

CHAPTER - 4

INTRODUCTION TO INDUSTRIAL RELATIONS

MEANING AND NATURE OF INDUSTRIAL RELATIONS:

Industrial relation is used to describe the collective relationship between the management and the workers in an organization. Industrial relation is a part of management which is concerned with the human resource of an enterprise.

According to Henry Richardson, "Industrial relation is an art, the art of living together for the purpose of production."

It is the relation between employer and employees, between various unions, between the state and union as well as between the employer and the state. Industrial relations are multi-dimensional in nature and are determined by three factors:

1. **Institutional Factors:** These factors can be government policies, labor laws, union of workers and employers, power structures, community, etc.
2. **Economic Factors:** These factors can be a type of economic ownership like capitalist, socialist, company ownership, etc.
3. **Technological Factors:** These factors can be techniques of production technology used, adaptation to newer technologies, etc.

OBJECTIVES OF INDUSTRIAL RELATION:

The primary objective of industrial relations is to maintain and develop good and healthy relations between employees and employers or operatives and management. It is sub divided into other objectives like:

1. Establish and foster sound relationship between workers and management by safeguarding their interests.
2. Avoid industrial conflicts and strikes by developing mutuality among the interests of concerned parties.
3. Keep, as far as possible, strikes, lockouts at bay by enhancing the economic status of workers.
4. Provide an opportunity to the workers to participate in management and decision making process.
5. Raise productivity in the organization to curb the employee turnover and absenteeism.
6. Avoid unnecessary interference of the government, as far as possible and practicable, in the matters of relationship between workers and management.
7. Establish and nurse industrial democracy based on labor partnership in the sharing of profits and of managerial decisions.
8. Socialize industrial activity by involving the government participation as an employer.

Good industrial relations leads to the following benefits:

1. Industrial Peace
2. Higher Productivity
3. Industrial Democracy
4. Collective Bargaining
5. Fair Benefits to Workers
6. Higher Morale
7. Facilitation of Change

CONCEPT OF GRIEVANCE:

Grievance means any type of dissatisfaction that arises out of factors related to an employee's job, which he/she thinks are unfair. Grievance arises when an employee feels that something has happened or is happening, which he/she thinks is unfair, unjust or inequitable. A grievance may arise due to several factors like:

- a. Violation of management's responsibilities such as poor working conditions.
- b. Violation of companies' rules and regulation.
- c. Violation of labor laws.
- d. Violation of natural rules of justice such as unfair treatment in promotion.

A complaint represents an employee dissatisfaction that has not been submitted in written, while grievance is a complaint that has been written and made formal. Grievances are usually symptoms of conflicts in industry, so the management should take grievance seriously and solve the issues as soon as possible.

CAUSES OF GRIEVANCE:

Grievance not only reduces the productivity of employees and organization, it may put the existence of the organization in a danger situation. Therefore, the grievance has to be solved as quickly as possible. For this, the reason has to be identified. The reason for grievance may vary according to the situation. Some of the important reasons are:

1. Unfair Management:

Employees want to be treated equally as other employees. But if management treats differently to the identically performing employees then the grievance arises.

2. Poor Communication:

Open and two way communication makes a healthy relationship and motivates the employees. Policy, directives, information and other notices have to be received by each employee in a similar way according to their job responsibility. One way and controlled communication makes them feel inferior and this will create misunderstanding among the employees and the management. This misunderstanding will slowly turn into the grievance. Thus, poor, controlled and one way communication is also a reason for employee's grievance.

3. Different Interpretation:

Different in the understanding and the interpretation between the employees and the management also causes for grievance. If employees understand the policy, rules and terms and conditions, directions and guidelines determined by the management differently then they become negative towards the management and whole organization. Organization with ineffective communication has high chance for grievance.

4. Personality Traits:

Some employees have habit of being grievant even in minor and small cases. They needle or point out other employees even in their minor mistakes. This will create grievance to the employee himself/herself and other employees as well. Therefore, a personality trait is one of the reasons for the grievance.

5. Culture of Organization:

In some cases, the wrong culture of organization creates grievance in the employees. Bad culture adversely affects the organizational environment and it dissatisfies the employees. This dissatisfaction grows on increasing into the grievance.

6. Weak Leadership:

Leader must be present as a guardian of all employees. If the leader is weak, then employee's enthusiasm may go down and employees do not follow and ignore the leaders. Serious disciplinary activities may be carried out in the organization. This will increase the employee grievance.

7. Personality Clash:

Sometimes, some employees may have personality clash with the colleagues, management and other people's thought, concept and work style. They may take it as a challenge when their idea is not accepted and a feeling of revenge may take place. Feeling of ego may create anger, miserable or dishearten to an employee that will create grievance among the employees.

SETTLEMENT OF GRIEVANCE:

A complaint can become a grievance when it is brought to the formal notice of the management. It is the peak level of dissatisfaction. Grievances may be factual, imaginary or disguised. Grievance handling is a sensitive task focused to reduce or eliminate employee's dissatisfaction. Grievance when takes a collective form, can destroy organization's image and sometime challenge its existence. So, it should be addressed on time. Following procedures can be followed in grievance handling:

1. OPEN DOOR POLICY:

Some companies have an informal and open door policy for grievance handling. Employees are free to walk in any time and express their grievance to higher level of management. This approach facilitates upward communication from employees to management. This approach makes aware about the employee grievances to the management. Prompt handling of grievances is possible at minimum time and cost. This type of approach is suitable for small organizations

where managers are familiar about their employees and working environment. Management can allocate adequate time for grievance handling in small organizations.



2. STEP LADDER PROCEDURE:

Since the open door policy is not suitable for large organizations. Most of these companies have followed step ladder procedure for the settlement of grievances. Grievance procedures are typically designed to resolve grievances as quickly as possible and at minimum possible level in the organization. Step ladder procedure is a method of solving the grievance from the level of origin to the highest level in a step wise way. The grievance is not reached to the higher level at once. Following steps are taken in this procedure:

☑ Step One: Grievant To Superior:

If employees have grievances, she/he can convey about it to the immediate supervisor. The grievance is conveyed verbally. Supervisor has to listen with a priority and has to take certain step for its solution within a fixed period of time. This step is suitable for 'give and take' approach. If the grievant is not satisfied with, next step is followed.

☑ Step Two: Grievant To Department Chief:

If the grievant employee is not satisfied with the supervisor's decision, she/he will present the complaint letter to the department head. Department head will study, analyze and solve the grievance within a fixed time period. If the grievant employee is not satisfied with the decision of department head, next step is followed.

☑ Step Three: Grievant To Grievance Handling Committee:

At this step, grievant employee appeals to the grievance committee. Generally, in large organization, grievant committee is formed of experts in different discipline. This committee includes the representatives of employers and employees. Committee identifies various alternative solutions. If required, they can suggest for the change or revision of the policy and procedure. The committee gives a decision within a fixed period of time.

☑ Step Four: Grievant To Chief Executive Officer:

If grievance handling committee is unable to satisfy the grievant employees, they can present their grievance to the chief executive officer. Chief executive will mobilize the sources and execute authority within the boundary of act, law, policy, rules and directives to handle the

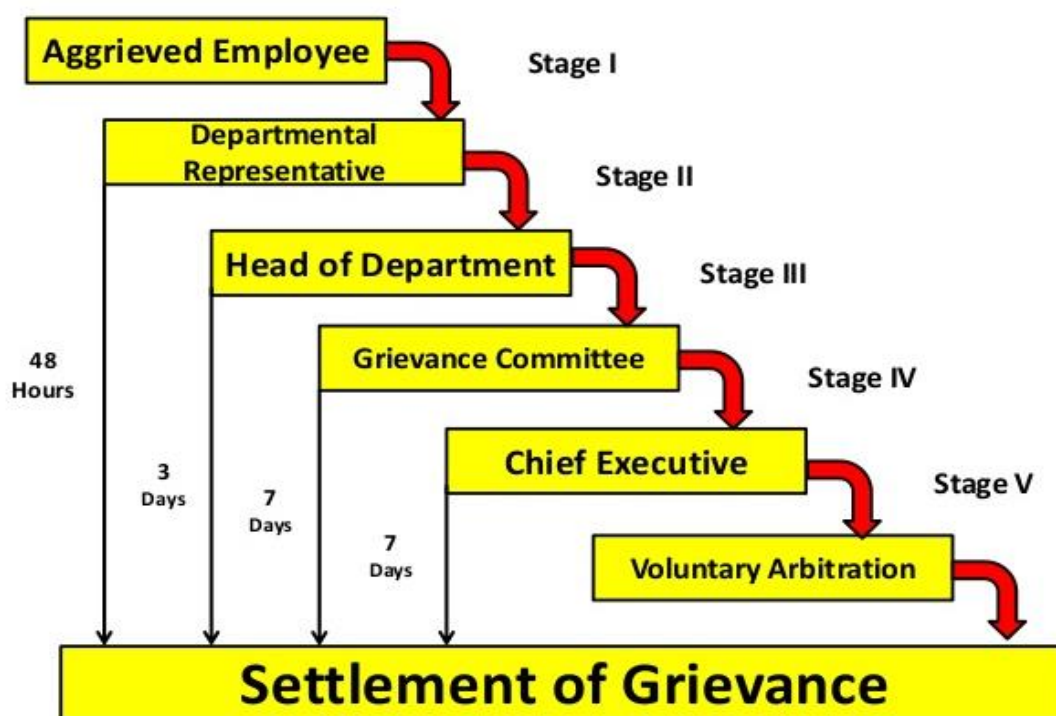
grievance. If the grievance is not handled or resolved at this level, it goes outside the control of organization. So, the CEO tries to solve the problem with full extent.

☑ **Step Five: Grievant To Arbitrator:**

If CEO cannot satisfy the grievant employees, it may take a serious form. With the consent of employers and employee, reliable and independent person of organization or committee will be selected as arbitrator to handle the situation. In this mediating committee, mediator and representative of employees and employers will be included. On the basis of complaint, mediator will study the problem seriously. Mediator will discuss with the employer and grievant employees separately. After different serious of discussion, appropriate alternatives will be identified, agreed by both of the parties. Generally, the solution prescribed by the mediator is acceptable to both of the parties.

☑ **Step Six: Grievant To Labor Court:**

If arbitrator is also unable to solve the grievance, it goes to the labor court. In the labor court, complaint is registered as a case. Both of the parties hire lawyers from their side. Court decides the date of hearing. On that particular date, lawyers argue for and against the case. Judge decides on the basis of legal provision, proofs, argument and reasoning presented by the lawyers. This decision is bounded to be accepted and followed by both of the parties. Party who do not obey the counts decision is subject to be punished.



TRADE UNION:

Labor unions or trade unions are organizations formed by workers from related fields that work for the common interest of its members. They help workers in issues like fairness of pay, good working environment, hours of work and benefits. They represent a cluster of workers and provide a link between the management and workers.

The purpose of these unions is to look into the grievances of workers and present a collective voice in front of the management. Hence, it acts as the medium of communication between the workers and management. Regulation of relations, settlement of grievances, raising new demands on behalf of workers, collective bargaining and negotiations are the other key principle functions that these trade unions perform.

According to Lester, "A trade union is an association of employees designed primarily to maintain or improve the conditions of employment of its members."

According to G.D.H. Gole, "A trade union means an association of workers in one or more occupation an association carried on mainly, for the purpose of protecting and advancing the members' economic interests in connection with their daily work."

Trade Unions:

- ☑ Negotiate agreements with employers on pay and conditions
- ☑ Discuss major changes to the workplace such as large scale redundancy
- ☑ Discuss members' concerns with employers
- ☑ Accompany members in disciplinary and grievance meetings
- ☑ Provide members with legal and financial advice
- ☑ Provide education facilities and certain consumer benefits such as discounted insurance

TRADE UNIONS IN NEPAL:

The major trade union federations in Nepal are:

- ☑ General Federation of Nepalese Trade Unions (GEFONT) affiliated to the Communist Party of Nepal-United Marxist-Leninist (CPN-UML).
- ☑ Nepal Trade Union Congress (NTUC) is close to Nepali Congress Party.
- ☑ Democratic Confederation of Nepalese Trade Unions (DECONT), a recently breakaway faction of NTUC (August 14, 1997).

Besides these, there are other trade unions affiliated to smaller political parties. They are:

- ☑ All Nepal Trade Union Congress (ANTUC) affiliated to CPN-Unity Center.
- ☑ Nepal Trade Union Federation (NTUF) affiliated to CPN (Democratic).
- ☑ All Nepal Trade Union Congress (ANFUC) affiliated to CPN-Mashal of Mohan Bikram Singh.
- ☑ Nepal Trade Union Center (NTUC) affiliated to CPN-M.
- ☑ All Nepal Democratic Free Trade Union (ANDFTU) affiliated to RPP.
- ☑ Nepal Revolutionary Workers' Union affiliated to Nepal Workers and Peasant party (NeWPP).
- ☑ Nepal Progressive Labor Union (NPLU).

Until January 1998 there were 41 registered national level trade unions. Independent Confederation of Nepalese Trade Unions (ICONT), a breakaway faction of GEFONT, was formed on March 14, 1998 and is trying to become a new confederation. It is affiliated to Communist Party of Nepal (Marxist-Leninist). These trade unions are regularly organizing training and education programs on labor rights for their members, running mobile trade union schools, imparting of skills and styles of collective bargaining, negotiation and conflict resolution, skill-

oriented training, industrial and office management, information handling, health and safety of the workers, impacts of privatization and globalization on workers, child labor and the roles and responsibilities of democratic trade unions. The other central concerns of the labor movement are the core public issues, such as participation in management, workplace democracy, minimum wages, and the conversion of the economy into a labor welfare-oriented one.

COLLECTIVE BARGAINING:

Collective bargaining is a process of negotiation between management and workers for determining the mutually agreed terms and conditions of works which protects the interest of both workers and management.

According to Dale Yoder, "Collective bargaining is essentially process in which employee's acts a group to shape conditions and relationships in their employment."

In collective bargaining, proposals are matched with counter proposals and both parties make every reasonable effort to arrive at an agreement but it doesn't mean either a party is compelled to agree with other proposals. The basic objectives is to arrive at an agreements between the management and employees to determine the mutually beneficial terms and conditions of employment.

Some of the major objectives of collective bargaining are:

- ☑ To improve and maintain harmonious between the management and employees.
- ☑ To protect interest of both employers and employees.
- ☑ To keep the outside parties (government, public, competitors) at bay.
- ☑ To promote industrial democracy.

TYPES OF COLLECTIVE BARGAINING:

1. Distributed Bargaining:

It involves bargaining over the distribution of surplus like wages, salary, bonuses. In distribution bargaining, one party's gain is another party's loss and it is also known as conjunctive bargaining.

2. Integrative Bargaining:

It is also known as cooperative bargaining. It involves negotiation of an issue on which both the parties may gain or at least none of them loses. For example: Representative of employer and employees may bargains for better training.

3. Attitudinal Restructuring:

It involves shaping and re-shaping of attitudes like trust and distrust, friendliness, hostility between management and labor. It tries to erase the bitterness between parties and bring smooth and harmonious industrial relation.

4. Intra-organizational Bargaining:

It aims to result the internal conflict and the differences between groups, skilled and unskilled workers and even in the management as well.

EMPLOYEE DISCIPLINE:

The acceptable behavior to be followed by an employee inside and outside the organization is known as employee discipline. In general sense, following the direction of upper level supervisor or manager, making effort for the organizational goal attainment and playing the positive role in making healthy, competitive and dedicated environment in the organization is considered as maintaining the discipline. Discipline reflects the inside and outside organizational behavior of an employee.

Employee's behavior directly affects the productivity and effectiveness of organization. In this way employees discipline plays an important role in making the organization as a successful or failure organization.

Generally, there are two concepts found regarding employee discipline as positive concept and negative concept. In positive concept, employee willingly motivate to accept organizational rules, regulations and process. This concept aids to maintain positive thought in an employee through skilled leadership, effective motivation and supervision. Punishment is not included as a disciplinary action in this concept. According to the negative concept, employees have to be pressurized to make them follow the policy, rules and processes because they don't incorporate these things willingly. Thus they have to communicated and warned about it to make them follow the discipline. If required, they have to be punished.

NEEDS OR IMPORTANCE OF EMPLOYEE DISCIPLINE:

It is impossible to attain the organizational goal without spiritual involvement of disciplined employees. Employees play an important role by adopting the policy, rules, guidelines and process set by the organization. If employees maintain the discipline, there will be reduction in labor cost as a result of which organizational goal can easily be attained as it ensures the appropriate utilization of human resource. But, if they don't maintain the discipline, there can be conflict between employee-employee, employee-management and the situation may be worse with other aspects too. Likewise, problems like reduction in productivity, reduction in credibility, low performance level may prevail. By adopting discipline, organizational work environment can be facilitated. Main benefits of discipline are described as under:

1. Good Work Condition:

Discipline should not be regarded only for lower level staffs. It has to be maintained at all levels. All employees and managers must respect and follow the guidelines of the discipline. If employees are disciplined, harmonious environment can be maintained in the organization. There can be trust, co-operation and respect among the employees. From this, good work environment can be maintained.

2. Standard Job Performance:

Disciplined employees are always aware of their job responsibility and authority. They are not involved in unnecessary activities. They initiate to cooperate for better performance. They are willing to implement appropriate process and ready to abandon useless processes. There will be significant reduction in employee's absenteeism. Employees follow self-supervisory and self-control mechanism. This will progress to optimally utilize resource and enhance work speed. As a result, it becomes possible to attain the job performance standard.

3. Follow Up Of Rules And Regulation:

For the attainment of specific objective, all organizations formulate various rules and policies. To adopt these policies and directives, discipline is required. For this, they make rules, policies and directions for employees too. By following the disciplinary guidelines, organization can easily adopt the policy formulated by the country. By fulfilling this legal and social obligation, organization can perform its activities at no pressure condition from government or concerned authority.

4. Establishing Good Relation:

Discipline can help the organization to maintain good relation with external agencies and authorities. Attitude and behavior of disciplined employees can easily impress to other organizations and supervisory bodies. By maintaining good relationship with government, supplier, buyer, bank and financial institution, shareholder, consumer and society, etc. organization can ensure its growth, development and prosperity more efficiently and effectively.

CAUSES OF DISCIPLINARY PROBLEM:

The reasons could range anything from poor wages to poor management and the communication gaps between the union and management. The common causes of indiscipline are as follows:

1. Unfair Management Practices:

Management sometimes indulges in unfair practices like:

- Wage discrimination
- Non-compliance with promotional policies and transfer policies
- Discrimination in allotment of work
- Defective handling of grievances
- Payment of low wages
- Delay in payment of wages
- Creating low quality work life etc.

These unfair management practices gradually result in indiscipline.

2. Absence of Effective Leadership:

Absence of effective leadership results in poor management in the areas of direction, guidance, instructions etc. This in turn, results in indiscipline.

3. Communication Barriers:

Communication barriers and absence of humane approach on the part of superiors result in frustration and indiscipline among the workers. The management should clearly formulate the policies regarding discipline. These policies should be communicated and the policies should be consistently followed in the organizations. The management should also be empathetic towards the employees.

4. Varying Disciplinary Measures:

Consistent disciplinary actions must be there in the organization to provide equal justice to all concerned. At different times and for everyone, the same standard of disciplinary measures should be taken otherwise it may give rise to growing indiscipline in the industry in future i.e., the judicious function on the part of management must be free from any bias, privilege or favoritism.

5. Defective Supervision:

Supervisor is the immediate boss of the workers and many disciplinary problems have their origin in faulty supervision. The attitude and behavior of the supervisor may create many problems. As the maintenance of the discipline is the core supervisory responsibilities, indiscipline may spring from the want of the right type of supervision.

6. Inadequate Attention To Personnel Problems:

Delay in solving personnel problems develops frustration among individual workers. The management should be proactive so that there is no discontent among the workers. It should adopt a parental attitude towards its employees. However it should be noted that no relationship can continue for long if it is one sided.

7. Victimization:

Victimization of subordinate also results in indiscipline. The management should not exploit the workers. It is also in the long-term interest of the management to take care of its internal customers

8. Absence of Code of Conduct:

This creates confusion and also provides chance for discrimination while taking disciplinary action. A code of conduct is a set of rules outlining the responsibilities of proper practices for an individual, party or organization. Related concepts include ethical codes and honor codes.

9. Divide and Rule Policy:

Many managers in the business obtain secret information about other employees through their trusted assistants. The spying on employees is only productive of a vicious atmosphere and of undesirable in the organization. Henry Fayol has rightly pointed out that dividing enemy forces to weaken them is clever, but dividing one's own team is grave sin against the business. No amount of management skill is necessary for dividing personnel, but integrating personnel into a team is the challenging task of sound management.

10. Deferring Settlement Of Employee Grievances:

The employee grievances cannot be put off by deferring or neglecting their solutions. The grievances should properly be inquired into and settled by the managers in a reasonable period. Neglect of grievances often results in reduced performance, low morale and indiscipline among the employees. Strikes and work stoppages stem in many cases from the utter neglect of employee grievances.

11. Misjudgment in Promotion and Placements:

Misjudgment in personnel matters like promotion and placements contribute to the growth of indiscipline in an enterprise. Cases of misjudgment are carefully noted, widely circulated, and hotly debated by the employees. Expecting discipline from misruled people is not possible. Sometimes, undesired persons are placed on the jobs which makes the employees discontented, then giving rise to the problem of indiscipline.

SETTLEMENT OF DISCIPLINARY PROBLEM:

Acceptable attitude and behavior of employees is known as employee discipline. Employee discipline has important role for the attainment of organizational goal. So, if there arises any disciplinary problem, action has to be taken promptly. Disciplinary action must be progressive. It involves step wise actions which must be focused for the improvement of negative activities, attitude and behavior. Effective, fair and promptly implementable action can only reduce the disciplinary problems. There are following six steps in disciplinary actions:

1. Oral Warning:

When the disciplinary problem is seen, first and foremost, oral warning must be given to the employees. This is the general type of disciplinary action. Employee must be warned individually. This is a general type of disciplinary action. Employee must be warned individually. This is a type of informal action. Following factors must be considered while giving oral warning:

- ☒ Employees are to be informed about the rules they have broken.
- ☒ With a plan for improvement in employee's attitude and behavior, chance must be provided to defend them.
- ☒ They must be assured of assisting in the future, if they improve their attitude.
- ☒ The description of oral warning must be recorded in employee's personal file.

2. Written Warning:

If the attitude of employees is not improved after oral warning, written warning must be given. It is the first step of formal disciplinary action. Following tasks are done in this step:

- ☒ Reason of the problem stating the situation not improved after the oral warning.
- ☒ Warning not to repeat indiscipline in the future.
- ☒ Possible action if similar indiscipline is repeated in the future.
- ☒ Giving chance to defend with a plan of improving them.
- ☒ Keeping a copy of written warning in employee's personal record file.

3. Suspension:

If the employees are not improved even after the written warning, they are suspended from their job. It is a short term termination from the job. Considering the nature of the disciplinary problem employees can be suspended for 1 day, 1 week, 1 month or more than that. Employees are not paid their salary for the suspension period. For the suspension, there must be noteworthy mistake. Following works are done in this step:

- ☒ For suspension, written suspension notice for the ascertained period is given to the concern employees.
- ☒ Information regarding suspension is given to the notice board.
- ☒ The action paper about suspension is kept in the employee's personal record file.

4. Pay cut:

If the same problem prevails even after the suspension, the productivity of employee has decreased she/he is creating an economic load to the organization, management decides to cut pay of the employee. Since its effect is long term, it is comparatively a harsh/ruthless disciplinary action. It is a monetary punishment. Though there is pay cut, the position of employee is not declined. If the employee improves work performance and attitude, she/he is paid again as previous pay level. Generally, there are three types of pay cut: stopping the grade, reducing minimum level salary scale, calculating the economic load of employee destroys and reducing it from the monthly salary.

5. Demotion:

If pay cut action doesn't improve the situation, then the employees are demotioned. In demotion, employee's position is lowered by one level than the current position. Since, it is permanent by nature, it is sure that employee will be negative towards the organization. Therefore, it requires serious consideration before attempting to demotion. If the organization is sure of employee not quitting the job and not reducing the work performance, and the action does not adversely affect in long run, the action can be considered. Demotion not only minimizes the position but also reduces the salary and service facility. Therefore, there is high possibility of making employees negative towards the organization forever.

6. Dismissal:

Dismissal is also known as the termination of the employees from the organization. It will end the formal organizational relationship between employee and the organization. If employee are not improved from the above stated action or commits serious crime the, this action is taken. Generally, dismissal is done with two consideration as:

- ☒ Employee is supposed to be eligible in the future
- ☒ Supposed to be ineligible in future also.

In the case of the former situation, employees can again be selected from the free competition and can rejoin the organization whereas in the later case, there is no chance of the employee for rejoining the organization. Dismissed employees are blacklisted.

EMPLOYEE OR OCCUPATIONAL HEALTH AND SAFETY:

Occupational health and safety is a discipline with a broad scope involving many specialized fields. In its broadest sense, it should aim at:

- ☑ The promotion and maintenance of the highest degree of physical, mental and social well-being of workers in all occupations;
- ☑ The prevention among workers of adverse effects on health caused by their working conditions;
- ☑ The protection of workers in their employment from risks resulting from factors adverse to health;
- ☑ The placing and maintenance of workers in an occupational environment adapted to physical and mental needs;
- ☑ The adaptation of work to humans.

In other words, occupational health and safety encompasses the social, mental and physical well-being of workers that is the “whole person”.

Successful occupational health and safety practice requires the collaboration and participation of both employers and workers in health and safety programmes, and involves the consideration of issues relating to occupational medicine, industrial hygiene, toxicology, education, engineering safety, ergonomics, psychology, etc.

Occupational health issues are often given less attention than occupational safety issues because the former are generally more difficult to confront. However, when health is addressed, so is safety, because a healthy workplace is by definition also a safe workplace. The converse, though, may not be true a so-called safe workplace is not necessarily also a healthy workplace. The important point is that issues of both health and safety must be addressed in every workplace. By and large, the definition of occupational health and safety given above encompasses both health and safety in their broadest contexts.

Employee health and safety are important because of the following reasons:

- ☑ Legal Compliance
- ☑ Moral Requirement
- ☑ Productivity
- ☑ Cost Saving
- ☑ Employee Retention
- ☑ Improved Labor Relations
- ☑ Minimum Social Evils
- ☑ For Company's Image And Goodwill

CHALLENGES OF INDUSTRIAL RELATION IN NEPAL:

Industrial relations is the term that describes how the management and the employees of a company interact with each other. Specifically, it is the relationship that exists between the upper management of a small business and the staff that carries out the duties of the small business. Because there is a divide between these two aspects of a business, problems also arise when maintaining a relationship between management and staff.

1. Narrow Focus:

In many businesses, an issue that arises out of industrial relations is a narrow focus by the employees of the organization. An employee or staff member may only view the task at hand that they have to perform to complete their job rather than viewing how the role the employee plays benefits the organization as a whole. Many employees simply see their managers as someone who tells them what to do rather than as a facilitator that can help the employee achieve their own professional goals as well as bring the company to a point where it reaches the goals of the business.

2. Inflexibility of Employer:

When an employer is inflexible, this can stifle the creativity of employees. When employees feel as if their creativity is being squashed or that their opinions do not matter, this can cause strife between the employees and management of the business. When creativity is squashed, this can cause the company innovation to lack, which can ultimately create an uncompetitive position for the company in the marketplace. Employers that allow employees to participate in running the company by allowing suggestions and feedback from the employees and even empowering employees to take on more responsibility for the route the business takes, typically enjoys a more successful business environment internally and in the marketplace.

3. Division:

Another issue that arises in industrial relations is an “us against them” mentality. Many employees believe there is a great divide that exists between them and the management of the company. This division between the two groups of a business can cause a myriad of issues such as contract negotiation problems, strikes and the required intervention of trade and labor unions. When management and employees can relate and communicate with each other, it typically alleviates the problems, such as not being able to negotiate work contract agreements or having to bring in the labor union to negotiate the terms and conditions between employees and management.

4. Achieving Competitiveness:

Increasingly, one of the central problems of industrial relations in the modern world is how to achieve competitiveness. The modern globalized economy requires more than ever that each individual achieve his maximum level of competitiveness. In general, the primary problem is how companies manage to achieve the levels of innovation and flexibility required by the global economy.

5. Role of Government and Unions:

The global economy also means a different sort of role for government and labor unions in the management of industrial relations. Governments are faced with the task of deciding how to best encourage foreign involvement in their economies that will benefit their own nations but still be attractive to the foreign companies. Labor unions are faced with the need to work more collaboratively and less antagonistically with employers.

6. Ethical Theory:

Ethical theory is another extremely important area of industrial relations, and presents some of the field most pressing and demanding problems. The Western world is steeped within the libertarian and utilitarian view of industrial relations, while Asia, India and the Middle East are all working from the ethical institutions that are primary to their culture. The collisions and relationships between these different systems of thought are very important to modern industrial relations.

7. Technology:

The presence of technology in the workplace can create ethical quandaries in industrial relations, such as the loss of privacy and the replacement of jobs by machinery. Industrial relations takes on the task of figuring out how to balance technical innovation with fairness to the humans affected by it.