

# Employee Relations In Micro, Small And Medium Enterprises In India

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**Abstract:** This research article looks at all the facets of employee relations over the years and its impact on firm's productivity. The paper investigates literature on employee relations along with case studies and other related articles. It identifies positioning of consultations, collective bargaining and representational aspects of employee relations. The article finds that employee relations is different from what it was a decade ago. Trade unions in India have fallen on the wayside as companies prefer bargaining based on competition rather than negotiation, consultations and collective bargaining with unions. The changes in employee relations has mainly due to reference being the enterprise over industry. The rise of Micro, Small and Medium enterprises in Indian Tier-3 cities has given rise to importance shifting towards collective interests of employers in these organisations. This has resulted in employee relations becoming more relative to employers than employees in the last decade.

**Keywords:** Employee relations, Unions, Collective bargaining, MSME's, consultation.

## 1. Introduction

The wage structures across the world was determined by a research team led by Shirley Lerner. This research gave an arrangement between firms across the globe. The study focussed on salary across the firms involved in manufacturing. The study identified the needs of collective bargaining across the firms as this determined the wages of majority of the employees. Consultations were ineffective for combined regulations which introduced collective bargaining (McCarthy, 1966). The collectivism going out of market was the most remarkable feature employment rules (Brown, 2009). By the start of 21<sup>st</sup> century, employer-based bargaining had been discontinued. The opportunity for collective employment relations was joint consultation (Hall and Purcell, 2012). This article is based on MSME's across tier-3 cities of a developing economy India, which investigates the employee relations history and representations, representations of employees, collective bargaining and consultations on a group level. The employee relations today have seen employee relation being exposed to market forces, the rise of MSME's in India which gives importance to firms and change in the nature of labours. The liberalisation made employee relations more of employer's desecration (Purcell, 1991). The firms started to identify the employee relations growth. The availability of cheap manpower in India has changed the way employees are viewed by firms as a tool to reduce cost for the companies. Majority of the small sector companies today prefers cheap labour over skilled ones a survival is the key objective of their business.

## 2. Representation

The unions in India have lost their strength in the last decade or so. The Unions strength in Tier-3 cities across India stood at 71% pre-liberalisation. In the times after the liberalisation it reduced to 21%. The recognitions of trade unions also had seen a same trend. The unions recognition stood at 82% in 1980 only to reduce to 32% in 2010. The representation of parties other than unions did little to cover this gap. The changing structure of unions also had its impact with the strength of unions reducing drastically in the last decade in India. The reduction of unions was because of integration of unions in India which became a trend across 21<sup>st</sup> century resulting in few large unions. In Mangalore, a tier-3 city 72% of total membership belonged to 2 unions only. This has resulted in changes across trade unions structures, from different industries (Waddington, 1995). Today, unions are within the firms and are self-managed with changing trends towards employee relations. However, the firm's registrations over the last decade in India has seen a spike, quite opposite to the trends seen by unions. The slowdown was experienced in number of employments in the last five years. The same trend was seen in UK also for the same time (Traxler, Behrens, 2004). The firm's demography also has changed over the last decade. A slight decline in employers' association is mainly due to mergers of MSME's in India. The reduction in multi-employer agreements has also been a reason for the same. The increasing importance of firms as middlemen for negotiations with unions gives exposure of firms to market forces an increase in bargaining forms in MSME's over the last decade (Brown and Walsh 1980's). Efforts were made to increase union recognition by firms who were not keen to recognise the unions (Smith, Morton 2001, Gall 2012). The target was on course in the initial phase with the firms recognising the unions. This impact waned off and by 2017, the number of unions recognition was same as 2008. These efforts proved to be one of the minor impacts on anti-unionised firms. In the last 5 years, the impact of voluntarism has reduced to minimal. (Bogg 2012). The trend shows the firms being reluctant to recognise collective representation and unions being unable to persuade the firms to change their ideals. When firms are involved, unions effectiveness or firms' ideals results in unions being effective.

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### 3. Collective bargaining

The firms bargaining together has reduced with reduction of collective bargaining in favour of one employer bargaining. Collective bargaining has been exposed to market from talks with single firm structures increasingly effective in taking account of finances and business requirements than collective firms. The similarity of wages in MSME sector is reduced in firms negotiating alone then many firms bargaining together. The outcomes of these are non-centralised bargaining at firms' levels which is bested by change from multi to single firms bargaining arrangements, reduction of bargaining proportions and consolidation of bargaining at firms' stage with moves to single changes. The procedure of disintegration of bargaining of firms was happening with many firms in UK decades ago which resulted in Donovan Commissions diagnosing multiple system of employee relations, the first one by understanding between many firms' agreements at formal level and next one at informal level. In 1980's in Europe, a study of workplace done by Warwick on small firms gave a formalised multitier system of wage identification. The same is being followed worldwide today. The multi firm agreements cover 80% of the workers in tier-3 cities but it has changed from identification of standards to setting of salaries level. Negotiations at workplace identifies the wages in tier-3 cities in India. But in the last decade, firms have rejected the multiple firm bargaining totally in India. The pattern was same as the one in European countries two decades ago. Multiple employer bargaining's reduction has resulted in decline of collective bargaining in India. MSME which did not have established unions were out of reach. The private sector developed in India post liberalisation although collective bargaining existed until the year 2000's. From then it was downward slide from then on. Multiple firm arrangements were main focus of wage identification for over 50% of MSME's which reduced to 10% showing how these resulted in reduction of coverage which was same as the pattern seen across Europe (Brown, 2009, p34). Collective bargaining has moved on the values of unions conglomerations. Across western economies, collective bargaining was at 40% more than union conglomerations. But this has reduced to less than 10% in India in recent times. The consolidation of firms has been neglected at site level bargaining structures. The developments of standalone bargaining instead of multi-level bargaining in single is associated with many unions and the increase in number of MSME's across India under single level bargaining. There was no single level bargaining previous to liberalisation and before rise of MSME's in India.

**Table 1: MSME's and their employees under collective bargaining**

	2008	2010	2012	2014	2016	2018
Employees percentage	72	61	52	41	29	12
MSME's percentage	48	36	24	12	9	5

Only MSME's with worker more than 10 were considered in Mangalore, a tier-3 city in Karnataka state of in South India. Some of the firms had different bargaining arrangements for manual and non-manual workers. Collection of rules for these two groups also was identified. Multiple bargaining for manual workers were found in 12% of the MSME's similar to western countries pattern as identified (Daniel, Millward 1983). Only one level of arrangements also is identified. Out of 150 MSME's surveyed only 7 had similar pay bargaining for both types of workers. 1.8 bargaining units were identified in the industrial area. In the last decade the changes started with the beginning of one union handling the issues and combining existing setups with disintegrated parts (Marginson, Sisson 1989). The rules based on presumption of varied arrangements for laborer's and office workers, identified that 51% of MSME's in 2015 identify unions as a single setup which has steadily increased to 60% in 2018. These single unions have single bargaining structure. 60% of every were having a single union form. In office, identifying multiple unions, 40% had single bargaining structure which had increased in the last decade considerably. (Kersley, 2006, p123). When MSME's recognizing all unions are taken into account, 80% of single bargaining were found which was a huge change in the last decade or so. The decentralization of collective bargaining and changes from the stage of employers has seen exposure of MSME's to market forces around workplace systems and changing trend towards single ownership as exposure reduced, integration of bargaining inside a single MSME's was increasing development of MSME's.

#### 3.1 The decline of collective bargaining

The contributors to the decline of collective bargaining the dynamic structure of Indian economy, which saw a shift towards service-oriented organisations more than manufacturing and the rise of corporate culture which were owned by industrialists. Further the size of factories shrunk, and educated workforce and the introduction of contract employment changed the face of the game. The modification necessarily made it challenging for work in unionized way. Which helps in identification among MSME's to do collective bargaining. The trend post liberalization, show a decline of 17% change in collective bargaining due to these changes. The difference in owners' attitude can be experienced in ownership patterns, which has experienced central MSME's opened to private parties in Indian manufacturing section, & then percentage which has steadily increased over the last decade (MSME Govt Report 2009). Highlights of data show contribution to collective bargaining but impact of privatization is feet in deliver of collective bargaining. A similar trend was seen in UK by Edwards & Wash in 2009, according to their analysis, single bargaining was performed to multiple bargaining which later waned. The manufacturing of foreign ownerships in Europe were not direct, by becoming single bargaining entry. The foreign entries in Europe were copied by local owners in Europe which led to contraction of collective bargaining. This trend was not seen in India because of absence of foreign companies in MSME sector was because of privatization and exposure to foreign companies in domestic market. This however is specific to conditions in India & cannot be seen in Europe. The proof

obtained by mining this data which shows effect of product market change, & impact of completion from abroad, has demand trend is unclear. This trend is same in all industrialized nation. Multiple employee system has however existed & change in collective bargaining is minimal which shows that other factor has an important effect. The policies followed by the Indian govt in collective bargaining had a determinant effect on collective bargaining. The policies post 1991 liberalization effected abilities of unions to have conclusive effects with effects on collective bargaining by regulating occupational solidarities which was shown by has on secondary industrial action (Dickens, Hall 2003) multiple employer bargaining in MSME's were undermined by changes done to fair wages resolution which says employers have to hold on to wage clauses. The removal of collective bargaining as a main tool for collective employee relations in India opting for single ownership practices as wages based on performance had to be followed by MSME's in India in the competitive area. These changes were taken into account for the backed by dealing support to many employers bargaining (Sission 1987). These are not legal in all countries in India. The law to cover multiple employer arrangements to all MSME's does not exist in India. This agreement is affected by changes in the MSME's is fragile in a developing economy like India (session 1987). Many MSME's mood away from industry agreements. Unions in India gave a MSME's a stage to negotiate & did not endorse multiple employer agreements (Marginson 2012).

### 3.2 Objective of collective bargaining.

The changes in the nature of collective negotiation given us how the objective of bargaining has been last & negotiations taking importance over relations & focusing on pay. The firm where negotiations are still used, changes has gone hand in hand with growth of MSME's sector. These have been pushed by owners of MSME's giving us the asymmetric face of voluntarism. Negotiations was preferred over employee relations. Over the last 2 decades' negotiations on workers was seen in 48% of work places were unions existed. This however has fallen steeply to 7% in 2018. A 2011 report showed dealing in negotiation across the globe (Van Warnooy ,2018 p.80). By 2010, all aspects of work were based on negotiation in the MSME's, but in 2018 this applied wages only. The increase of bargaining was due to company level negotiations which gave an owner-based negotiation. Structured Company level bargaining as given by Donovan Commission (1968) was identified to stop the spread of productivity-oriented bargaining. The outcome of this changes in production based on working methods in return for pay. It was different from old fashioned negotiations, the result of which is distributive which is mutually exclusive, but in productivity bargaining the negotiation is done on win-win basis. (Walton & Mckersie 1965). The shift was more visible from 2010 in India favouring competitive bargaining which has importance given to negotiations between employers and employees. The choice of owners is a high degree of workability in rules and modes of work and job security from the union's aspect. As competition increased in the Indian market, MSME's were hesitant to increase wages to improve production. Negotiations of salaries was accompanied by work related issues negotiations and

others (Arrow Smith and Sisson, 1999). The unions in 2008-2010 were concerned with employment in negotiations in India. The MSME's started diversifying their business so that uninterrupted production continues which will avoid layoffs to a great extent. The discussions over diversification and jobs which were inclusive in nature, but the results are inconclusive. The fringe benefits in MSME's in India were compromised over job security. This resulted in job creations and job safety being of prime concern (Leonard 2001). When the demand reduced for export based MSME's in 2009-10, agreements and negotiations shifted towards job security compromising other fringe benefits which helped employers also in retention of skilled employees (Carley, Marginson 2011).

### 3.3 Consultation

Consultation was lower level of collective bargaining which was neglected in the earlier studies. Consultations was overpowered by collective bargaining in Indian MSME's (Hall, Purcell 2012, p.15). A collective bargaining entered MSME's management, consultations was less used. The consultations quality is a matter of concern and need to view in the Indian context and its impact in the last 10 years. The effect of consultation has been bare minimum as they have been marginalised by the firms. But the minimal effect through has been consistent in the last decade or so. Consultation in 2018 exists in 24% of the MSME's in the sample areas but it was dominated by unions. IN 2000-2002, the consultations existed in 61% of the MSME's which reduced to 35% in 2010. The gaps left by collective bargaining and lack of formal unions have not been taken up consultations. 61% of the workplace had structure for employees which reduced to 42% and has been there for last 7 years. In case of non-unions, the composition of consultations has seen differences over the last 10 years and unions having representations as low as 20%. The regulations followed by the Indian Government has stopped the downward slide of consultations. Consultation was useless according to Cressey 1985 as it was totally marginalised. The MSME's today prefer direct communication with workers and shun away consultations. The following studies by Hall and Purcell in 2012 have shown a better figure of consultation as compared to Cressey. The study points to a valid argument that a few consulters are only active in a group of communicators. Decisions about MSME's, their strategies which impact job security were part of consultations and it took place before events, but the communicators workers were said about the agenda rather than consulted about company policies or were informed after the decision was made. The first group here was stable with rules but the next group was short of needed requirements. The main difference between them was policies of the MSME's towards consultation and more active amongst consulters and very less among communicators. ICE rules give a level against which consultations quality can be measured. It happens on the work-related situations or relations about contracts and structures must be based on consultation with aim of achieving agreement. The information must flow in time so that employees can study and develop their consultation (Hall, Purcell, 2012). There are multiple methods to consultation:

	2008	2010	2012	2014	2016	2018
MSME percentage	61	42	35	31	27	24

MSME's with consultation facility at workplace.

The opinions of employee's representatives to problems at workplace and feedback on decisions already made and feedback on employee's options being the methods. These are stable with the rules of MSME's in India. The results show that firms may not reach regulation needs. The firms communicating their strategy to employee representatives increased from 12% to 22% in 2018. The employee representatives' thoughts of firm's strategy had a change from 10% to 29%. The economic slowdown of 2008-09 would have its impact with firms having the need to work fast to react to it. But the reality seems to vary from this. The MSME'S effected by the economic slowdown had to accept solutions from employees' representatives more than others. The spaces left by collective bargaining has not be occupied by consultation and number of unions that are recognised have reduced. The impact unions in the last decade also has reduced to minimal. International regulations have managed to stop this downward trend but not been able to improve upon it. The MSME's attitude towards consultations requires a change. Consultation has not had an effect due to voluntarism imposed legislatively.

#### 4. Conclusion

The employee relations have seen a shift in the last ten years in India. The unions have been on a wane. MSME's which had collective bargaining today prefer negotiations at firm level. Employer level bargaining are not under collective bargaining. The MSME's no more prefer collective bargaining as a method of employee relations which has resulted in the decline and bargaining also has reduced. Consultation arrangements also has been reducing over the last 10 years which has resulted in the representation being marginally represented. Negotiation at firms initially exposed the collective bargaining to market forces and was increased with the changes in bargaining methods. The changes of this was seen in collective agreements from products with semi regulated firms to privately owned goods with full coverage and union recognition. The changes towards a method of primary enterprise for negotiations has included consolidating parts into a unitary system of bargaining. These changes show a change in the bargaining objectives towards MSME's centric situations and it drifts away from an occupational boundary. In MSME's employing 50 or less employees, where objectives of the majority matter got preference. This was seen in the form of productivity bargaining. In the last decade, bargaining was not done to change wages of employees as it focused on survival and cost control. This trend further increased in changing focus towards job security over wage improvements. This trend was endorsed by firms against the policies of the government has shown the interest of the owners. The owners have had been cautious whether to recognise unions and work with them and if so, what are the unions rights. The collective employee relations have been supported by voluntarism though followed law is increasingly irregular. The result of regulations to identify the variations by giving workers additional advantages in collective representation has been stopped. This has been analysed and criticised for lack of

its effectiveness. The methods by which the rules about consultations can be changed to increase spread of consultations like encouraging the unions to take initiative and more having strong working methods with set rules and regulations including fall back model and set of understandings to rise to a standard of providing data and consultations. Representation of collective bargaining changes into bargaining results which are limited to private firms with members of unions within an organisation. This is opposed to regulations of collective bargaining which exist across other developed economies where public good is provided to the workforce across a sector. Public policy is deployed to increase a change in favour of conception of collective bargaining is by making MSME's of essentials to accept fair wages regulations. The polices and rules to sort the asymmetry in voluntarism used by MSME's here in employee relations may also succeed.

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