (directly, or indirectly by way of their representatives) in the context of the organization.

There is a trend, worldwide, towards changed modes of governance and management in organizations, especially as a result of the attempts on the part of organizations to position themselves so as to to competitive edge in the new millennium. These changes apply particularly to adjustments concerning the modern-day employment relationship. Internationally, notions of “empowerment through democracy” are pre-eminently affecting the work relationship. Communist, socio-economic systems are being replaced on a large scale by the free market-oriented and democratic systems. Change, even in the market-driven economies of the world, is taking place at an ever-increasing rate.

Workers can now expect a greater degree of participation in organizational decision making. Various structures, such as bargaining councils and collective agreements are being put in place in many



countries to promote participation, and organizational rights expanded in order to realize this aim. The most important structure for the promotion of worker participation is the workplace forum.

Consequently, in this unit, we shall focus on the empowerment of workers (directly, or indirectly through their representatives) within the organizational context.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the concept of industrial democracy
- explain the meaning of worker participation
- identify and explain the goals of industrial democracy
- identify and explain the reasons for worker participation.

## 3.0 MAIN CONTENT

### 3.1 An Overview of Industrial Democracy

According to Pons & Deale (1998), industrial democracy refers primarily to participation in management and participation in decision-making processes by the workers in organizations. In other words, to a labour relations system in which the democratic rights of workers are recognized, empowerment in the workplace is allowed, and employers and employees are seen as partners. Employees should be afforded the opportunity of directly or indirectly participating in the management and decision-making processes of the organization, while the development of industrial democracy must be driven by labour legislation.

In Nel (2002), the underlying basis of industrial democracy was described as follows:

*A respect for the dignity of man which must not be arbitrarily disregarded in the promotion of the interests of the total society. It requires an equal opportunity for advancement to all men, regardless of race, religion, national origin, political belief or any other personal characteristic apart from the requirements of the job. It calls for certain minimum standards of life relating to wages, leisure, education, health, and safety. And it involves a general atmosphere or climate of opinion which minimizes class differences, rejects the master-servant relationship, and regards all men as spiritually*

*equal, even though they may differ in intellectual or physical abilities.*

In the same vein, Elliot (1988) as quoted in Swanepol et al (2001) defines industrial democracy thus:

Broadly, industrial democracy involves workers (normally through their trade unions) claiming rights to have a greater say over matters affecting their work lives. This involves the running of the country's economic and industrial affairs which in turn involves those who are in positions of authority handing over some of their powers to representatives of workers.

You can therefore appreciate the fact that industrial democracy is related to the role and status of workers in industrial community. Pons and Deale (1998) define industrial democracy as the extent to which workers and their representatives influence the outcome of organizational decisions. Here, two aspects are of importance, namely the extent of participation in decision making (the number of decisions) and the importance/value which workers attach to the specific decisions.

Two important factors that have come to the fore in the above discussion are those of participation and representation. Recognition of these factors is essential for the creation of industrial democracy in an organizational setup.

### **SELF ASSESSMENT EXERCISE 1**

Explain the term industrial democracy.

### **3.2 The Concept of Worker Participation**

Anstey (1997) defines worker participation as “a process which recognizes the needs and rights of employees – individually and collectively – to participate with management in organizational decision-making areas beyond those usually associated with collective bargaining.”

Salamon (1998), on the other hand, defines participation as “a philosophy or style of organizational management which recognizes both the need and the right of employees, individually or collectively to be involved with management in areas of the organization's decision-making beyond that normally covered by collective bargaining,” and as “those initiatives by the state, unions and employees which promote the

collective rights of employees to be represented in organization decision-making.”

Nel (2002) defines participation as the involvement of one group of employees (not managers) in the decision-making processes of the organization which were traditionally the responsibility and prerogative of another group of employees (managers).

Bendix (2001) describes worker participation as “the involvement of the employee in the organization and planning of the work process, in the establishment of procedures and future processes, in the decision-making bodies of the undertaking.” She also clearly states that participation can assume different forms; from disclosure of information and consultation to joint decision making and shared ownership, with the goal of participation being exclusively the realization of industrial democracy in the workplace.

Swanepoel (2001) regards worker participation as those attempts on the part of management to give workers the opportunity to become involved with, or to participate in the decision-making processes which are related to their daily activities as well as to the functioning of the organization as a whole. Worker participation thus refers to any process by means of which the relationships of power in the organization are changed directly or indirectly outside the confines of the traditional form of power sharing by way of collective bargaining. Some methods of ensuring better Communication in an organization, such as meetings and committees, may thus also be regarded as forms of worker participation.

From the array of definitions above, worker participation thus mainly entails those processes by means of which non-managerial employees are afforded the opportunity of participating in (and feeling part of) decision-making and of exerting a significant influence on decision-making areas which, traditionally were regarded as the “employer’s prerogative.” Consequently, management will, to some extent, have to give up some of its powers and resort to more participatory management styles and methods.

## **SELF ASSESSMENT EXERCISE 2**

Explain the term worker participation, and highlight various forms of worker participation as espoused above.

### **3.3 Goals of Industrial Democracy**

The realization of democracy in the economic environment means that all workers must, directly or indirectly, be given the opportunity of

participating in the management, and thus the decision-making of the organization. However, democracy is usually seen as comprising only direct participation in these processes.

Nel (2002) opines that industrial democracy is important to workers because it results in an increased share in the control of the organization, in the economy and in the community as a whole. In addition, for other reasons, management also starts becoming more positive about industrial democracy, seeing it as a way of promoting more effective operation of the organization.

Essentially, participation means that workers who work under the supervision of others, as well as all those workers affected by the activities of a particular organization, should have a say in the decisions regarding these activities.

The following goals of worker participation can be identified:

1. The ethical goal, which is concerned with the personal growth of the worker;
2. The political goal, which is aimed at extending the individual's civil rights in the organization – an aim which is in line with the concept “democracy”;
3. The social goal, which is concerned with the promotion of healthy relationships in the organization, which will have a beneficial effect on the organization as well as on the community;
4. The economic goal, which is aimed at the promotion of productivity and profitability.

### **3.4 Reasons for Allowing Worker Participation**

Salamon (1993) posits that there are chiefly four reasons why participatory structures are established in organizations, namely:

- i. Morale: it is an ideological belief in the right of workers to share in decisions which affect them.
- ii. Power: it is the pragmatic reaction of management to the collective power of workers within the organization.
- iii. Trade union: it constitutes direct trade union activities which “compel” management to allow a greater degree of worker participation.

- iv. Political: it refers to the policy and legislation emanating from the political system, which compels organizations to accept systems allowing greater participatory management.

Bendix (2001) also advances some reasons why management and trade unions support participatory programmes.

- i. Management sees participation as a way of increasing the commitment and cooperation of workers.
- ii. Trade unions see it as a way of increasing worker influence and control in the workplace.
- iii. Workers see participation as a way of overcoming employer-employee conflict and of achieving cooperation between management, trade unions and employees.
- iv. There is an economic benefit flowing from participation.

### **SELF ASSESSMENT EXERCISE 3**

What are the goals of, and the reasons for encouraging worker participation?

## **4.0 CONCLUSION**

You will understand from the analysis above that industrial democracy is a compelling aspect of managerial decision-making in the modern industrial undertaking. The rationale for the involvement of workers in decisions affecting the affairs of the organization is hinged on the fact that the workers are regarded as partners in progress by the management. It is also necessary for the management to involve the workers in managerial decisions in order to ensure high level of morale and performance among the rank and file of the workers in the organization.

## **5.0 SUMMARY**

This study unit has been used to discuss the concept of industrial democracy and the meaning of worker participation in organizational decisions. In addition, the unit also discusses the goals of industrial democracy and the reasons for allowing workers to partake in the decisions affecting the operations of the organization.

In the next study unit, you will be taken through the various forms of worker involvement and techniques which can be adopted by the

management of an organization towards ensuring that workers are accorded some modicum of freedom to participate in the decision-making processes of the organization.

## 6.0 TUTOR-MARKED ASSIGNMENT

1. Discuss the relationship between industrial democracy and worker participation;
2. What are the reasons for allowing the workers to partake in decisions affecting the operations of the organization?

## 7.0 REFERENCES/FURTHER READINGS

- Swanepoel et al (2002). Labour Relations Management: Micro, Pretoria: University of South Africa.
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## **UNIT 2 WORKER PARTICIPATION AND INDUSTRIAL DEMOCRACY**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Elements of Worker Participation
  - 3.2 Degrees of Power Sharing in Participation
  - 3.3 Forms of Worker Participation
  - 3.4 Different Levels of Worker Participation
  - 3.5 Techniques of Worker Participation
    - 3.5.1 Participation by Suggestion
    - 3.5.2 Participation through Quality Circles
    - 3.5.3 Participation by Consultation
    - 3.5.4 Participation through Co-Determination
    - 3.5.5 Participation through Teams
    - 3.5.6 Participation through Self-Government
    - 3.5.7 Participation through Trade Unions
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
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### **1.0 INTRODUCTION**

From the preceding study unit, it is obvious that the realm of industrial democracy is the subject of elaborate analysis. You will recall that industrial democracy involves granting the workers some measure of participation in the formulation of policies that affect their life at the workplace in particular and the operations and fortunes of the organization in general.

The pertinent question at this juncture is, how can the organization ensure the workers' effective participation in decisions that affect the quality of their work life? Hence in this study unit, you are ~~taken~~ through the various ways by which the organization can ensure workers' participation in its affairs regarding the decisions that affect the operations of the organization.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the elements of worker participation
- explain various degrees of power sharing in worker participation
- identify and explain the techniques of worker participation in decision making.

## 3.0 MAIN CONTENT

### 3.1 Elements of Worker Participation

Nel (2002) on worker participation holds the view that it consists of three interrelated elements which may manifest themselves in organizational decision-making processes in a number of ways. If one of these elements is absent, workers will be unable to participate in organization decision making. The extent to which influence, interaction and information sharing occurs will also determine the level of participation. These elements of participation are discussed below.

#### i. Influence

The highest of participation occurs when the employer and workers have equal influence in decision making. At the lowest level of participation, managers retain all the influence and make the final decision. It is possible for worker to have a greater degree of influence over decision-making while the final decision remains the prerogative of management, for example when management undertakes to consider seriously the alternative proposals of workers before taking the final decision.

#### ii. Interaction

This element is chiefly concerned with the problem solving activity of both management and workers. Interaction, in this context, refers to their attempts to reach agreement on the actions to be taken to realise the organization's goals. Interaction between management and workers is therefore the hallmark of participation, since it will be impossible to involve workers without any form of interaction.

#### iii. Information Sharing

If management wishes to interact meaningfully with workers, it must be willing to make information available to them, and must be willing to consider seriously information which they provide. The aim of



information-sharing between managers and workers is to understand each other's viewpoints in order to reach agreement, which of course, also presupposes interaction.

### **SELF ASSESSMENT EXERCISE 1**

List and explain the three elements of worker participation.

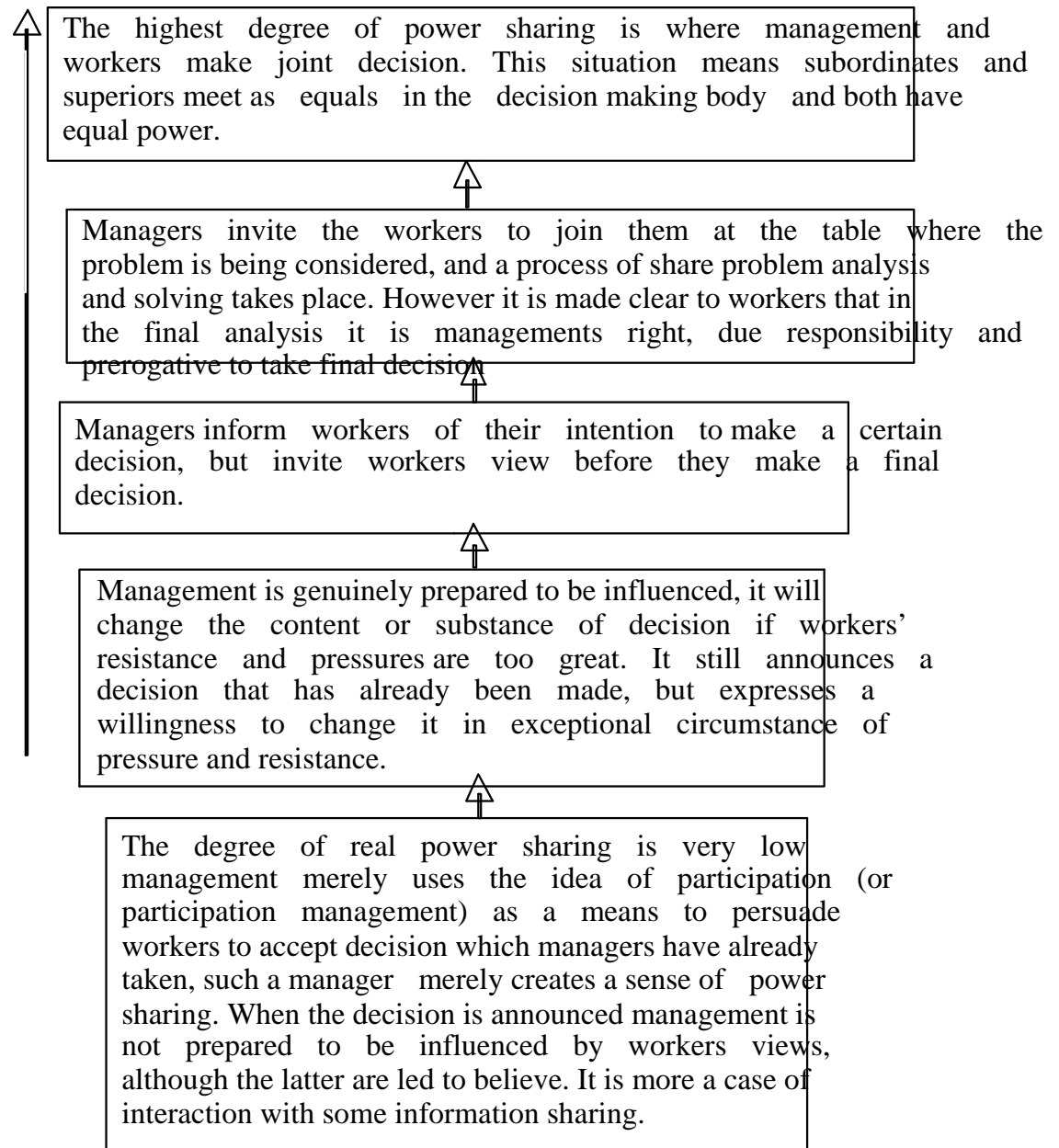
### **3.2 Degrees of power-sharing in participation**

Nel (2002) is of the view that participation will always entail a measure of power sharing. Briefly, power may be defined as the ability on the part of someone to get something done in a particular way and /or through certain other people.

Legitimate power refers to that “power” which a person has purely on the basis of the position which he or she holds. When workers (non-managers) are involved in the decision-making of a manager, they share the decision-making power and this power is linked to the position concerned, and therefore only the manager has the power.

The degrees of power sharing from high to low are set out in figure 12.1 below.

**Figure 12.1: Degrees of Power Sharing.**



**Source: Adapted from Nel, P. S. (ed) 2002. South African Employment, Relations, Theory and Practice, p 217**

It is clear that interaction and information-sharing occur throughout in varying degrees. At the first level of power-sharing, there is however no measure of influence, but as the degree of power sharing increases, so does the level of influence.

## **SELF ASSESSMENT EXERCISE 2**

Discuss the various degrees of power-sharing in worker participation.

### 3.3 Forms of Worker Participation

Traditionally, the role of management in organization is seen as the management and coordination of organizational activities through planning, organizing, motivating and control. The role of the worker, in turn, was to be recruited and trained to carry out specific tasks. However, the need arises to bridge this gap between the roles of management and workers. According to Salamon (1998), forms of interaction between the workers and management should be brought about by means of which workers while continuing to fulfill the role of workers, can participate (directly or indirectly) in certain functions which have traditionally been classified as “management”.

There are various ways in which such interaction can be achieved, for example through joint consultation and collective bargaining. Walker (1975) is of the view that such interaction between management and the workers is influenced by the following factors.

#### i. The Method or Degree of Participation

Direct participation is characterized by active individual involvement in the decision-making processes, while indirect participation is characterized by the activities of elected representatives.

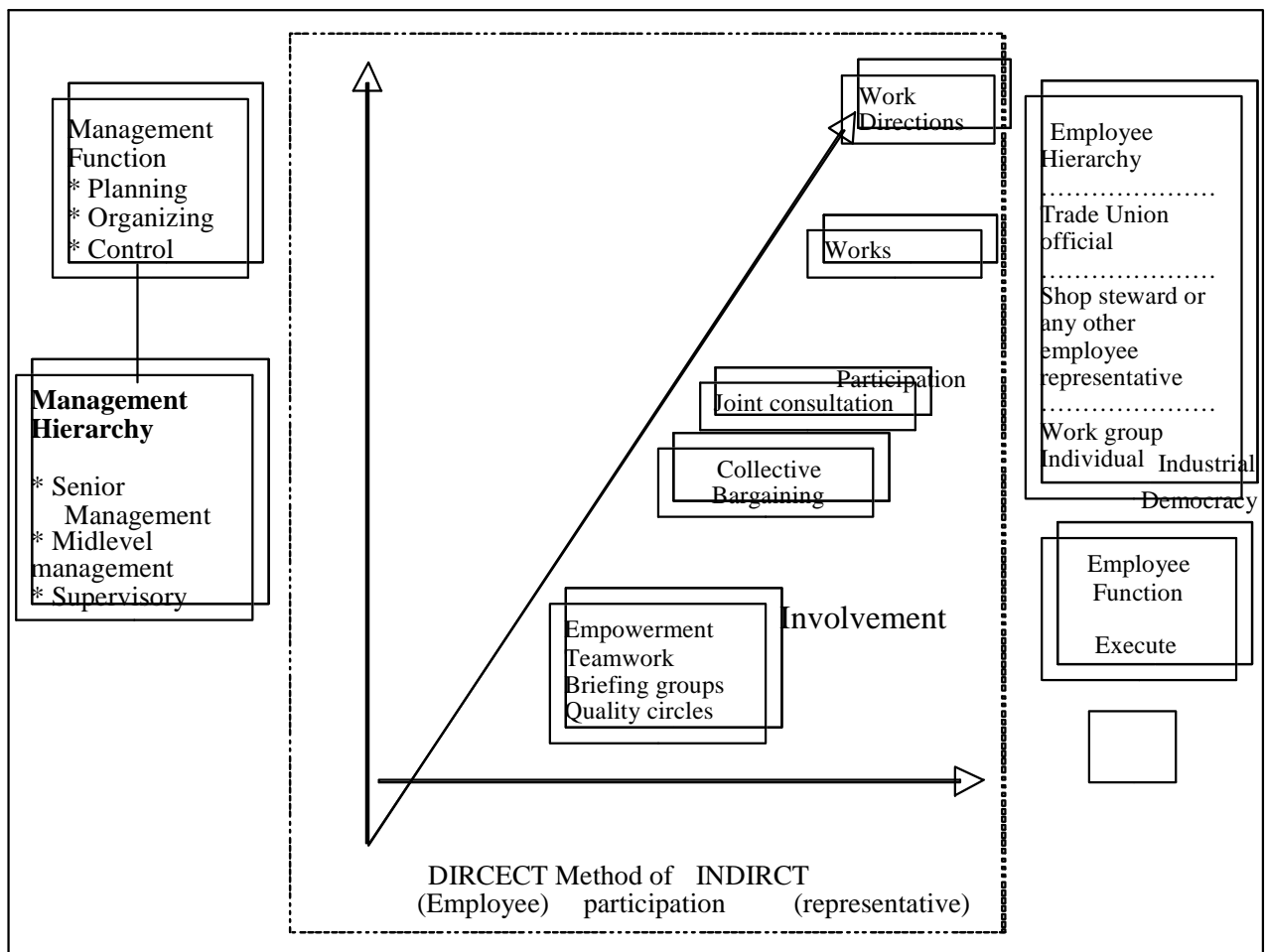
#### ii. The Level in the Organization

Participation may vary from ground-level participation (the immediate work situation of the worker) to participation at board level.

#### iii. The Scope of Participation

Direct, lower-level participation in the organization is usually task-centered, whereas higher-level, indirect participation tends rather to be power-centered.

**Figure 12.2: Forms of worker involvement and participation**



Source: Salamon (1998) Industrial Relations, Theory and Practice, p. 355.

Some writers propose four basic forms of participation, namely shop floor participation, works councils, collective bargaining and representation on company boards. Other forms of participation have also been developed in specialist areas such as health and safety, productivity, pension funds and training.

Nel (2002) observes that participation in the work environment can assume different forms. It can take place from within the organization (internally) or by way of parties outside the organization (externally). Internal participation can, in turn, also assume different forms, namely statutory or voluntary participation. Statutory bodies for worker participation include workplace fora and safety committees, while voluntary participation is achieved by means of methods such as quality circles, team work and task teams.

Participation may also be direct or indirect. Direct participation occurs when a worker participates, personally and directly, in the decision-making processes of the organization. Usually such participation is voluntary and there is thus no form of representation.

Indirect participation, on the other hand, can occur only by way of representation. Workers elect representatives from among their ranks to participate in the decision-making process on their behalf. These representatives are usually shop stewards or fellow workers who work in the same workplace. When workers are represented by persons outside the organization, such as by full-time trade union officials, this is known as participation by way of external representation.

### 1. Direct Worker Participation

According to Nel (2002), direct worker participation customarily entails that the subordinate participants speak for themselves about work or matters related to work. It is regarded as a process of job enrichment and enlargement where the worker is offered the possibility of extending the depth and width of his work tasks, but without any control over organizational planning or goal setting.

Where the worker is involved in the process giving rise to increased productivity, it is important that he or she should share in the financial rewards resulting there from. To be of value, direct worker participation must also include the following elements;

- The provision of all information relevant to the particular task/work;
- Consultation regarding changes which will affect the worker;
- Personal involvement of the worker in the decision-making process.

Direct worker participation is usually with low-level participation because this is the level at which workers operate and where they are usually best able to contribute. It is important to note, however, that without some form of direct worker participation, it is unlikely that indirect worker participation will be successful.

## 2. Indirect Worker Participation

This refers to all those forms of participation which occurs through representation. Normally, such forms of participation occur at higher levels in the organization and tend to be power-centered.

There are various statutory bodies which facilitate indirect workers participation. This type of participation takes place when, in addition to their operational tasks, worker represent their fellow workers on management boards, boards of directors, works councils and other committees. Such representatives must be democratically nominated and elected, and the election procedures are usually laid down in the organization's policy documents.

According to Salamon (1998), based on figure 12.2 above, there are two contrasting strategies in worker involvement as you can observe from the following analysis.

### a. Direct Forms of Involvement

These forms of worker involvement (e.g. empowerment, team work, briefing groups, quality circles) focus on the individual worker or work group, and on the immediate operational situation (task centered). Such strategy may be referred to as one of decreasing involvement, since employers initiate such a development for their own purposes (involvement is offered) and, as part of the changes, power and responsibility are transferred from employer to worker in respect of a limited series of job-related decisions (e.g., work methods, task allocation, quality maintenance).

However, the content of this phase is confined primarily to the implementation phase of operational decisions that have already been taken by management. The aim of this approach is to motivate the individual worker, to increase job satisfaction and to heighten the degree to which the worker identifies with the goals and decisions (as determined by management) of the organization.

### b. Indirect Forms of Participation

Indirect forms of participation, for example the expansion of collective bargaining, the establishment of works councils/workplace fora, and the appointment of worker directors, focus the attention on the execution of their “managerial prerogative “ and on the balance of power between management and workers in the decision-making process of the organization.

This strategy may be referred to as one of increasing participation, because it aims at protecting worker interests by expanding their collective influence to include a wider range of decisions at higher levels in the organization. Furthermore, the initiatives for developing these forms of participation can come from workers and their representatives. Hence indirect participation requires representatives. Thus, this form of participation is concerned primarily with extending the worker’s influence by means of a process of joint decision-making in respect of policies and organizational planning which, formerly, were the exclusive prerogative of management.

It should therefore be clear that a distinction must be drawn between involvement and participation. Worker involvement is regarded as extension of the power to make decisions and of business information, rewards, for performance and technical and social skills to the lowest levels of the organization. All the elements of this definition are very important.

It is instructive to note that without the power to take decisions, worker participation is merely superficial; it is naïve and potentially harmful if there is inadequate information about the organization; rewards are necessary to bring individual motivation in line with organizational goals; and effective participation requires technical and social skills. Worker involvement is reflected in the way in which it is managed and structured rather than merely by attitudes of individuals.

### **SELF ASSESSMENT EXERCISE 3**

Differentiate between worker involvement and worker participation. Give examples in each case.

Anstey (1997) identifies three types of worker involvement, namely:

- i. Involvement by suggestion is usually generated by structures such as quality circles. These structures function in parallel with the formal organizational structures and require no change.
- ii. Task involvement entails those forms of involvement where workers in self regulating teams acquire greater control over day-to-

day decisions which directly influence their tasks. These types of approaches automatically change the job/post design.

- iii. High –level involvement includes the above two approaches but goes further in that it involves workers in the management of the organization. Far-reaching changes, including the sharing of power and information, skills development and changed human resource systems, are anticipated in such work environments.

## SELF ASSESSMENT EXERCISE 4

Identify and explain the various forms of worker participation in your organization.

### 3.4 Different Levels of Worker Participation

Nel (2002) makes a clear distinction between three levels of participation in an organization, namely low-level, middle-level and top-level participation. These three levels are expanded on in the figure below:

**Figure 12.3: Level of Participation**

Low-level participation	This kind of participation usually refers to the tasks of the worker and particular aim is to prevent job alienation. Low-level participation promotes job satisfaction and extends the scope of workers tasks.	Low-level operational work; task-based decision making	Direct. Team	work and quality circles.
Middle-level participation	Middle-level participation occurs when, for example, a worker in a multi-plant organization participates in the decision making process of the plant regarding aspects such as rules, regulations, disciplinary procedures,	Middle-level decision making.	Indirect. Health	and safety committee's works councils, workplace fora.'



	etc.			
Top-level participation	Top level participation takes place when workers participate in the decision making top management	Top management and worker representative decide on strategy aspects which are of importance to the organization as a whole.	Indirect participation from outside the organization.	Representation by trade union officials

**Source:** Adapted from Nel, P. S. (ed) 2002. South African Empowerment Relations: Theory and Practice, p 219-220.

From the above, it means that the higher the level of participation in an organization, the greater the likelihood that only representation will be involved in the decision-making process.

## SELF ASSESSMENT EXERCISE 5

Identify the various forms of worker participation at various levels of organizational management.

### 3.5 Techniques of Worker Participation

The various worker participation techniques may be employed at any of the levels of participation or with any form of participation. Nel (2002) identifies the following techniques:

#### 3.5.1 Participation by Suggestion

Participation by suggestion involves individual workers trying to influence employer decision-making at a localized level; for instance, at plant or shop floor level. It often concerns decisions which are of direct relevance to a worker's job; the emphasis is generally on day-to-day decision-making of limited application within the organization as a whole. Methods such as speak-up sessions and suggestion-box systems may be used.

This technique focuses on offering workers an opportunity to make suggestions, for example, about the use of raw materials, technological improvements, ideas on cost saving, how to increase work efficiency by means of new techniques or equipment, improvements in communication, better supervisory practices, and the like.

There will often be committees, sometimes consisting of both worker and management representatives, whose responsibility it is to review, evaluate and consider these suggestions. A worker may ask his or her

shop steward to put forward a suggestion on his or her behalf. Thus this participation is always direct in nature and may be informal.

### 3.5.2 Participation through Quality Circles

The concept of quality circles has generally become a very popular technique for getting lower-level workers involved in upward problem-solving, and, consequently, in decision-making.

Munetsi (1998) define a quality circle as team of workers which meets on a regular basis in order to analyze and solve worker-related problems. Nel (2002) observes that a quality circle is essentially work discussion group which usually consists of six to ten workers from the same section or department of an organization. Such groups meet regularly, for instance weekly or fortnightly, to identify, investigate, analyze, evaluate and consider problems in their work environment. These problems are work or production related, with the focus falling on quality improvement. Meeting takes place during working hours, when ideas are pooled in order to come up with solution to problems in the working place and thus improve the quality of work and workout output.

Anstey (1997) see quality circle as the most common form of direct participation. He defines a quality circle as consisting of a small group which meets voluntarily for the purpose of exercising quality control functions in the workplace. Usually such a group forms part of a larger, organization-wide quality improvement program. Quality circle do not require significant changes in the relationship of power within a traditionally, hierarchical structure in the organization.

The members of quality circles are volunteers with the same objects and experience. They should preferably be well trained in aspects such as data collection, statistical and analytical methodologies, and general problem-solving techniques. A quality circle consists of a leader, a facilitator and a steering committee.

Often, departmental heads, section heads or supervisors assume the role of leaders of quality circles. However, leaders may also be elected from among the ranks of workers or group members. The leader coordinates and liaison function and must possess sound leadership skills. The facilitator is appointed by the steering committee and is also a member of such committee. He or she coordinates and keeps record of all activities, organizes meeting and arranges for submissions to management. The facilitator provides the necessary support and such committee must be representative of all faces of the business. The committee must provide the guidelines and resources which a quality circle needs, and must plan the implementation of proposals.

Further functions of the steering committee include: monitoring progress and measuring the cost effectiveness of quality circle activities; arranging publicity for quality-circle activities and achievements; and controlling the degree of expansion of the quality circle.

Final decisions on changes in the workplace are usually not taken by the quality circle. Instead, suggestions are made and possible solutions are passed on to the section or departmental head for a final decision regarding the implementation thereof.

Nel (2002) observe that an important characteristic of quality circles, which distinguishes it from other forms of participation by suggestion, is that the workers who form part of quality circles receive training in respect of problem-solving skills which they need in carrying out their activities.

Munetsi (1998) regards quality circles as a way in which participatory management can take place at the level of the worker. By means of quality circles, the needs of workers for recognition and status are satisfied. In this way, worker themselves are held responsible for the quality of their output, and this leads to the development of individual talents, to the benefit of both the individual and organization.

Usually, the use of quality circles goes hand in hand with a significant improvement in Productivity and the quality of products. The increased cost saving, cooperation and team spirit within the context of the quality circle lead to the development of the leadership skill of supervisors and to the improvement of communication and relations between management and workers. Munetsi (1998) observes that the individual member of the quality circle feels that he or she has achieved something if his or her personal contributions are acknowledged and rewarded.

Anstey (1997) identifies some characteristics of quality circles such as, that: membership is voluntary; members are drawn from a single workplace; all members have the same status; quality circles function parallel to, or within existing organization structures; member themselves identify problem and select projects; members are trained in problem-solving skills and meeting procedures; project management and submission, decision-making skills and methods; meetings, though held regularly, are short in duration; and there is little pressure as regards time.

Other characteristics of quality circles are that: there is facilitator assistance; solutions to problems are evaluated on the basis of their cost effectiveness; solutions are submitted to management for approval;

quality circles implement and monitor their own solutions; and quality circles have little power.

Anstey (1997) also identifies eight critical success factors in quality circles such as: management commitment and support; involvement and support on the part of worker and trade unions; training; organization and financial stability; personal characteristics of facilitators; the individual's characteristics of member and organizational preparedness.

### SELF ASSESSMENT EXERCISE 6

Identify the basic characteristics of and the critical success factors in quality circles.

### 3.5.3 Participation by Consultation

Participation by consultation is a technique whereby workers, through their representatives, periodically confer with their supervisors or with more senior employer representatives. This is done in structured manner by means of, for example; a committee, board or other similar structure.

Consultation committees usually comprise a number of managers and workers with sufficient experience. The workers are elected on merit and their objective is to represent the other workers. Committees are formed primarily to enable representatives to devote attention to specific issues, such as the improvement of worker-welfare facilities. These committees are therefore involved in the decision-making process through consultation with the employer, with a view to influencing the latter's decision in respect of specific aspects.

Marchington, Goodman, Wilkinson and Ackers (1992), as quoted in Nel (2002), define joint consultation as a mechanism for manager and employee representatives to meet on a regular basis, in order to exchange views to utilize members' knowledge and expertise, and to deal with matters of common interest, which are not the subject of collective bargaining

An important facet of this form of participation is management's sincerity in considering the criticisms and proposals of workers usually as put forward by their representative. Management must genuinely be prepared to consider proposals before a final decision is taken. And it must also be prepared to give reasons for decisions where the proposals in question are not accepted.

It should thus be clear that, although workers theoretically participate in decision making within the organization, they are usually regarded only as advisors, with the final decision remaining the prerogative of management. However, worker representatives are able to provide valuable information about the attitudes and opinions of workers. This information must be borne in mind when final decisions are taken. In this way, management is able to develop sensitivity for the ideologies and values of workers. By keeping such values in mind when taking decision, management will be able to create a relationship of trust between itself and the workers, thereby improving cooperation between workers and management.

Nel (2002) observes that there are, however, certain factors which limit the use of committees, for example, the limited number of workers who by means of a committee form part of the decision – making process. Shop floor and unskilled workers are often not selected to serve on such committees because they possibly do not have the necessary knowledge, skills and experience.

### **3.5.4 Participation through Co-Determination**

Nel (2002) holds the view that, the principal characteristic which distinguishes this form of participation from the others is the fact that workers (mostly through their representatives) and the employer (represented by management) are held jointly responsible by the owners of the enterprise (the shareholders) for the consequences of their decisions. This form of participation calls for commitment by the employer and the workers' representative to the process, since decision can only be taken jointly.

### **3.5.5 Participation through Teams**

A team is regarded as a small number of people with complementary skills who are constituted for a common purpose, performance goals, and approach for which they hold themselves mutually accountable.

Teams have become an important part of the modern management approach. Frequently organizations commit themselves to a “team approach” or to participatory management without truly understanding the main purpose of such approaches. The concept is misunderstood and is wrongly applied in that it is seen as a goal in itself rather than as a way of improving performance. It would appear that teams are not necessarily constituted in order to develop people or to problem-solving, to increase quality and to address specific functions. Teams may be regarded as ways of achieving cooperation.

Four types of team can be identified as follows:

- i. Cooperative network designs; which require the interaction of interdependent contributors who cooperate for the purpose of releasing specific information;
- ii. Parallel teams; which exist independently of formal organization structures;
- iii. They propose ways of improving performance and of solving business problems;
- iv. Project and development teams; which have specific tasks assigned to them, for example, the development of new products and information system, research and development, and plant design, such teams are usually self –managing /autonomous and have the power to take decision. However, they have to consider the requirements of the customer;
- v. Work teams; which are responsible for producing goods and services. These teams exercise control over production, sales administration, management and service delivery.

Anstey (1997) identifies the following characteristics of effective teams:

- i. Are performance driven.
- ii. Have strong and accountable leadership.
- iii. Are established round task- their composition is functional to the goal.
- iv. Have clear performance goals – training and developments, and the use of Technology skills and resources are functional to these goals.
- v. Are small and encourage communication, dedication and accountability.
- vi. Assume greater responsibility for work performance.
- vii. Exercise greater control over their own management.
- viii. Comprise of members who are committed to the team approach, and who have the appropriate technical, decision-making, problem-solving and facilitation skills.
- ix. Comprise members who have a range of skills, thereby allowing greater flexibility in the utilization of people and job rotation, and in reducing rigid job classifications and gradings.
- x. Provide ongoing training and development with the aim of improving the capacity to form groups of full-time members.
- xi. Reflect shifts in the functions and titles of key role players: managers and supervisors become group leaders and workers become group members and group representatives.

- xii. Involve trade unions, where these are present, as important role players in the planning and implementation of team systems.
- xiii. Require organizational regrouping in respect of all systems.

### **3.5.6 Participation through Self-Government**

It involves the management of the organization being taken over by nominated members of the workforce, which according to Nel (2002), is only at the instance of the overthrow of the country's capitalist system.

Nel (2002) also observes that there is a place for worker-controlled organization in a mixed economy. Worker co-operatives are an example of a situation where the workers own the enterprise and share in its profits.

### **3.5.7 Participation through Trade Unions**

This is a process whereby the workers are represented by the trade unions in decision-making fora such as collective bargaining, interpretation of collective agreements on wages, working hours and conditions of service, dispute-settlement procedures and the administration of collective agreements.

Since it is practically impossible for all the workers to participate in all the decision-making processes of an organization, representatives must be elected to bargain collectively on behalf of individual workers.

### **SELF ASSESSMENT EXERCISE 7**

List and explain briefly, the seven methods through which workers can be involved in organizational management.

## **4.0 CONCLUSION**

Based on the preceding analysis, you can appreciate the fact that there cannot be any form of industrial democracy in any organization without defined forms of participation in decision-making processes by the representatives of the workers, or the workers themselves in some instances.

## **5.0 SUMMARY**

This unit has been used to explain the reasons why industrial democracy is important in modern industrial organizations. Furthermore, the unit has been used to identify the various forms of workers' involvement in decisions that affect the affairs of the organization. In addition, the unit

is also used to discuss the various techniques through which the workers can be represented in the decision-making processes of organizations so as to garner their motivation and desired level of productivity.

In the next study unit, the discussion is focused on the economic and financial participation of workers in the fortunes of the organization.

## 6.0 TUTOR-MARKED ASSIGNMENT

Enumerate and explain the different methods or techniques through which workers' participation in the decision-making processes can be ensured in organizations.

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## **UNIT 3 ECONOMIC AND FINANCIAL PARTICIPATION**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Nature and Rationale for Financial Participation
  - 3.2 Types of Financial Participation
  - 3.3 Relationship between Financial Participation and Collective Participation
  - 3.4 Effectiveness of Financial Participation
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
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### **1.0 INTRODUCTION**

The most important dimension of any employment relationship is economic in nature. The economic or financial participation, therefore, makes a lot of considerable sense to the employees. Such participation of the employees in the fortunes generated by the organization may take various forms such as profit sharing, individual and group bonus incentive schemes, and share ownership schemes.

These schemes are indeed not new in many companies. But their recent popularity does underscore a comparative trend in the recognition of the need towards devolution of financial participation to lower levels of the organization.

In this unit, therefore, the focus is on the various forms of economic and financial participation by the workers in organizations.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- explain the rationale for financial participation by workers
- identify and explain the various types of Financial Participation
- explain the relationship between financial participation and collective participation
- discuss the effectiveness of financial participation on the firm's fortunes.

### **3.0 MAIN CONTENT**

#### **3.1 Nature and Rationale for Financial Participation**

Financial participation is, for all intents and purposes, an individual-based form of participation based on the willing consent of an individual employee. Therefore, it has nothing to do with distribution of power in and governance of organizations.

It is instructive to note that financial participation on its own cannot advance industrial democracy, since worker influence is generally limited as minority shareholders. It has been observed that financial participation is more likely to work successfully where the trade union movement is strong and is able to influence the type and implementation of the schemes involved in such participation.

Some employers are of the view that financial participation such as share ownership reflects the employer's right to deal directly with the employees to enhance their stake in the organization and therefore, a separate matter from that of collective bargaining. It has also been observed that it is aimed at enhancing the commitment of the workers to free-market economy, and achieving added wealth through organizational commitment.

The participation is also aimed at the co-optation of workers into a management ethos; which is regarded as an ideological goal. In another perspective, such involvement of the workers in sharing out of the fortunes of the company represents a manipulative form of managerial control aimed at humanizing capitalism and its work processes, which by and large is in the interest of better productivity.

Such workers participation is regarded as a form of stakeholding whereby the employees are given a genuine stake in the prosperity of the business and are likely to substantially benefit by its success. Therefore it is aimed at wealth distribution between the organization and the workers, and thereby to facilitate wealth creation by linking organizational commitment to workers' rewards.

Furthermore, it is seen as a strategy for seducing employees away from collective forms, indirect or representative participation, towards individual, consensual forms of direct involvement, such as financial participation and quality circles. It is a provision of a personal, economic stockholding in the organization through the various schemes associated with the participation.

It is largely meant to de-emphasize interest-based models of collective bargaining towards decentralized, joint consultation problem solving, strike-free agreements and single-union agreements. In Nigeria, there is the example of the FSB International Bank Plc (before the consolifation) whose employees were allowed to participate in its equity ownership.

In some countries such as the United Kingdom, share schemes are used by companies mainly to encourage workers to identify more with the goals of their organizations as well as for tax advantages.

## **SELF ASSESSMENT EXERCISE 1**

Identify and discuss the reasons for the use of financial participation for the workers.

## **3.2 Types of Financial Participation**

The following are the main types of financial participation which are in practice in some organizations.

### **1. Profit Sharing**

This is the most prevalent type of financial participation occurring in some companies around the world. The scheme is considered by many employers as preferable to share ownership schemes, as effort and reward are considered more measurable, especially if the short-run rewards or returns are offered, based on measurable performance in particular sectors. Examples of such sectors are the batch manufacturing and retailing.

The share of profits fluctuates with the economic performance and fortunes of the firm. Profit sharing may not therefore provide a stable level of income over time. The scheme may take the form of end of year bonus and Scanlon plan.

### **2. Employee Share Ownership Scheme**

According to Kurland (1988), the scheme is used as a tool for broadening participation of employees in company profits and decision-making. It is also used to increase an employee's stake and commitment to the prosperity of the business. In countries such as the United States, legislation is in place for creating tax advantages towards encouraging the corporate bodies to establish such scheme for their workers.

Nevertheless, rival causal or intervening variables may account for superior performance and not the scheme. For example, productivity

increases in large companies may occur independently as a result of the impact of other factors such as particular economies of scale, technical innovation, sophisticated human resource management, together with other forms of participation.

More so changes in organization structure and culture such as devolution of decision-making down to the lower levels in the organization, and the associated autonomy, are also factors in productivity improvement. There is an indication that in wholly employee-owned firms in some countries, the mix of such scheme and other forms of participation can be linked with growth and productivity improvement.

The scheme can combine several elements. These include benefits, incentive and productivity schemes, service and retirement benefits. It may also take the form of a reward system, with a basic salary supplemented with cash bonuses and equity shares linked to the proceeds of a company. It is a two-way, interactive process between management and employees and a means for workers to participate both as workers and as shareholders in contributing to the goals of the company.

And depending on the tax laws of a country, it can be an in-house, tax exempt stock exchange for both new equity purchases and the repurchase of outstanding shares. It may also offer workers a source of dividend income. It can also bring capital gain to the workers as a means by which people without savings and ownership can become owners of new wealth. In the past, capital gain has been available to those who were already within the ownership framework.

### **3. Group Financial and Bonus Incentive Schemes**

These are schemes which are used largely by the manufacturing companies. Trade unions are always interested in negotiating a group productivity bonus scheme than an individual, performance-based scheme.

The main purpose of bonus incentive schemes is to enhance economic performance and motivation by means of financial reward.

### **4. Individual Performance Incentive Schemes**

Individual performance incentive schemes are mainly used in non-union or partially weakly unionized firms at all employee levels, but predominantly in use in the United States of America.

In other countries, such schemes are used mainly for the executives in the management levels. Other categories of employees that can enjoy such schemes are the personnel in the sales force of an organization.

## **SELF ASSESSMENT EXERCISE 2**

Differentiate between employee share ownership and profit sharing scheme.

### **3.3 Relationship between Financial Participation and Collective Bargaining**

An important issue in the use of financial participation for the workers is its relationship with the collective representations of the employees.

Poole (1988) observes that the modern development of financial participation schemes at employee levels is concerned with managerial styles of industrial relations. He further argues that the position of trade unions in several Western countries has enabled them to actively promote financial participation, rather than being constrained to accept extensions of collective bargaining or board-level union representation.

Empirical evidence has portrayed that financial participation schemes tend to be part of a consultative process and are likely to be unilaterally introduced in non-unionized firms. And there is a consistent tendency for companies with financial participation schemes to be more likely than those without, to have various other types of employee participation.

It is being envisaged that participation is most likely to develop in areas of economic growth or unrest, or conversely, when an individual organization is in decline. Nevertheless, ailing organizations may often resort to participative initiatives to try to survive. A glaring example is the case of Chrysler Motor Corporation, which negotiated share ownership with agreements on wage cuts and interim job security. And such resulted in employees forfeiting some millions of dollars in pay increases over three years for equity of less amount of millions of dollars.

In a situation where economic feedback, consultation and joint decision-making are part of the culture of industrial relations in a firm, it is likely that these processes will be invoked in respect of the introduction of financial participation. This is more likely the case with stronger trade unions. In order to gradually build the ownership concept in any

organization, the share ownership scheme should be supplemented with frequent economic feedback relating to the performance of the firm.

The trade unions tend to consider managerial practices of direct employee involvement as undermining the independent nature of collective representation and the power base derived from collective mobilization.

Attendant responses include:

1. Direct rejection and vetoing of the introduction of financial participation initiatives;
2. Active subversion once introduced;
3. Malicious compliance and subtle forms of protest;
4. Grudging, passive acknowledgement such as the union endorsing financial schemes, provided that they materially improve the material wellbeing of their members;
5. Exerting union influence beyond collective bargaining by reconsidering participation in other forms and at levels of both direct and indirect participation; and
6. Centrally influencing corporate strategic decision-making, for example by means of pressure from the trade unions.

### **SELF ASSESSMENT EXERCISE 3**

What are the forms of response from the trade union on the use of financial participation in place of collective bargaining?

### **3.4 Effectiveness of Financial Participation**

The effectiveness of financial participation is seen from the perspective of profit improvement and growth. Employee share purchase schemes have often been introduced in circumstances of financial crisis and when jobs and union membership are under serious threat.

The increasing popularity of direct employee involvement, whilst having important advantages for management and employees, can mask a deeper underlying distaste for unionism. Various types of participation can evolve incrementally at all levels of an organization.

New forms of individual, consensual participation are different from participation by negotiation. Strongest resistance to participative practices which seek greater loyalty, commitment and motivation is more likely where unions are still developing and workers have strongly positive views about the instrumental benefits of union membership.

More so, a strong, powerful and established trade union movement is less likely to see these managerial approaches as potentially undermining its traditional role. Unions in these circumstances ~~indeed~~ <sup>may</sup> be willing to consider alternative forms of participation in a more favourable light, given the durability of existing collective bargaining institutions and structures.

There is also a re-emerging debate in some advance economies on the notion of democratizing capital through collective capital formation as a means of socializing, rather than rationalizing, controlling in organizations. Such control can apply to several institutions, such as pension schemes and employee investment funds.

The idea of collective capital formation sees trade unions as ~~major~~ <sup>major</sup> participants in this largely long-term transformative process. For instance, a well established trade union movement can bring about a social ownership and control, providing employment in union-owned business.

#### **SELF ASSESSMENT EXERCISE 4**

Do you think that the financial participation by workers can be effectively implemented by organizations? Give reasons for your answer.

### **4.0 CONCLUSION**

From the foregoing analysis, it is quite clear that financial participation is very critical in winning the commitment of the workers and creating the desired harmonious relationship between the management and the workers. In this unit, you have learned a number of issues that relate to financial participation such as nature and rationale for financial participation, types of financial participation, relationship between financial participation and collective participation and effectiveness of financial participation.

### **5.0 SUMMARY**

You should understand by now that financial participation is inevitable in modern labour relations. This is borne out of the need to ensure genuine commitment of the workers as well as earning ~~reasonable~~ <sup>reasonable</sup> return for the organization. Furthermore, the use of financial participation guarantees a conducive atmosphere or industrial harmony, engenders the desired level of productivity in the organization without the use of collective bargaining.



In the next study unit, you will be introduced to the various forums through which workers participation can be guaranteed in the organization.

## 6.0 TUTOR-MARKED ASSIGNMENT

Identify the various schemes which can be used to institute economic and financial participation in an organization.

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## **UNIT 4 WORKER PARTICIPATION THROUGH WORKPLACE FORUMS**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Nature of the Workplace Forum
  - 3.2 The Functioning of Workplace Forum
    - 3.2.1 Consultation
    - 3.2.2 Joint Decision-making
    - 3.2.3 Disclosure of Information
  - 3.3 Advantages and Disadvantages of Workplace Forum
  - 3.4 Limitations of Workplace Forum
  - 3.5 Obstacles to the Implementation of Workplace Forum
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
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### **1.0 INTRODUCTION**

The purpose of workplace forum is not to replace collective bargaining, but to supplement it by providing a structure in terms of which workplace issues (excluding wage-related issues) can be negotiated in a non-hostile way. Such issues include restructuring, the introduction of new technology and work methods, the organizing of work, and health and safety. When workers have a greater say in management decision-making, employers derive a benefit in the form of increased productivity and efficiency. Profit sharing, flexible job design, training and development all lead to increased productivity and profitability. According to Anstey (1997), other positive consequences of worker participation include improved communication, decision-making, worker acceptance of decisions, management capacity and accountability.

In this unit of the course, the nature of workplace forum is the focus of analysis.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- discuss the difference between collective bargaining and indirect worker participation
- explain the functions of workplace forum
- state the advantages and disadvantages of workplace forum
- discuss the limitations and obstacles to the establishment and implementation of workplace forum.

## **3.0 MAIN CONTENT**

### **3.1 Nature of the Workplace Forum**

According to Backer and Olivier (1996), three forms of participation are provided for by workplace forum:

- The sharing of information, in terms of which management is expected to submit reports on the past performance of the organisation, as well as on expected performance in future;
- Consultation, in terms of which worker has a right to be consulted regarding specific issues;
- Joint decision-making, in terms of which management is obliged to arrive at decisions jointly with the forum;

A workplace forum has the following functions:

- It must strive to promote the interests of all workers in the workplace, irrespective of whether or not they are trade union members;
- It must strive to increase efficiency in the workplace;
- It must be consulted by the employer with a view to reaching consensus on specific matters;
- It must be allowed to participate in joint decision-making regarding specific issues.

According to Nel (2002), the aim of workplace forum is to establish a more participatory culture in a particular environment traditionally characterised by a hostile employer-employee relationship. To realise this aim, a clear distinction must be drawn between collective bargaining on the one hand and the indirect worker participation on the

other (i.e. worker participation through representation by co-workers at shop floor level). Collective bargaining focuses chiefly on the division of wealth generated by organisations, whereas workplace forum is concerned rather with the transformation processes involved in an organisation's attempt to generate wealth.

The principal functions of the workplace forum, according to Pennington and Van Zyl (1997) and Finnemore and Van der Merwe (1996) are to:

- democratize the workplace;
- lay the foundation for cooperation (rather than hostile relationships) between employers and workers;
- promote the interests of all workers;
- promote worker participation in decision-making;
- increase productivity and profitability;
- support (and not undermine) collective bargaining by performing those functions for which collective bargaining is not suitable.

The hope has been expressed that the introduction of workplace forums will provide a mechanism for meaningful consultation between employers and workers regarding all workplace issues falling outside the sphere of traditional wage negotiations.

## SELF ASSESSMENT EXERCISE 1

Mention the functions of the workplace forum.

## 3.2 The Functioning of Workplace Forum

Workplace forum is a structure which has been created to allow a specific form of participation, namely indirect participation from within the organisation. Ultimately, however, the success or otherwise of workplace forum will depend on the processes which are employed and not on the structure as such. These processes are largely interactive, and, consequently, interpersonal in nature. Members of the workplace forum and employees representing the employer will endeavour to solve problems and take decisions by making use of various interpersonal processes such as the disclosure of information, consultation, the holding of meetings, and joint decision-making (Nel, 2002).

The functions of workplace forum fall into three different areas, namely consultation, joint decision-making, and the disclosure of information (Finnemore & Van der Merwe, 1996). The trade union(s) and the employer must reach consensus on matters for consultation and matters for joint decision-making. The objective of workplace forum is to find

joint solutions to problems. Although the parties concerned are expected to have a thorough knowledge of the statutory requirements before they proceed with negotiations, they can expect numerous problems if they fail to agree on fundamental aspects such as matters for consultation and matters for joint decision making. According to Van Zyl (1997), the role players must thus be willing to:

- Begin, jointly, to change the organizational culture from one of traditional hostility to one of cooperation.
- Begin, jointly, with improvements by encouraging the organization to perform better, with the goal being to ensure that all interest groups benefit from the process.

The objectives of workplace forum cannot be achieved if the forum is used to realize one party's goals at the expense of the other.

### **3.2.1 Consultation**

According to Slabbert et. al. (1998), the central theme of consultation is that management retains the managerial prerogative to take the final decision. But management can take a final decision about specific matters only after it has consulted the workplace forum on such matters and has endeavoured to achieve consensus. The employer must give the workplace forum the opportunity to make alternative proposals, and, if he or she does not agree with them, must give reasons for his or her decision. Matters for consultation may be regulated by a collective agreement with the representative trade union. However, where there is no collective agreement, the workplace forum is entitled to be consulted by the employer, and its proposals sought, regarding any of the following matters:

- workplace restructuring, including the announcement of new technology and new work methods
- changes in work organization
- partial or total closure of plants
- mergers and transfers of ownership in so far as this impacts on the workers
- the dismissal of workers for reasons based on operating requirements
- exemptions from any collective agreement or any legal measure
- job grading
- criteria for merit increases or the payment of discretionary bonuses
- education and training
- production development plans
- export promotion

When the matters for consultation are regulated by a collective agreement, such agreement may not necessarily include all of the above matters, or it may not be confined only to the above matters. The following serve as examples of matters which can be included for consultation with a workplace forum:

- shift systems and overtime
- summaries of strategic business plans
- investment decisions
- productivity
- quality control
- redundancy
- guidelines for recruitment, selection, termination of service, promotion and transfer
- strategies and policies in respect of affirmative action
- social benefits
- health and safety matters

A bargaining council, or a collective agreement between a representative trade union and an employer, or any other law, may give a workplace forum the right to be consulted regarding additional matters (such as those indicated above) in a workplace falling within the registered area of a bargaining council.

Usually, any employer who has appointed two or more health and safety representatives is obliged to establish a health and safety committee. Such an employer must then consult such committee about certain matters. A representative trade union and an employer can furthermore agree that:

- the employer will consult the workplace forum with the aim of initiating, developing, promoting, monitoring and reviewing health and safety in the work-place;
- a meeting between workplace forum and the employer can constitute a meeting with health and safety committees as required by the aforementioned legislation;
- one or more of the members of workplace forum must be health and safety representatives for the purpose of such legislation (Pennington & Van Zyl, 1997).

### 3.2.2 Joint Decision-Making

According to Nel (2002), the most important difference between consultation and joint decision-making is that in the case of consultation, an attempt is made to achieve consensus, whereas with joint decision making consensus must be achieved. Swanepoel (2001) regards consultation as a one-sided process and joint decision-making as a two-sided process. Thus, during consultation, management retains the sole right to take the final decision, but, during joint decision-making, joint decision-making power is shared by both parties. This implies that each party has a right to veto, and that no decision can be taken before agreement is reached.

In the case of joint decision-making, the managerial prerogative is effectively done away with. The employer may not take final decisions, or proceed with the implementation of proposals, before consensus has been reached with the workplace forum. Since everyone must be satisfied with the proposal, the real challenge lies in creating a climate of cooperation. Both parties must realise that the specific matter is a joint problem and that specific skills will be necessary to arrive at a joint solution (Nel, 2002).

As in the case of matters for consultation, issues for joint decision-making can also be regulated either by a collective agreement with the representative trade union(s), or, where there is no such collective agreement, by the employer consulting the workplace forum and reaching consensus with it regarding the following (Pennington & Val Zyl, 1997):

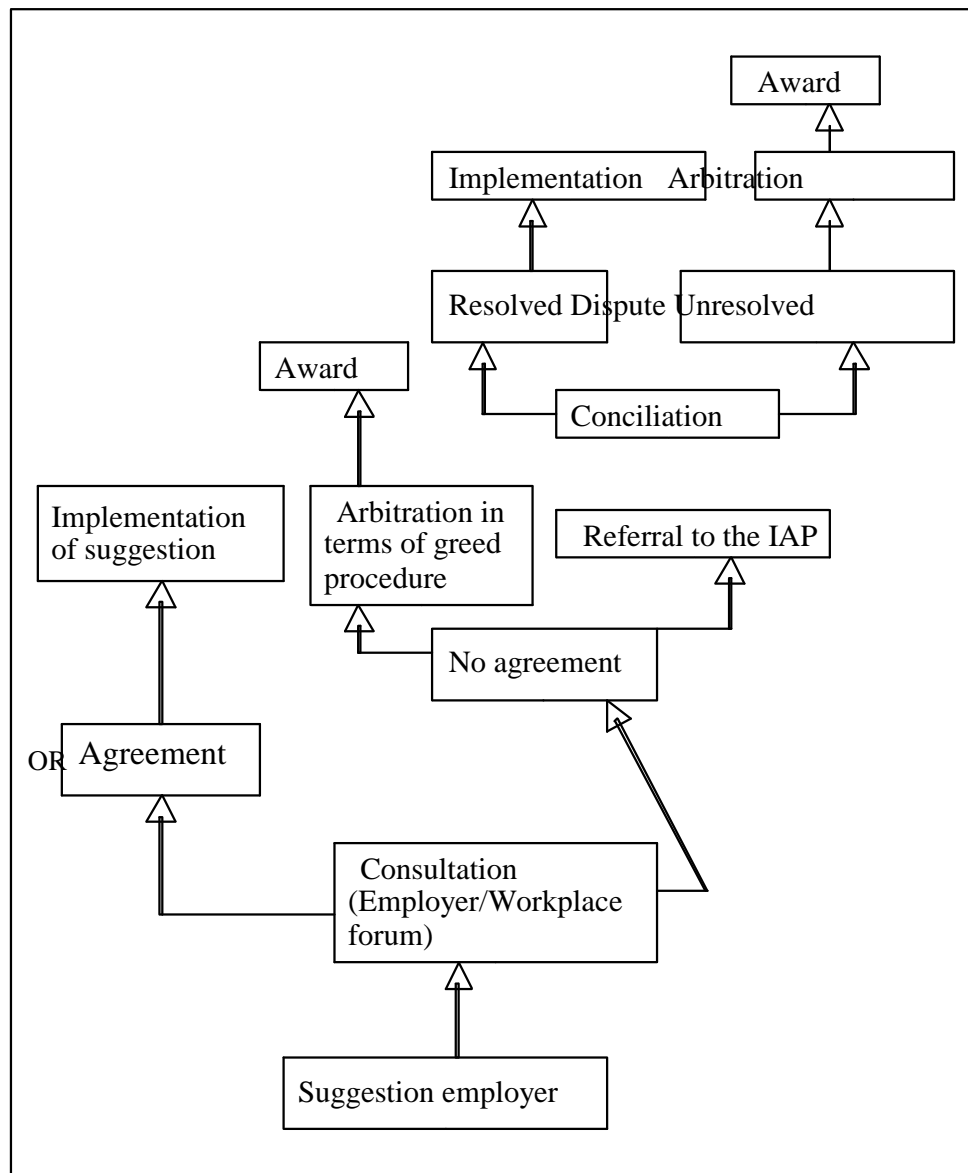
- disciplinary codes and procedures;
- rules pertaining to the proper regulation of the workplace in so far as these apply to conduct not related to the work performance of employees;
- measures designed to protect and advance persons disadvantaged by unfair discrimination;
- changes by the employer or by employer-appointed representatives on trusts or boards of employer-controlled schemes, to the rules regulating social benefit schemes.

A representative trade union and an employer may conclude a collective agreement conferring on the workplace forum the right to joint decision-making in respect of additional matters in that workplace and/or removing any matter from the list of matters requiring joint decision-making.

If consensus cannot be reached with the workplace forum, it is suggested that the employer refer the matter for arbitration in terms of

any agreed procedure. The IAP must attempt to resolve the dispute through conciliation. Should it not succeed in doing so, the employer may request that the dispute be resolved through arbitration. The dispute-settlement process is represented schematically in figure 14.1.

**FIGURE 14.1: The dispute-settlement process**



**Source: Swanepoel et al (2000) Labour Relations: Micro, p.255.**

After the establishment of a workplace forum, such forum can request a meeting with the employer in order to review the following:



- Criteria for merit increases or the payment of discretionary bonuses
- Disciplinary codes and procedures
- Rules relating to the proper negotiation of the workplace in so far as they apply to conduct not related to the work performance of employees in the workplace.

The employer is requested to submit its criteria, disciplinary codes and procedures, and rules in writing to the workplace forum for consideration.

The above discussion indicates that rights in respect of joint decision-making can be extended by a collective agreement to include rights other than those contained in the list laid down by the Labour Relations Act.

## **SELF ASSESSMENT EXERCISE 2**

Differentiate between consultation and joint decision-making in workplace forum.

### **3.2.3 Disclosure of information**

According to Madikizela (1998), workplace forum promotes participatory management through the disclosure of information, consultation and joint decision-making. Information is a core element in the functioning of workplace forum, since it would be unable to function without the disclosure of information. Such disclosure must therefore be seen as an essential characteristic of participation. Disclosure of information brings about transparency in the workplace, thereby strengthening the relationship of trust between management and workers.

Regular meetings of the workplace forum must be held at which the employer reports on the financial and employment situation of the organisation, as well as on its anticipated performance (Finnemore & Van der Merwe, 1996). The workplace forum is entitled to all relevant information which is necessary to engage effectively in consultation and joint decision making, except when:

- the information is legally privileged;
- the disclosure of the information would be a contravention of any law or any order of court;
- the information is confidential and disclosure thereof may cause substantial harm to an employee or the employer;

- the information is private personal information relating to an employee (the employee's consent is necessary before such information may be disclosed).

According to Nel (2002), many managers (as representatives of employers) view the disclosure of information negatively – they see it as an attempt to deprive management of its decision-making prerogative. Traditionally, management was not well disposed to disclosing information to employees, but used the withholding of information as an instrument of power to increase its own power base.

The goal of consultation, joint decision-making and the disclosure of information is to improve work relationships by providing a forum which enables workers to participate in decision-making in the workplace, to increase efficiency and to gain a competitive advantage (Baskin & Satgar, 1995).

However, both labour and business have certain reservations in this regard. Pennington & Van Zyl (1997) have come to the following conclusion:

Although the whole essence is an attempt to bring about cooperative relationships between management and trade unions (including the workforce), any of the fears and reservations regarding workplace forum (and, specifically, regarding the disclosure of information, consultation and joint decision-making) are centred on the “element of power”. It may be that not one of the parties will be prepared to change the traditional hostile relationship because it fears that its power base will be eroded. The syndrome of “us” against “them” is still very prevalent.

Table 14.2 gives an indication of the objections of labour and business to the disclosure of information.

**Figure 14.2: Objections to the disclosure of information**

Business	Labour
<ul style="list-style-type: none"> <li>• The type of information must be disclosed.</li> <li>• The fact that an employer can be compelled to disclose confidential information of strategic nature.</li> <li>• The possibility of information being exploited, which can lead to the suppression of business initiative.</li> <li>• Each organisation is unique and is affected differently by production, market conditions, competitive advantage and trust or mistrust between management and workers.</li> <li>• Market fluctuations make it difficult to formulate a definite strategy in respect of the disclosure of information.</li> <li>• No distinction is drawn between the disclosure of information for the purposes of collective bargaining and disclosure of information for the purposes of consultation and joint decision making.</li> </ul>	<ul style="list-style-type: none"> <li>• Issues which are important to employers, for example productivity, are clearly set out, whereas those which are important to workers, such as social, gender and racial equality, are not addressed at all.</li> <li>• Issues which are addressed by bargaining councils (such as wages) are separated from consultation and joint decision making (such as productivity).</li> <li>• Joint decision-making rights are weak, since they are limited to specific human resource issues. Production issues are excluded from joint decision-making, because, in this regard, a workplace forum only has the right to consultation and to the disclosure of information. Thus, it is felt that, in this way, the employer gains an unfair advantage.</li> </ul>

**Source: Pennington & Van Zyl (1997) Guide to Implementing Workplace Forum, pp. 29 – 30**

According to Pennington & Van Zyl (1997), the following are also viewpoints that come strongly to the fore:

- The unity of workers will be undermined if they have to compete with one another and if they are held jointly responsible (together with management) for upholding the capitalist system;
- Trade unions will have to be identified with both the capitalist system and management, thus giving up their pursuit of socialism. This will mean that workers will lose faith in the trade unions;

- Issues such as the improvement of productivity and international competition will not assist workers in their pursuit of job creation, since employers will want to keep their workforces small;
- Workers will have to give up their right to strike in respect of matters which are covered by agreements reached through joint decision-making.

Labour legislation, on its own, cannot be relied upon to resolve the problems existing between Nigerian business and labour. Consultation, joint decision making and the disclosure of information in a fair amount of detail, are attempts to lay a foundation for cooperation in the workplace; it cannot provide that single element which is necessary for employer-employee cooperation, namely mutual trust. A relationship which is characterised by mutual trust and a willingness to put aside past differences will help in resolving problems that arise when negotiations have to be conducted regarding sensitive issues. The building of cooperative relationships will serve as a basis so that workplace forum can be introduced with the least amount of conflict.

### **SELF ASSESSMENT EXERCISE 3**

Give reasons why disclosure of information is necessary in workplace forums.

### **3.3 Advantages and Disadvantages of Workplace Forum**

In their investigations, Pennington and Van Zyl (1997) conducted interviews with fourteen trade unions. The principal advantages and disadvantages of workplace forum which were mentioned during these interviews are set out briefly below:

#### **The advantages of workplace forum are as follows:**

- Workplace democracy (including fair labour practices), participation and cooperation will be promoted;
- In those workplaces where the literacy levels of workers are high, workplace forum will foster participation;
- The provisions relating to the disclosure of information will benefit trade unions and workers;
- Workers will receive instruction and training which they would not otherwise have received;

- There will be a greater degree of interaction between trade unions and workers, since workers will approach trade unions for advice regarding workplace forum issues;
- Workplace forum can give trade unions the opportunity to increase their capacity, in that the training of workplace forum representatives will be funded by the organisation itself, administrative facilities will be provided for the workplace forum, and finance will be provided for consultations with experts.

**The disadvantages of workplace forum are as follows:**

- In certain economic sectors, workers will possibly not be able to become involved in complex matters owing to low levels of literacy. Workplace forum representatives will have to undergo intensive training in order to be able to deal with these matters. The danger exists that workers will, first of all, not be able to understand these matters, and, secondly, will not be able to make a meaningful contribution to the discussion;
- Workplace forum could undermine trade unions, especially where trade unions are weaker;
- Management could possibly manipulate the workplace forum;
- Trade union representatives may not have sufficient time or resources to deal with workplace forum issues, to attend meetings, and to give advice;
- There is a fear that workplace forum representatives are going to replace trade union representatives;
- Trade unions may not have sufficient control over workplace forum.

**SELF ASSESSMENT EXERCISE 4**

List the advantages and disadvantages of workplace forums.

**3.4 Limitations of Workplace Forum**

**1. Training**

According to Pennington and Van Zyl (1997), the following aspects must be addressed very early on in the implementation process:

- Workers must receive thorough instruction regarding workplace forums. During such instruction, matters such as the goal, role and functions of workplace forums must be addressed.
- Workers must be trained so that they understand all matters that will be dealt with by the workplace forum and can make a contribution in such regard.
- The “how” and “when” of training representatives so that they will be able to perform their functions effectively, must be determined early on.

The following are the training requirements in this regard:

- general business principles, including:
  - productivity
  - international competition
  - workplace efficiency
  - business ethics
- financial principles as applied in the business
- leadership training
- communication skills
- relationship-building skills
- negotiating skills
- decision-making skills
- consultation skills
- training in respect of labour legislation
- adult basic education
- numerical skills

Training must not be conducted only on a one-off basis, but must be ongoing. Pennington and Van Zyl (1997) are of the opinion that it is not only the workplace forum representatives who need training, but also management, for managers often lack important skills such as communication and negotiating skills.

## **2. Resources**

Trade unions do not always have sufficient resources to make a success of workplace forum. Consider, for example, the amount of time that officials will have to spend in meetings, and on providing assistance and support.

According to Baskin and Satgar (1995), some trade unions may also not have the expertise to provide the necessary professional services. Thus,

trade union officials will be required to provide advice regarding matters with which they are unfamiliar, such as productivity, technology, financial analysis, industry trends and strategic planning. Trade unions will have to ensure that they have sufficient resources to deal with these matters, and that their members have the skills necessary to render an effective service in meeting the requirements of workplace forum. If workplace forum representatives feel that trade union officials cannot provide adequate support, such representatives may become alienated from the trade union.

### **3. Relationships**

The building of positive relationships is one of the principal factors that must be addressed in ensuring the involvement and commitment of management.

Management may see the introduction of workplace forum as undermining its managerial prerogative. One possible way of overcoming this obstacle is to concentrate on the benefits which workplace forum entail for all the parties concerned. It should therefore be stressed that addressing matters such as productivity, for example, will have direct benefits for the business.

It is important that senior management obtains, and retains, the commitment of other management levels to the process, since line and middle-level managers will be affected the most by the introduction of workplace forum. The following recommendations may be made in order to achieve this objective:

- During training, the benefits of workplace forum should be explained.
- The roles which various groups will have to play in the process should also be explained.
- The various groups must be involved in the design of the forum and in drawing up its constitution.
- All groups must be fully represented in the workplace forum.

Pennington and Van Zyl (1997) are of the opinion that commitment to the process will be promoted if all role players understand the process. Training is therefore also important in promoting commitment and participation. To obtain management's commitment to the process, trade unions must "sell" workplace forum to management as being a sound business decision.

Management may feel that it does not have a choice with regard to the implementation of workplace forum. The onus rests on trade unions to

initiate such forum, after which management is obliged to give its cooperation. This can result in resistance on the part of management to the implementation process, even though, on the face of it, management may appear to be giving its cooperation.

#### 4. Statutory Requirements

Many trade unions and organisations may elect to establish a statutory workplace forum rather than a workplace forum. Essentially, this means that they can facilitate it through negotiations between management and trade unions as regards various aspects, with the resultant collective agreement becoming the directive element.

To establish statutory workplace forum, trade union representatives must be highly skilled. However, in many economic sectors, union representatives do not have the essential business skills. As a result, the trade unions concerned will be placed under pressure to provide the necessary training and support.

#### SELF ASSESSMENT EXERCISE 5

Identify and explain the specific areas of workplace forum.

### 3.5 Obstacles to the Implementation of Workplace Forum

Various obstacles have been identified by employers, workers and trade unions as factors which will influence the implementation or otherwise of workplace forum in organisations. According to Anstey (2001), Beatty (2001), Finnemore (1997), Nel (2002), Pennington and Van Zyl (1997), Pons and Deale (1998), and Slabbert et al (1998), some of these obstacles are the following:

1. Trade unions are skeptical about the implementation of workplace forum, because they see such forum as a threat to their power base. Consequently, they are hesitant to initiate workplace forum;
2. Management sees participative management in the form of workplace forum as a way of undermining its “managerial prerogative”;
3. Traditionally, the relationship between employers and workers has been characterised by conflict. And it is not clear whether workplace forum will succeed in transforming this hostile relationship into a more cooperative one;



4. Attitudes will have to change. The parties must endeavour to make joint decision-making the norm. The old, hostile approach must make way for consensus and mutual respect;
5. The introduction of workplace forum requires a change of mind-set on the part of employers and workers, a change which not all concerned are ready to make. Fear of change is therefore hampering the process;
6. Low literacy levels of workers prevent effective participation in decision making;
7. Workers do not have a good enough grasp of business, and of business principles, and this prevents them from taking informed decisions;
8. Mistrust between management and workers is not conducive to joint decision-making;
9. Mistrust between trade unions and management gives rise to hostile relationships, a problem that cannot easily be overcome;
10. Workers believe that “bread-and-butter” issues are not being addressed by management or trade unions;
11. Organizations cannot, or will not, allocate resources (office space, telephones, etc) for the operation of workplace forum;
12. Ideological problems exist – trade unions pursue socialism, while management pursues capitalism;
13. The history of committees in workplaces indicates a lack of success on the part of such bodies. There is thus the fear that a workplace forum will be “just another committee” that fails to bring about cooperation between management and workers;
14. Past events, such as the establishment of works councils and committee systems, have left behind “a bad taste”, the reason being that management attempted to use these committees to eliminate trade unions. This, in turn, resulted in mistrust among management, workers and workers representatives;
15. Dearth of ingenuity and creativity in trying something new;
16. Employers and trade unions feel that they do not have sufficient money or time to make workplace forum a success;

17. Conflict may arise when it comes to the division of power and wealth;
18. The structure (i.e., workplace forum) may be in place, but there is lack of skills (e.g. problem-solving skills);
19. Workplace forum must not pay attention only to short-term objectives. Its goal must be to plan for the future, to realize long-term goals, and to obtain commitment;
20. Most organizations already have participatory structures and would rather retain these established structures than implement workplace forum;
21. Unilateral initiation of workplace forum by representative trade unions is seen as a problem;
22. The following matters were not borne in mind when proposing a model for workplace forum:
  - the size of the organization
  - the business sector
  - the phase of development in which the organization finds itself
  - capital and labour intensity
  - the levels of skills that must be employed
  - the sophistication of personnel
  - labour relations practices in different organizations.

## SELF ASSESSMENT EXERCISE 6

Mention twenty obstacles which can militate against the establishment and implementation of workplace forums.

## 4.0 CONCLUSION

In the preceding unit, you may have observed that workplace forums have a very definite role to play in the promotion of worker participation in organizations. However, there are still numerous obstacles that must be overcome, as well as negative perceptions which must be eliminated. It is therefore important that labour relations managers (and any manager for that matter) are acquainted with the principles of worker participation, and understand how these principles can be put into practice by means of structures such as the workplace forum.

## 5.0 SUMMARY

The potential of worker participation dynamics in empowering workers and in improving the quality of labour relations, thereby promoting competitiveness among organisations, is great. As it were, there are many challenges which will have to be professionally managed and dealt with in this regard. The principal challenge in this context is probably that of changing “the hearts and minds” of the primary role players in organisations so that they realise the value of participation and can begin working actively in bringing about a situation in which there is greater industrial democracy and worker empowerment.

In this study unit, we attempted to provide you with the necessary knowledge of worker participation to bring about this change. In the next study unit, we shall consider an important aspect of labour relations management, which concerns the strategic position of labour (or trade) unions in the organizational setting.

## 6.0 TUTOR-MARKED ASSIGNMENT

1. Name and explain the three core elements of worker participation;
2. List and explain the obstacles that militate against worker participation in organizations.

## 7.0 REFERENCES/FURTHER READINGS

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## **MODULE 5**

Unit 1 Trade Unions in Nigeria

Unit 2 Employers Organisation in Nigeria

### **UNIT 1     TRADE UNIONS IN NIGERIA**

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#### **1.0 INTRODUCTION**

The advent of trade unions in Nigeria dates back to the colonial period when in 1912 there emerged the Nigeria Civil Service Union. From the epoch making trail, some other trade unions sprang up in various organizations both in the public sector and the organized private sector of the economy. Empirical evidence has it that over a thousand trade unions were formed between 1912 and 1978 before the military government intervention.

In a restructuring exercise carried out by the military government in 1978, the number of trade unions in the country was reduced to 42. The number was further reduced to 29 by another military government in 1996. Since the advent of trade unionism in Nigeria, trade unions have not only protected the interest of workers (their members) but have also played prominent role in shaping the socio-political sphere of the country.

In this unit, therefore, you are exposed to the realm of trade unionism, theories of trade unionism, the peculiar nature of trade unions in Nigeria, and the central labour movement in the country.

## 2.0 OBJECTIVES

At the end of this study unit, you should be able to:

- explain the meaning of a trade union
- analyze the theories of trade unionism
- explain the peculiar nature of trade union movement in Nigeria
- identify and explain the statutory requirements for the formation and registration of trade unions in Nigeria
- explain the classification of trade unions in existence in Nigeria
- explain the position of the central trade union in the country.

## 3.0 MAIN CONTENT

### 3.1 Meaning of a Trade Union

Trade union is simply an organization of workers formed by such group of workers with a view to using it to protect their interests. According to the Trade Union Act (Amended) of 1978, a Trade Union is a combination of workers or employers, whether the combination in question would or would not, apart from the Act, be an unlawful combination by reason of any of its purposes being in restraint of trade, and whether its purpose do or do not include the provision of benefits for its members.

The definition of a trade union in legal terms is somehow ambiguous since employers' organization too is regarded as a trade union. In the view of Webbs as cited by Akubuiro (2003), a trade union is an organization of workers whose major purpose is to improve or at least maintain the working conditions of their members. This is in cognizance of the famous declaration by Robert Peels as cited by Akubuiro (2003) that

men who have nothing, no property, except their manual skill and strength, ought to be allowed to confer together, if they think it fit for the purpose of determining at what rate they will sell their property.

The above views, underscore the essence of a trade union movement in any industry or any country, and Nigeria is not an exception.

### **SELF ASSESSMENT EXERCISE 1**

Explain the meaning of a Trade Union showing how a trade union is different from an Employers' Association.

### **3.2 Theories of Trade Unionism**

There are some theories which tend to justify the existence and therefore, the essence of trade unions in any country or an economy. These theories are espoused below.

#### **1. The Webbs' Theory**

The theory is referred to as the Webbs theory for the mere fact that it was propounded by Sydney and Beatrice Webbs, the founders of the famous London School of Economics, who happened to be husband and wife.

The theory postulates that workers are primarily bound together for the purpose of improving and maintaining their working conditions. Therefore, the workers regard it as a way to economically motivate each other. Webbs believe that workers are directly concerned with the wages and all related allowances, compensation packages, and hours of works.

The Webbs argue that workers find themselves in a union because they realize that they are powerless fighting singly; hence the need to present a united front through their union in fighting for their rights and privileges.

Essentially, the Webbs postulate that when workers organize themselves into trade unions, they are interested in creating a potent means through which to pursue and achieve their economic freedom.

#### **2. The Selig Perlman's Theory**

As an American, Selig Perlman postulated that trade unions emerged from individual works quest to deal with the problem of job scarcity.

Against such view, Perlman contended that the pattern of labour organization in any given economy depends on factors such as: the mix of union executive, their strength and ability to resist the capitalist who

is the owner of the capital and the organization; the job consciousness of a worker; and the role of the intellectuals.

### **3. Frank Tannerbaum's Theory**

Tannerbaum postulated that workers are driven to form unions as a result of the sense of feeling of being alienated from both the job and the society. Therefore, the workers strive to use the union avenue to relieve themselves of such alienation. In essence, workers form unions to create an avenue for collective and mutual relationship among themselves.

Tannerbaum believes that this kind of security was provided to workers by the formation of guilds. Hence unions only sprang up to represent the guilds. Tannerbaum contended that workers, therefore, formed unions to recreate and to take the place of former guilds and not necessarily for economic gain.

### **4. Karl Marx's Theory**

Max postulated that trade union is association of workers in which the workers organize themselves to overthrow the capitalist sector, which has been exploiting their labour and then compete among themselves for available jobs.

According to Max, the only way by which the workers can make their lots better is by forming unions, with which they will overthrow the capitalist, their employers who constitute themselves as the masters. Hence, the workers would be in a good stead to control the means of production and thereby improve their working conditions.

### **5. John Commons' Theory**

According to this theory, trade unions are formed as partners in progress with the employers. Therefore, trade unions are not opponents of the employers, or slaves or have nots.

Commons postulated that unions came to be, so as to work hand in hand with the employers, with the belief that if the profit increases themselves will benefit.

### **6. Robert Hoxie's Theory**

The theory suggests that workers draw themselves into unions not necessarily for any other reason but because of their psychological need to form groups, which can be used for every other thing.



The reasoning according to this theory is that trade union cannot improve the conditions of the workers. Rather it is the group effect whether formal or informal that achieves it.

## **SELF ASSESSMENT EXERCISE 2**

Identify and explain the various theories propounded by eminent scholars to rationalize the advent of trade union movement.

### **3.3 Trade Unions in Nigeria**

As you have observed in the introductory part of this unit, trade unionism in Nigeria started during the colonial rule, precisely in 1912 at the advent of the formation of the Nigerian Civil Service Union which has membership strength covering all the then workers in the civil service in the country.

A splinter organization called the Nigerian Union of Railway Workers sprang up in 1931 as a result of government policy which spelt reduction in wages of the workers, the intent of which was to fight inflation.

The railway workers under the leadership of Michael Imodu reacted to the wage cut and they subsequently formed the Nigerian Union of Railway Workers. Hence the Nigerian Civil Service Union considered to be docile in fighting for the right of the workers was ditched by the railway workers, which later on became militant towards the colonial masters.

The formation of the railway workers' union influenced other government workers to form their unions, notably the birth of the Nigerian Union of Teachers in 1931 spearheaded by nationalists such as Rev. Kuti and Alvan Ikoku.

Many factors were responsible for the emergence of the trade unions in Nigeria. These factors are as identified and discussed below.

#### **1. The Colonial Rule**

The colonial administration, in terms of the behaviour of the colonial masters apparently prompted the formation of trade unions in the country. The workers under the colonial administration worked under forced labour and exploitative conditions to the advantage of the colonial masters. Hence the workers were looking for an avenue to fight for their rights. Above all, the wage cut of 1931 gave some impetus to the emergence of radical trade unionism in the country.

## **2. Impact of Industrial Revolution**

The expansion in industrial undertakings in Europe led to high demand for the country's agricultural endowments which serve as veritable raw materials for their industries. The inflow of capital gave rise to expansion in employment which was in hundreds of thousands. By implication, the radical ones among the workers who were well informed spearheaded trade union movement.

## **3. Colonial Government as Major Employer of Labour**

The colonial government was the main employer of labour in the country. The fact that the workers were subjected to hardship, exploitation and poor wages coupled with the workers resentment for colonial administration gave rise to group formation among the workers and by extension the formation of trade union with which to confront the colonial masters.

## **4. Impact of the World Wars**

The emergence of trade unions in the country is also attributable to the influence of the world wars during which the Africans were made to understand the role of unionism by their European counterparts.

## **5. Role of International Labour Organizations**

The international union movements had tremendous influence on the formation of trade unions in Nigeria. There were labour and trade unions whose membership cut across countries and continents of the world.

The existence of these organizations provided Africans including Nigerians the opportunity to learn about unionism, and therefore served as influencing factors for the formation and emergence of trade unions in the country. Examples of such international unions are the World Federation of Trade unions (WFTU) and International Federation of Christian Trade Unions (ICFTU), among others.

## **6. Government Policy**

The promulgation of the Trade Union Ordinance of 1938 in Nigeria also plays some defined role in the emergence and growth of trade unions in the country. The Ordinance serves to give official recognition to the existence of trade unions and the freedom of the workers to participate in the formation of trade unions in the country.

## **7. Emergence of Political Parties**

The political consciousness of Nigerians during the colonial period gave rise to the formation of political parties in the country. Their activities coupled with the influence of the internal labour unions led to political agitation and the use of strike as political tool in Nigeria.

## **8. Class Conflict and Political Development in West Africa**

The spate of strikes, class struggle and conflict in West Africa during the colonial period also give impetus to the emergence and spread of trade unionism in Nigeria.

The colonial period witnessed a spate of spontaneous strikes over poor conditions of service by the workers. For instance, there were the strikes by the Road Workers (1874) in Sierra Leone, Workers of Public Works Department (1877) in Nigeria, and workers of Public Works Department (1919) in Ghana as well as in the French colonies.

## **9. Impact of the Great Depression**

The Great Depression of the 1930s, precisely from 1929-1932, with its effects also influenced the rise of trade unionism in Nigeria. For instance, an effect of the depression in form of high unemployment led to the reduction in the civil service salaries. There was discontent among the civil servants in the West Africa colonies, as a result of which trade unions sprang up. Examples are Labourers Union (1929) in Sierra Leone, Motor Drivers Union (1931) in Ghana, Railway Workers Union and Nigerian Union of Teachers (1931) in Nigeria and Barthrust Trade Union (1933) in Gambia.

## **SELF ASSESSMENT EXERCISE 3**

Identify and discuss the reasons which have influenced the growth and development of trade unionism in Nigeria.

### **3.4 Formation and Registration of Trade Unions**

It is compulsory, as you will understand that a trade union must be formed and registered with the appropriate authority before it can operate in the country. The issues of formation and registration of trade unions are therefore considered herein.

### 3.4.1 Formation of a Trade Union

For a trade union to be formed the following conditions must prevail:

- i. Membership strength of at least 50 workers.
- ii. A distinct identity different from the existing trade unions.
- iii. The name does not contain reference to a person, institution, etc.
- iv. The interests of members of the new union are not sufficiently represented by an existing trade union.
- v. The purpose of the union is lawful and apolitical.

### 3.4.2 Registration of Trade Unions

Trade unions can only be recognized if they are registered with the Registrar of Trade Unions. By virtue of the Trade Unions (Amended) Act of 2005, once a trade union is duly registered with the Registrar of Trade Unions, it is compulsory for an employer to accord recognition to such a union.

An application for registration shall contain among others the following information:

- a. Address to which communication may be addressed.
- b. When the union was formed.
- c. Mode of amending the union rules.
- d. Provision for appointing, removing and the duties of the union officials
- e. Provision for investing union funds
- f. Provision for auditing the books of the union.
- g. Provision for dissolution of the union.

The approval or registration of trade union by the Registrar of Trade Unions is contingent upon the following conditions:

1. At least 50 members of the union must sign the prescribe application form
2. The membership of the union does not include the employer's name.
3. The membership of the union does not include senior staff or senior management to avoid conflict of interest.
4. The application contains the name under which the trade union wishes to be recognized.
5. The application contains an authentic office address.
6. The application is accompanied by two copies of the union rules.
7. The application is accompanied by a list showing

- a) the name, address, age and occupation of each of the persons by whom the application is signed.
- b) The official title, name, address, age and occupation of each official of the union.

#### **SELF ASSESSMENT EXERCISE 4**

What are the requirements for the formation and registration of trade unions in Nigeria?

### **3.5 Structure of Trade Union in Nigeria**

The structure of trade union refers to the classification or grouping of unions into related areas. In Nigeria, the trade unions can be grouped into major categories such as indicated below.

#### **1. General Work Union**

These unions under this group have membership cutting across various different grades in terms of employment. In other words, these unions are normally organized by people of different grades in terms of their status or positions in their organizations.

In essence, there is no discrimination against any category of workers in terms of membership. The unions, therefore, are open to all categories of workers in the related areas of work. A good example is the ~~General~~ **General** Union. Another example is the Senior Civil Servants Association of Nigeria.

#### **2. Craft Unions**

The trade unions under this category are organized and run by professionals in specific trades regardless of their place of work. In other words these unions have membership that cuts across organizations whether in private or public sector.

Example of such union is the Nigerian Medical Council, which has been formed to protect the interest of all doctors in both private and public sectors.

#### **3. Industrial Unions**

These are the trade unions which are formed by workers who are in the same industry. In other words, these are unions organized on industrial basis such unions for textile workers, bank workers, civil servants, petroleum workers, etc.

## SELF ASSESSMENT EXERCISE 5

Identify and explain the distinct categories to which the various trade unions existing in Nigeria can be classified.

### 3.6 Funds of Trade Unions and Politics

Prior to the amendment of the Trade Union Act of 1978, the employer had a duty to make deduction from the wages of every worker who is eligible to be a member of any trade union and pay such deductions to the registered office of the trade union after deducting what is due to the Central Labour Organization.

The amended Act of 2005 has a provision which only requires employer to make deductions from the wages of workers who are members of the union and not those who are eligible to be members.

Furthermore, there is no need for the operation of the contracting out system as workers must have indicated their intention to be members before union dues can be deducted from their wages.

Prior to the amendment of the Act, deductions are made from the salaries of the junior workers who are eligible to be members of the union unless they asked their employers not to do so. It is no longer the case by virtue of the provision of the Trade Unions (Amendment) Act 2005, which stipulates that membership of trade union, is now voluntary for all workers of organization.

The Amended Act also provides that the employer would not have to deduct any sum due to the Federation of Trade Union. The trade unions would have to pay directly and on their own, their dues to the federation.

The Trade Union (Amendment) Act of 2005 forbids the trade unions in Nigeria from using the pool of funds generated from the union dues to engage in furthering political objectives.

The objectives that are deemed to be political objectives by the Act are as follows:

- a) the making of contributions toward the funds of any political party;
- c) the payment of any expenses incurred (whether directly or indirectly) by a candidate or prospective candidate for election to any political office in Nigeria or any part of Nigeria, being expenses incurred

- before, during or after the election in connection with his candidature or election;
- d) the holding of any meeting or the distribution of any literature or document in support of any such candidate or prospective candidate;
- e) the maintenance of any person while he holds any political office in Nigeria or any part of Nigeria a political office to which he has been elected;
- f) the registration of electors in Nigeria or any part thereof;
- g) the holding of a political meeting of any kind or the distribution of political literature or political documents of any kind, unless the main purpose of the meeting or distribution is to further the regulation of the terms and conditions of employment of workers.

The Trade Union Act expressly states that:

- unless the rules of a trade union otherwise provide, in so
- far as the funds of a trade union represent payments which
- the members are required to make under the rules, whether
- by way of subscriptions, dues or otherwise, those funds shall not be applied (whether directly, or through any other union, association or body, or in any other indirect manner) to the furtherance of any political objective.

The above indicates that it is a blanket prohibition of expenditure of union funds in furtherance of political objectives. The implication is that where the rules of a trade union expressly permit it, the funds of the union can be used in aid of a political objective. For instance, if a union makes profits on the union's investments such as stocks or treasury bills or real estate, the funds can be spent in furtherance of political objectives without violating the provision of the Labour Union Act.

### **SELF ASSESSMENT EXERCISE 6**

Give reasons why union funds are prohibited from being used to further political interest.

### **3.7 Membership of Trade Unions**

Membership of a trade union means a person normally engaged in a trade or industry which the trade union represents and a person either elected or appointed by a trade union to represent workers interest.

Membership of a trade union cannot be refused on the ground that a person is of a particular community, ethnicity, place of origin, religion or political opinion. The Trade Unions (Amendment) Act, 2005 does protect a worker who does not want to belong to a trade union.

Thus the Act provides that: ‘notwithstanding anything to the contrary in this Act, membership of a trade union by employees shall be voluntary and no employee shall be forced to join any trade union or be victimized for refusing to join or remain a member.’

However, there are certain categories of public workers who are prohibited by the Trade Unions (Amendment) Act of 2005 from belonging to trade unions. Such persons are the:

1. Members of the Armed Forces;
2. Members of the Police Force;
3. Members of the Customs, Immigration and Prison Services;
4. Workers of the Central Bank of Nigeria;
5. Workers of the National Drug Law Enforcement Agency; and
6. Members of other services who are authorized to bear arms.
7. Every State government employees authorized to bear arms.
8. Employees of such other establishments as the Minister of Labour may from time to time specify.

Nevertheless, such workers can set up joint consultative committees to protect their interests.

In another category, staff recognized as a projection of management in any organization cannot be a member or hold office in a trade union. According to the labour law, it is immaterial that such a person is junior or higher in rank than other members of the trade union. Furthermore, it is considered sufficient if his or her status, powers and duties belong only to a person exercising executive authority in the organization.

Lastly, persons or workers of organization under the age of sixteen cannot belong to a trade union.

### **SELF ASSESSMENT EXERCISE 7**

Give reasons why some categories of public workers are prohibited from joining trade unions.

### **3.8 Central Labour Union in Nigeria**

The central labour union is the central organization which coordinates the activities of all labour unions at the national level in the country.



Hence it has some functions to perform for the affiliated unions in terms of protecting their interests and championing their cause for better working condition and enhanced environment for defined labour productivity across the general spectrum of the economy.

The Nigeria Labour Congress (NLC) is the umbrella organization for the labour unions in both the public and the private sector of the country. And as such you will understand why the Congress (the NLC) has been in the vanguard of fighting for the rights of the Nigerian workers since its formation in 1976.

There were several attempts to form a central labour organization in the country before the advent of the Nigeria Labour Congress. The first attempt according to available record, to establish a central labour organization was in November 1942, which led to the formation of the Federal Trade Union of Nigeria (FTUN). The body was only in existence for some few months before its untimely demise.

Another attempt in 1943 gave birth to a new body called the Trade Union Congress (TUC), which was accorded recognition by the colonial government. In addition the Nigerian Federation of Labour (NFL) was formed but it could not get much support from the trade unions in the country due to the fact that a majority of the existing labour unions refused to be affiliated to the new body. The situation led to its eventual demise.

Eventually a group of 29 national labour unions came together to organize the All Nigeria Trade Union Federation (ANTUF) which was led by Ugochi Nzeribe a labour activist who was Marxist inclined. As a result of the posture of the leader of the central organization many of the moderate trade unions declined to be affiliated. Another body was formed almost within the same period, which was called the National Council of Trade Unions of Nigeria (NCTUN) precisely in May 1957.

The present national body, the Nigeria Labour Congress (NLC) was ultimately formed in 1976, and eventually became the major central labour organization for all the trade unions in the country.

The objectives of the Nigeria Labour Congress (NLC) as set out for its formation are as follows:

1. To give a sense of direction to all trade unions in the country.
2. To remove ideological differences, which had affected other bodies before.
3. To rationalize the structure in the organization, and remove barriers to the source of finance.

4. To improve quality of leadership.
5. To strengthen its administration through adequate provision of required tools and human resources thereby enforcing labour laws and regulation.
6. The need to continue to support labour organizations, e.g., the African Trade Union (ATU) and the International Labour Organization (ILO).

### 3.9 Federation of Trade Unions

By virtue of the existence of the Trade Unions (Amendment) Act of 2005 the Nigeria Labour Congress is no longer the only ~~federation~~ ~~registration~~ of trade unions. The Central Labour Organization has been replaced by Federation of Trade Unions. Nevertheless, The Nigeria Labour Congress shall continue to exist unless and until it is dissolved, amalgamated, judicially forfeited or its registration cancelled.

The amended Act has also made provision which allows trade unions in different trades, occupations or industries to come together and form a federation. Hence there comes the need to replace the Nigeria Labour Congress with the Federation of Trade Unions.

The rationale for permitting the formation of other central trade unions or federation of trade unions is in tandem with democratic practices. This is in view of the fact that the existence of only one central labour organization is at variance with the country's Constitution and some conventions of the International Labour Organization.

A federation of trade unions may be registered if it satisfies ~~other~~ ~~among~~ conditions, the following conditions:

- i. its main objective is to represent the interest of employees;
- ii. it is made up of 12 or more trade unions, none of which shall have been a member of another registered federation of trade union;
- iii. it has been established by resolution of the national delegates conference of the trade unions that constitute its members; and
- iv. it has adopted a name that does not resemble the name of another federation of trade unions.

The decision of the Registrar of Trade Unions to register or not register a federation of trade unions is to be given within 90 days of application. The registered federation of trade unions shall be issued with a certificate of registration.

The amended Act also provides that those aggrieved by refusal are not given the right to appeal the decision of the Registrar just as is the case with refusal to register trade unions.

### **SELF ASSESSMENT EXERCISE 8**

Give reasons for the existence of parallel central labour organizations in the country.

## **4.0 CONCLUSION**

From above analysis, it is obvious that trade unionism is an integral aspect of modern industrial organizations, which aims at protecting the rights and interests of workers in their various organizations. Hence you can appreciate why you have been a member of one trade union or the other at your workplace. It is also instructive for you to note that the Nigeria Labour Congress is not the only central trade union any longer because the amended trade union law has made provision for the formation of the federation of trade unions as parallel bodies to the Congress.

## **5.0 SUMMARY**

This study unit has been used to highlight the essence of trade unionism in industrial organizations. In particular, the unit threw light on the nature of trade unions in the country, requirements for their formation and registration, structure of trade union in Nigeria, the use of funds of trade unions and politics, membership of trade unions and the central organization of trade unions in the country. In the next study unit, you will learn of the employers' organization, an association which represents the interest of the employers of labour in Nigeria.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Identify and discuss the requirements for the formation and registration of trade unions in Nigeria.

## **7.0 REFERENCES/FURTHER READINGS**

- Akubuiro, N. H. (2003). Industrial Relations and Labour Laws. Shomolu – Lagos: PMA Printers, A Division of PMA Group.
- Aturu, B. (2005). Nigerian Labour Laws: Principles, Cases, *Commentaries and Materials*. Shomolu – Lagos; Frederick Ebert Stiftung, pp. 186-370, 488-598.
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## **UNIT 2      EMPLOYERS ORGANIZATION IN NIGERIA**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Formation of the Nigeria Employers' Consultative Association
  - 3.2 Structure and Organization of Nigeria Employers' Consultative Association
  - 3.3 Main organs of Nigeria Employers' Consultative Association
  - 3.4 Services of the Nigeria Employers' Consultative Association
  - 3.5 Organization of the NECA Secretariat
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### **1.0 INTRODUCTION**

For effective involvement of the government in the management of labour affairs in the country, there is the need for the existence of a viable body within the organized private sector with which the government can rely on for consultation. As it were, the existence of such a forum will enable the government to secure a proper grasp of the intricacies of labour relations in the industries upon which labour policies can be formulated and implemented.

Therefore, in this unit, you are going to learn all about the existence of such a forum in the organized private sector. In essence, this unit is used to discuss the formation, organization and structure of the Nigeria Employers' Consultative Association; an association which was created by the organized private sector to function with the principal responsibility of articulating labour issues towards helping the government to fashion out appropriate labour policies in the country.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the reason for the formation of the Nigeria Employers' consultative Association
- analyze the structure and organization of the Nigeria Employers' Consultative Association
- identify and explain the services being provided by the Nigeria Employers' Consultative Association

## 3.0 MAIN CONTENT

### 3.1 Formation of the Nigeria Employers' Consultative Association

The Nigeria Employers' Consultative Association (NECA) constitutes the central organization for the employers in the organized private sector of the country. The formation of the body (NECA) was prompted on the strength of the suggestion by the government regarding the need for such a body to exist for consultation on social and labour policy matters.

The Association was subsequently inaugurated on the 16th of January 1957, to serve purely as a consultative body within the organized private sector in the country. Initially the Association was structured geographically and industrial sectors mainly on an informal nature until the Trade Unions (Amendment) Decree 22 of 1978 was promulgated, which implied legal status for the sectoral employers' associations. Hence by virtue of this Decree, all the sectoral employers' associations in the country were accorded legal recognition as trade unions.

On the strength of the number of the employers' consultative associations existing in the country, NECA was re-organized into a quasi-confederation with membership structure as follows:

#### 1. Ordinary Members

These are individual companies or corporate bodies which employ a minimum number of 5 workers, and engage mainly in business or economic operational activities such as manufacturing, distribution, retailing, agriculture, mining, finance, transportation services, consultancy, etc, both in the private and the public sectors of the economy.

The present scenario is that such companies, which number over 500, form the bulk of the NECA membership.

## **2. Associate Members**

These members are the statutory government corporations whose operational activities are carried on in similar way to that of big industrial undertakings, trade or businesses. Furthermore, maintain separate accounts and operations independent of the government. The number of such corporations is now few in view of the accelerated privatization policy of the federal and State Governments.

## **3. Affiliate Members**

These members are the industrial and sectoral employers' associations, industrial groups or trade associations. Most of these organizations which are affiliate members of NECA are trade unions that are registered under the Trade Unions (Amendment) Decree of 1978.

Affiliate members of NECA include the following:

- i. Association of Automobile, Boatyard, Transport Equipment and Allied Employers of Nigeria.
- ii. Association for Food, Beverages and Tobacco Employers.
- iii. Association of Furniture, Fixtures and Woodworking Employers of Nigeria.
- iv. Association of Metal Products, Iron and Steel Employers of Nigeria.
- v. Chemical and Non-Metallic Products Employers' Association.
- vi. Construction and Civil Engineering Employers' Association of Nigeria.
- vii. Employers' Association of Leather, Footwear and Rubber Industries of Nigeria.
- viii. Hotel and Personal Service Employers' Association
- ix. National Association of Agriculture and Allied Employers.
- x. Nigeria Employers' Association of Banks, Insurance and Allied Institutions.
- xi. Nigeria Association of Small Scale Industrialists.

## **SELF ASSESSMENT EXERCISE 1**

Identify and discuss the various types of membership of the Nigeria Employers' Consultative Association.

## **3.2 Structure and Organization of NECA**

The structuring and organization of NECA, which have been on the basis of operational efficiency, informed the philosophy of grouping its members according to common interest such as functional industrial and geographical categories.

On industrial basis, the grouping is on formal industrial employers' associations which are registered under the Trade Unions Act. On the basis of geographical grouping, the members within a state or industrial or commercial locations (or clusters) have been constituted together for the purpose of common interest.

The implication is that representation of members to the governing council of the Nigeria Employers' Consultative Association (NECA) is mainly on industrial and geographical basis.

### **3.3 Organs of the Nigeria Employers' Consultative Association**

The main organs of NECA are as highlighted and discussed below:

#### **1. The Annual General Meeting**

The annual general meeting represents the highest organ of NECA. Therefore, it has the responsibility of electing the officials, approving the audited accounts and the report of the administration of the Association for any year. The organ also has the responsibility of appointing the members of the governing council of the Association.

#### **2. The Governing Council**

The Council has the responsibility of formulating the policies of the Association. It also has the onerous responsibility of supervising the implementation of Association's policies so formulated by the Council from time to time.

The membership of the Council is made up of the elected officials and representatives of the industrial and geographical groups in addition to some few co-opted members. The meeting of the Council comes up once every month in between the annual general meeting.

#### **3. The Management Committee**

The management committee is constituted to be responsible to the governing council in terms of efficient implementation of its policies, as well as the elected officers and the Chairman of the industrial relations committee.



#### **4. The Industrial Relations Committee**

The committee represents the standing expert committee of the Association, which has the responsibility of advising the governing council and members on Industrial Relations issues and other related matters.

The membership of this committee is drawn from the Ordinary, Associate and Affiliate members of the Association. Such members of the committee are normally selected on their own individual merit. The chairman of the committee is usually a member of the governing council. As an expert committee, it also has the responsibility of advising the Association on issues pertaining to training and development of employees and other related matters.

#### **SELF ASSESSMENT EXERCISE 2**

Identify and explain the respective functions of the various organs of NECA.

#### **3.4 Services of the Nigeria Employers' Consultative Association**

The Nigeria Employers' Consultative Association (NECA) as a forum for the employers in terms of addressing labour matters has some services which it provides for the member organizations. These services are as categorized below:

##### **1. Clearing House**

The Nigeria Employers' Consultative Association (NECA) provides a viable forum for the employers in the country to meet, discuss, consult and exchange views and information.

Through this forum, the Association promotes cooperation among employers of labour in various industries, trades and other business undertakings in the country.

NECA is also involved in coordinating the activities of the various industrial employers' associations and the geographical groups. Such onerous responsibility as discharged by NECA is to ensure that industrial and geographical employers' associations do not operate at cross purposes.

##### **2. Liaison and Representation**

NECA serves as the organized private sector's representative and their mouth piece to the government at various levels of the polity.

The Association also has the responsibility of maintaining working relations with educational and training institutions in the country.

Furthermore, it also has the responsibility of representing the employers at both national and international fora such as:

- i. National Labour Advisory Council (NLAC);
- ii. National Directorate of Employment (NDE);
- iii. Nigeria Social Insurance Trust Fund (NSITF);
- iv. Industrial Training Fund (ITF);
- v. Administrative Staff College of Nigeria (ASCON);
- vi. International Labour Organization (ILO);
- vii. International Organization of Employers (IOE);
- viii. Pan-African Employers' Confederation (PEC)

For effective articulation and representation of the employers' views and interest at the government level, NECA has the responsibility of working closely with the Manufacturers Association of Nigeria (MAN) and the National Associations of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA).

### **3. Advice and Guidance**

NECA has the responsibility of giving advice to its member organizations on major national issues bordering on labour. Furthermore, the Association also gives routine advice to the members on matters such as employer-employee relations, relations with their labour unions, human resources development and utilization, human resources management and employee welfare services.

### **4. Human Resources Development Services**

The Association also renders full complement of human resources management services towards helping some of its member organizations in managing and developing their human resources.

NECA is also involved in assisting its member organizations in recruitment, selection and placement of suitably qualified candidates for their existing job vacancies. The Association also assists in setting up employment policies, system of compensation and administration in non-unionized workplaces.

NECA also assists its member organizations in managing the career development of their employees and succession planning of their management team.

## **5. Training and Education**

In discharging its responsibility of developing the member organizations' human resources, NECA undertakes advanced management courses and programmes for the employees of such member associations. Such reputable courses include Advanced Industrial Relations, Human Resources Development and Pre-retirement Seminar, among others.

NECA also routinely promotes specialized courses tailored to meet prevailing exigencies and trends in the various industries in which the member organizations operate.

Such specialized courses include: Productivity Improvement Schemes; Wages and Salary Administration; Application of Computer in Personnel Administration; and Industrial Relations Seminars for Chief Executives of corporate bodies, among others.

## **6. Data Bank**

NECA constitutes a data bank of knowledge, practice and information which is available for the member organizations' access and use in developing their operations.

In line with this onerous responsibility, NECA routinely conducts surveys for information on labour and operational matters based on the needs of its members. For easy access of its member organizations to data, NECA makes available or circulates the results of such surveys to them.

Furthermore, NECA also assumes the responsibility of communicating other vital information and data to its members through circulars and memoranda of advice and guidance, and publications like the NECA News, Updates and Bulletins, among others.

## **SELF ASSESSMENT EXERCISE 3**

Mention and discuss the distinct services of NECA to its members.

### **3.5 Organization of the NECA Secretariat**

The administrative organ of the Association has full-time staff on a professional and administrative basis, with the responsibility of carrying out the day-to-day operational activities of the Association. These staff also serve the various organs of the Association as well as implementing their decisions.

The NECA secretariat has a Director-General as its administrative head who, by implication, is the Chief Executive Officer. He is also an ex-officio member of the governing council of the organization.

The Director-General as the Chief Executive of the Association is assisted by several other competent professional and administrative staff.

For effectiveness and efficiency, the NECA secretariat is structured into the following units/departments.

#### **3.5.1 Industrial Relations Department**

The department has the responsibility of working closely with industrial employers' associations and member organizations in the areas listed below:

- a. The promotion of sound system of labour relations
- b. The development of remuneration policies and practices consistent with national policies and tailored to the peculiar needs and capabilities of the private sector organizations.
- c. Employment and human resource policies and strategies at the company levels, taking into consideration problems associated with them.
- d. Labour laws, disputes settlements, procedures and conflict resolution.
- e. Institution building and development.
- f. Collective bargaining, joint consultation, productivity and workers' participation.

#### **3.5.2 Training, Human Resources and Research Department**

This department has the responsibility of reviewing and updating training and human resources development policies in line with the rapid economic and industrial changes in the private sector.

It is also the duty of the department to offer assistance to organizations in developing effective and efficient training and retraining schemes for improved productivity.

The department has the onerous responsibility to ensure that it utilizes the most effective and efficient resources for widening the scope of existing programmes as well as establishing new ones.

The department is also entrusted with the responsibility of developing and running in-plant training programmes and courses for member organizations.

The department has a research section which develops and maintains a regular flow of information on industrial matters through surveys and international literature search.

It is also the duty of the research section to regularly publish available programmes and courses, the NECA News (a quarterly journal), seminar and workshop papers, and newsletters.

The department also maintains a labour statistical data-bank, on information retrieval basis, as a facility for the use of member organizations.

The areas of research programme of the department are: training methods and their effectiveness; development of industrial sectoral management staff; compensation costs on employers; and new work systems.

### **3.5.3 Economic and Legal Department**

The department has the responsibility of managing the following operational activities of the organization's secretariat.

- a. Economic policies
- b. National Budget and Development
- c. Labour Legislation
- d. Political Policies
- e. Relations with Government AGENCIES
- f. Relations with Nigeria Labour Congress
- g. Relations with MAN and NACCIMA
- h. Public Affairs
- i. Technical Committee

### 3.5.4 Small Business Unit

NECA has recorded a high level of membership coming from the small businesses. Therefore, there is increasing for the Association to get adequately involved in small and medium enterprises towards promoting their operational activities.

NECA's effort is geared towards providing training and consultancy services to this group of small businesses who are members of the Association. The reason for such involvement of the Association is to assist in formalizing their operations and thereby guarantee stability in their operations.

To facilitate the achievement of this goal, NECA has initiated viable linkages with the government and non-governmental organizations in order to help develop the small and medium scale enterprises in the country.

### SELF ASSESSMENT EXERCISE 4

Mention and discuss the functions of the various departments of NECA secretariat.

## 4.0 CONCLUSION

The above discussion validates the vital need for the existence of employers' association in a country such as Nigeria. As a central body with a mandate to act as a consultative organization on labour matters for the employers of labour in the country, and by extension, as a source of advice and information to the government for the formulation of appropriate labour policy, NECA has performed creditably well. It has lived up to its mandate so far.

## 5.0 SUMMARY

The unit has been used to explain the rationale for the existence of an employers' consultative association. Furthermore, you have been taken through the various administrative organs used by the Nigeria Employers' Consultative Association to discharge its duties to its members. In addition, the unit also treats the organization of the Association's administrative secretariat, which is structured into departments for effectiveness and efficiency.

You realise that this study unit is the last one in this course. Therefore, you have to remind yourself of the fact that the questions under the Tutor-marked Assignment sections of all the units

are meant to be tackled by you. You are to submit same for continuous assessment, because they will be graded by your Tutorial Facilitator.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. List the various administrative organs used by the Nigeria Employers' Consultative Association in the discharge of its Mandate.
2. Explain the functions of each organ.

## **7.0 REFERENCES/FURTHER READINGS**

- Akubuiro, N. H. (2003). Industrial Relations and Labour Laws. Shomolu – Lagos: PMA Printers, A Division of PMA Group.
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