Kognity © 2023

2.7 Industrial/employee relations (HL)

The big picture

> 'If you are lucky enough to be someone's employer, then you have the moral obligation to make sure people do look forward to coming to work in the morning.' (John Powell Mackey, CEO of Whole Foods)

On May 1st every year (or May Day), workers around the world gather to highlight the challenges faced in their industries. The day is also used to commemorate and celebrate successful attempts to improve the pay and working conditions of many workers globally.

The question is why do workers around the world come together? The answer is that it is part of a process of collective action to improve employee–employer relations, or the manner in which employees and employers treat each other. Each stakeholder is interdependent and yet there are often conflicts between them. May Day demonstrations highlight the power struggles that exist in many companies, the inequality, the lack of voice and the striving towards valued and meaningful work.

Figure 1. Workers gathering during a May Day demonstration.

Credit: FG Trade, Getty Images

May Day is used to provide a voice for those who feel ignored. Many businesses strive to extract maximum value from their employees through long hours and low pay. There

are businesses that place little value on good employee–employer relations and worker welfare. This subtopic explores the consequences of this approach and the methods that can be used to enhance employee–employer relationships.

However, there are also many businesses that recognise the importance of workers within their organisation. They understand the long-term benefits of good employee–employer relations. This subtopic also explores the benefits of this approach.

Concept

Ethics

Ethics refers to moral principles that govern the behaviour of a person or groups. Every business decision has moral implications, and businesses are often engaged in the question of 'What is the right thing to do?' Ethical responsibilities in business come from the relationships and networks that are formed when business organisations are established.

Businesses have a duty to engage positively in reciprocal relationships with both their stakeholders and their natural environment.

Employee–employer relations have an ethical component. Employers have a moral duty to provide decent working conditions, fair pay and a safe working environment. Employees have a moral duty to be loyal, respectful and considerate of the needs of the business.

Many larger organisations have a code of conduct that outlines the shared commitment to responsible behaviour.

Ethical values are not always considered. There is often a disconnect between the needs and wants of the worker and the goals of the organisation. Pilots who train for years to develop their skills, for example, may seek remuneration (pay) that reflects their skillset. They may also wish for a good work–life balance and recognition for the job they do. However, management at the budget airline they work for may wish to keep costs down to increase profitability, forcing the pilots to work long hours for a wage that is not reflective of their input. In addition, if the management are on high salaries and the company is making a significant profit, then the workers may feel they are being unfairly treated.

Without careful management, this disconnect can lead to a breakdown in relations between the employee and the employer, to the detriment of both the business and the employees. Some negative consequences of this breakdown include:

- poor reputation and brand image

Kog

- demotivated employees
- high labour turnover
- inability to recruit qualified employees
- disruption to operations

On the other hand, good employee–employer relations can be a source of competitive advantage. They may help large organisations to retain skilled employees and attract recruits, thus increasing productivity and sales revenue.

International Mindedness

The International Labour Organisation (ILO) has 187 member states. It exists to help workers around the world by linking together governments, employers and employees to help set labour standards, develop policies and promote decent work.

In this subtopic, you will explore how employee and employer relations are defined and the possible solutions that can be implemented when difficulties arise. You will look at the role of unions, employee groups, management and human resource teams in trying to mitigate risks that arise from changes within or to a business organisation.