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BONNET



Employee Relations

The Inside Job

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Introduction

There are really two kinds of organisations – those that believe they can control events that affect them and those that believe their life is controlled by environmental factors which they cannot influence. In personality psychology this is called 'Locus of Control.' Nowhere else does it get displayed as vividly as it does in the view organisations take to employee relations.

Go to any ER forum or seminar and the rhetoric is predictable. You will hear leaders talking about how archaic and rigid labour legislations and regulatory controls are and why organisations are finding it extremely difficult to do business in the country. They will argue that lack of flexibility in the hands of employers to adjust their workforce levels to meet changing business conditions is affecting their profitability. When there is violence or any other form of dispute like it occurred at Maruti or Pricol or Johnson Tiles it is all ascribed to the unreasonableness of workmen or political influence or other harsh environmental factors.

Having tracked ER trends for well over a decade, we find many organisations guilty of such externalisation of blame.

Thankfully we have also seen organisations who genuinely believe that good ER is an inside job. These are organisations that have taken charge of establishing sound ER practices while also delivering sustainable business results.

This issue of UTB takes a look at some of these positive examples. It is our hope that these examples will get organisations across sectors to sit up and think deeply about their contribution to the ER problems they face and their role in building good practices.

THS research on differentiated ER practices

While THS has been tracking ER trends regularly, more recently we undertook an action research project to understand differentiated ER practices among successful benchmark organisations across the country. The objective of this project was to search for the kind of practices that set organisations apart as far as ER is concerned and are likely to be trend setting for the future. Our hypothesis was that ER is an inside job and that good ER is a function of at least seven differentiated practices. We arrived at this list of seven differentiated practices based on our discussions with industry experts and thought leaders. We then selected 15 benchmark organisations which have had sustained financial performance on one side and sustained ER success on the other.

In defining ER success we did not go by simplistic measures such as man-days lost but went beyond and looked at the capability of the organisation to address the inevitable contentious issues and move forward. We engaged in deep conversations with business and HR leaders in these organisations to understand which of the seven differentiated practices they seem to be following and its contribution to their organisation's success.

Our research helped us distil at least 13 insights across these seven differentiated practices. These insights are merely positive propositions for the future as far as ER is concerned.

In this issue we present to you these insights.

We wish to acknowledge the support of one of our clients in sponsoring this project who saw great value in these insights for their own ER strategy formulation for the future.

Structure

We present each insight with at least one or two examples or practices from the organisations that we surveyed.

Given the sensitivities involved, we have refrained from naming the organisation. We refer to them as progressive organisations and name them as A, B, C and so on. Towards the end we have presented seven lessons that we have learnt from this project. These are the things that organisations need to do in their quest to make ER an inside job.

It was our hypothesis that the following ER practices help achieve sustainable results:

1. A well-articulated / well understood ER philosophy, strategy and structure
2. An organisation design characterised by autonomous work groups and self-managed teams
3. A wage philosophy that correlates performance and is sustainable
4. Investment in skill and career development for workmen
5. A culture that promotes cost orientation
6. A strong social agenda
7. A balanced workforce composition

Our discussions with select organisations further helped validate this hypothesis and draw valuable insights.

Given the goal of discovering useful practices worth emulating, our focus was on understanding the quality of the practices rather than validating its widespread prevalence

Research Insights

ER Philosophy

1. A well-articulated or well understood ER philosophy, strategy and structure
2. Move from a contractual relationship towards a trusting and collaborative relationship
3. Ensure Fair and Equitable treatment irrespective of levels and responsibilities
4. Build an environment of positive and not punitive discipline
5. Enrich and add value to all the roles that a workman plays

Organisation Design

6. Autonomous Work Groups and Self-Managed Teams characterise the future of work

Wage Philosophy

7. The wage philosophy must be fair, performance oriented and sustainable

Skill Development

8. Invest in Skills and career development of Workmen

Cost Orientation

9. Cost orientation needs to be a part of the culture

Social Agenda

10. The social and environmental agenda is embedded in the ER philosophy

Workforce Composition

11. Rely on a permanent workforce for core activities
12. Provide fair treatment and uniform systems for contractual workforce
13. Bring in transparency in the performance appraisal system and link performance to pay

ER Philosophy

Insight 1 – Progressive Organisations have a well-articulated or well understood ER philosophy, strategy and structure.

Progressive Organizations either have an explicit ER philosophy or an implicit but well understood philosophy ingrained in their DNA. The philosophy is driven by the CEO and his team across the organization and it influences everything that governs employees at the workplace and outside and therefore ensures effective dissemination. The philosophy then becomes non-negotiable and is consistently practiced at all times even through testing times including extreme catastrophes.

These Organisations have a formal process of capturing learnings from critical incidents of the past and for creating practical insights for the future. This is also used to create ER renewal strategies periodically

Example:

Organisation X believes in the philosophy of transparency and continuous two way communication. They put the worker first and allow the opportunity for speaking up for those with the weakest voice. X started its journey of transformation from 1993 with a 90 crore turnover. End of year 2000 they went into a deep financial crisis and they had to restructure the company. The company did not want to downsize its workmen. Many workmen were shifted to their group companies wherever possible and others were given a unique VRS option. The VRS money was deposited in a bank where the returns were equivalent to their last monthly take home salary. Many workmen were also encouraged to start their own business. From 800 workmen they reduced the count to 300 and increased their productivity 5 fold. The whole process was managed with care and concern for the workmen along with total transparency and through that this company lived upto its philosophy of care and concern even in its most difficult times.

Insight 2 – Progressive Organisations are moving from a contractual relationship towards a trusting and collaborative relationship.

While Organisations continue to engage employees in welfare, recreation and other motivational activities, progressive ones have taken participation and engagement to a higher plane. The engagement is now built on trusting relationships with employees having more than equal say on critical business matters and transformational changes.

In these organizations workmen are involved in co-creating the vision and the value systems. This is a bottom up approach. In such Organizations they have developed an extensive tiered approach to workmen participation in management starting from basic welfare amenities to business processes transformation, quality, customer satisfaction and so on.

Such Organisations are also investing in building the leadership capabilities of the trade union members for their meaningful engagement in management.

Examples:

Organisation B's ER philosophy is very well articulated in the short tagline of 'Partner in Progress'. The ER structure is a pyramidal structure with different platforms for workmen representation at different levels. At the shop floor level, there is a welfare forum that discusses and tackles issues about basic amenities like canteen, welfare, housing etc. At the corporate level, the leaders of the union/s meet with the corporate head of HR on a yearly basis – this is the apex level body of representatives termed as the National Bipartite Committee dealing with major business issues like productivity, customer, process changes and so on.

Organisation C allows unions and workmen to lead several community and family welfare activities. They have several joint forums at all levels that decide on most issues relating to the plant. They also send workmen to discuss product issues with customers and seek feedback.

Organisation D sends their union leaders to the IIMs for a customized training program so that they can understand and effectively participate in business issues.

Insight 3 – Progressive Organizations are ensuring fair and equitable treatment irrespective of levels and responsibilities.

Progressive Organisations are moving towards common policies and practices applicable to people across all levels. While pay is differentiated based on levels of responsibilities, roles etc., organizations are moving towards a common benefits structure across all levels.

While the various welfare amenities stem from the needs of the workmen the application is uniform and organisation wide.

Example:

Many Organisations have a philosophy of transparency and equitable treatment ingrained in their culture. They ensure that common benefits and facilities are provided across levels and roles. While designing the Benefits Policy they ensure that the policy addresses all employees across thus moving away from the common practice of designing policies for the executives and management alone and covering benefits for the workmen under the long term agreement.

Insight 4 – Progressive Organisations are building an environment of positive and not punitive discipline.

Progressive Organizations are doing away with the typical disciplinary proceedings and taking the leap of faith in their workman in building helping relationships through counseling and/or peer guidance. Disciplinary actions are taken mainly in matters of malpractices and on ethical grounds. Employee terminations for reasons other than on ethical grounds are managed humanely with monetary compensation.

Organizations are sensitive to the established norms and practices of the local community and are making it a part of their policies and work practices to ensure that they do not go against the grain causing difficulty in its conformance. The focus is to bring proactive and preventive discipline.

Example:

Organisation Z does not have a policy of filing charge sheets and conducting domestic enquiries unless there are major misconducts like malpractices or unethical behavior. They use more positive methods like counseling, coaching etc. They also go to the root cause of such manifestations and ensure remedial actions for avoidance in the future. It believes that too much of disciplinary measures make workmen immune to discipline. In the event a workman has to be terminated for justifiable reasons they plan for a humane exit so that the family is taken care of to the most extent possible.

Insight 5 – Progressive Organisations are enriching and adding value to all the roles that a workman plays.

Progressive Organisations are focusing on the transformation of the lives of workmen rather than just skills and progression in their jobs and roles. They are not seeing workmen as a resource in the limited 8 hours at work alone. They see them as playing different and important roles – at work, as a key member in the family and a part of the society.

These Organisations are seeking ways and means of enriching their lives in many aspects of their roles in a non-invasive manner.

They are also providing gainful employment to the spouses. They are even bringing the families into the workplace to build pride within the family and also provide employment opportunities to the workman's immediate family.

Examples:

Organisation B recognizes workmen's children for their meritorious achievements at school (either scholastic or at sports) by getting them to the workplace and rewarding them with scholarships thus bringing a sense of pride amongst the workmen families.

Organization B involves workmen in the investment they make in community development activities right from the project identification stage to execution to administration so that they are held in high esteem in the community.

Insight 6 – Progressive Organisations are moving towards Autonomous Work Groups and Self-Managed Teams.

AWGs/ SMTs are a long term transformational journey and progressive organizations make this as part of their long term vision and business strategy. They invite participation of the workmen in this transformational journey seeking their total buy in. Organizations go the extra mile in their investments by providing time offs for skill and capability development rather than making it a point of bargain. They forge relationships with institutions that customize and provide learning.

These Organizations have started to reap rich rewards from this transformation in terms of world class productivity and quality and an empowered workforce which is taking ownership of the customer on the shop floor. Most importantly the traditional supervisor level has now become redundant in these organizations.

Examples:

Organisation ABC has a full-fledged Self managed Team (SMT) in place. Their foray into SMT was a 6 year long journey that involved extensive training and understanding the usage of SMT tools. Every self-managed team has three stars among the workmen who will lead each department. Each star will get 4 months to perform and lead his/her team. The stars are responsible for day to day operations, productivity, quality and customer demand. The engineers or supervisors do not monitor these stars and they instead spend time on innovations.

In one organization a worker team was sent to China to streamline processes and activities in their newly acquired plant.

Insight 7 – Progressive Organisations have a wage philosophy that is fair, performance oriented and sustainable.

Profit sharing is becoming a more equitable and uniform practice across progressive organizations. Workmen earn a share of the profits on set parameters of business performance apart from the statutory bonus (where applicable).

Common principles are applied in salary increase programs and market positioning across all levels in the organization.

Examples:

Organization Z has created a unique way of compensating for cost of living increases. The representatives of workmen and the management meet annually and jointly study the real cost of living increase based on a relevant basket of needs (created by them) and arrive at market relevant salary increases. This works well as all parties are totally involved in the process and appreciate the transparency and the willingness to deal with real increases in the cost of living rather than an index which may not be something they can easily relate to. The true testimony of this practice is that the annual increases are announced in a brief 15 minute all hands meeting with workmen – very matter of fact!

The basic wage philosophy of Organisation ABC is that “If the company is prospering – share the prosperity with all and vice versa”. The unit goes to the local market and determines the cost of expenses which a shop floor employee will incur and study the neighbouring organisations and decide the quantum of increase. Apart from that the normal DA increase happens every six months. Communication is transparent on wages. In a particular year after engaging with the union the increment was not given to any one and this was accepted by all with hardly any conflict.

Insight 8 – Progressive Organisations invest in skills and career development of workmen.

There is a shift in the way workmen can grow in today's times. Career progression plans of workmen today go beyond the highly skilled and supervisory roles to managerial roles and in scope beyond the production function to customer fulfillment, customer service and so on.

These Organisations are investing in the enhancement of skill development through in-house capabilities and/or tie ups with external educational institutions that customize learning programs and help in speedy progression. Developmental experiences are increasingly part of the learning and this is found to be mutually beneficial. Workmen get exposed to global businesses and organizations get the expertise of speedy execution of projects

Examples:

Organisations like AA invest in building the skills and competencies of their workmen by providing them with developmental experiences. Workmen get direct exposure to the customers to understand their requirements and demands. This experience is a part of a series of workman education programs.

Each of AA's sites has a dedicated training center that plans, schedules and executes training programs for the site. The training is imparted by a dedicated faculty and has a mix of behavioral and technical training.

Organisation B has set up a technical training center that caters to their talent needs. The technical training center hires more than 1000 FTA (Apprentices) and trains them for three years. These apprentices are then given the opportunity to become FTCs in the company and after 3-5 years of good performance, they are absorbed into the company.

Insight 9 – Progressive Organisations are making cost orientation a part of their culture.

Progressive Organisations are beginning to see investment in skills and capabilities, percolating a culture of trust and collaboration and bringing in autonomous and empowered work as critical ingredients of building a cost culture in organizations.

They are now sharing business critical information as part of employee communication programs in a manner that employees see that their contribution as an important part of the business growth. Workmen also get direct exposure to the customers and their issues so that they are able to take ownership on the shop floor.

Examples:

At Organisation YY, the employee suggestion scheme elicits active participation and contribution from the employees. Employees are encouraged to submit their suggestions for continuous improvement in the unit. All such suggestions are evaluated on the basis of implementation and cost impact. All implementable suggestions are appreciated and rewarded with a cash prize. Two functions are organized every year to appreciate and reward all good suggestions. All suggestions are converted into cost benefit value. The amount of cash award depends on the amount of savings or extent of valued addition. This scheme has enabled the Organisation to win many internal & external Kaizen Competitions and has also helped the organization to imbibe a culture of continuous improvement and people involvement.

Organisation XYZ has a culture of cost orientation ingrained into the Organization's culture. The entire charter of demands is costed and communicated. Monthly and Quarterly shop floor meetings are organised where all costs are shared with the union and workmen. Information on orders obtained/ orders lost / financial implications are discussed. All financial results are also shared in a transparent manner. Workmen can earn up to Rs 50000 if their suggestions are accepted and implemented

Insight 10 – Progressive Organisations are embedding the social and environmental agenda in their ER philosophy.

Progressive Organizations focus on maintaining a harmonious relationship with the community. The focus is greater in remote and the economically weaker areas. Organizations involve and contribute to the society by investing in the health and infrastructure of the community. Creating a greener environment and self-sustaining communities are part of the culture, values and DNA of organizations.

These Organizations are creating employment opportunities by reaching out for talent from remote parts of the country. They invest in their development including absorption into the new society and enriching their families. Social and environmental agenda is not always equated with the ROI.

Examples:

Organisation ABC has built community centres that cater to employees. These centres are not only sources of getting together but are weaved into employees' lives with various life events organized and celebrated there. These centres are managed by employee committees. Grahini is a program for spouses of employees where the factory sources material directly from them and uses it in the factory. Chapatis, other food items, uniforms, etc are procured from Grahini. They operate with an annual turnover of over Rs. 50 Crores.

The project sites of XYZ are mostly in greenfield locations. XYZ sets up the entire infrastructure of the community from roads, sanitation, electricity, school, hospitals and a township near the project site. All community activities are led by employees and their wives. XYZ has also adopted ITI institutes in the vicinity and has developed their entire infrastructure.

Insight 11 – Progressive Organisations are relying strictly on a permanent workforce for core activities.

While contract labor is an important part of the workforce composition, there are clear strategies of the workforce deployment among progressive organisations. Permanent workmen are deployed in the core manufacturing activities and contract workmen are deployed strictly in the non-core areas.

These Organizations are taking extreme care about total legal compliance especially in the entitlements of the contract labor. This compliance is a part of the ongoing business audits and gets reported to the management and non-compliance gets flagged off as critical deviations for senior management focus and remedial actions.

Example:

At Organisation XYZ, the workforce mix between permanent to contract labour (CL) ranges between 15% to as high as 50%. The maximum involvement of CL is in businesses having mostly non-core and unskilled operations. Most units are equipped with the latest technology and the plants are also highly automated. The organisation as a philosophy deploys lesser CL. The maximum involvement of CL is in businesses having high unskilled operations.

Insight 12 – Progressive Organisations are providing fair treatment and uniform systems for contractual workforce.

Accepting Contract Labor as part and parcel of the Organisation is an important part of the ER strategy. Organisations are recognizing their rights to form union/s and support the contractor to negotiate and settle.

There are no differentiated practices between permanent and contract workmen in extending facilities in welfare, wellness, recreational and motivational activities.

Examples:

There are some Organisations like ABC, XYZ where they consciously invest in CL learning and do not distinguish them from the permanent workers with respect to welfare items like canteen, Diwali gifts etc. This in turn leads to better morale on the shop floor and lesser conflicts among the CL.

Organisation AH has plans to become a Rs.10,000 cr company by becoming more competitive and commercial. They decided to develop a strategy of outsourcing as one of the ways to achieve this goal. The model is based on congruence of interest rather than conflict of interest. As part of this strategy they looked at the opportunity of critically reviewing and identifying the core and non-core areas of work. Areas of work to be outsourced and contractors/agencies for the areas to be outsourced were identified clearly with transparent reasons. The organisation is taking a holistic approach by treating contractors and their employees as partners in growth. The organisation has developed a code of conduct for the contractor covering working conditions, wages, health, safety, working environment, freedom of association, overtime, environmental regulations and supervision. They have a governance model which includes audits and action plans for improvement. The contract employees are included as a part of the improvement programs and training & development of employees irrespective of contract or permanent employees.

Insight 13 – Progressive Organisations are bringing in transparency in the performance appraisal system and linking performance to pay.

In progressive organisations workmen are now part of the performance appraisal process. Managers are involved through a dialogue process and provide feedback on their performance.

These Organisations have started to differentiate talent based on performance and other critical parameters. Performance linked pay is becoming part of the pay structure of the workmen.

Examples:

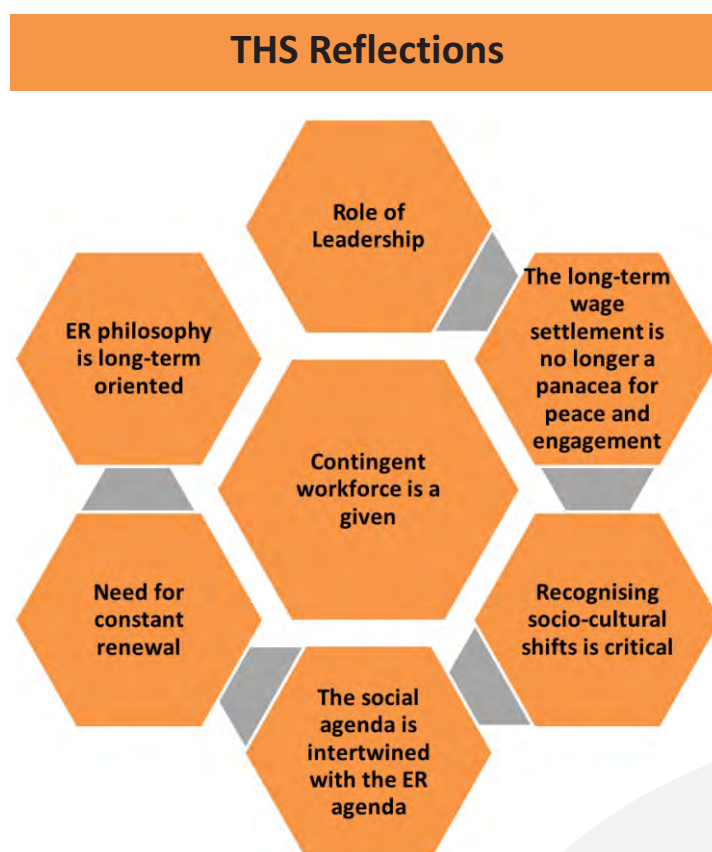
Organisations such as AB and CD have started introducing Performance Linked Pay in their factories. Though this is still at an early stage, they have started steadily percolating this throughout the Organisation.

They however recognise that for this system to work effectively, the workmen need to be educated to a certain level such as Diploma holders, ITI holders etc.

THS Reflections

As we researched these organisations and unearthed these 13 insights we began to see if we could connect the dots and see the gestalt – the big picture, in terms of what all this tells us – the larger implications for the future as far as ER is concerned.

We have been able to pick up seven such points to ponder.



1. Role of Leadership

ER must be the CEO's agenda. The CEO must clarify and articulate the ER approach across the organisation and use this as the basis for policy making and review its effective implementation. For this to happen CEO's may need to acquire some basic appreciation for Employee relations and ensure that ER figures in his/her performance dashboard.

2. ER philosophy is long-term oriented

The task of building trust based relationships with employees is a long-term process and calls for significant investment of time and taking of many affirmative actions with no immediate gains.

In fact, large employers even in technology and financial services companies are beginning to recognise the need for such a long-term approach more than anyone else and are appointing ER professionals.

3. Need for constant renewal

ER strategies are not a one-time fix. Progressive organisations revisit their ER strategies very regularly, as much as they revisit their marketing and manufacturing strategies. Many do it every year and not just when they have trouble.

They also distil learnings from past actions, build a knowledge repository and shape future policies on that basis.

4. The social agenda is intertwined with the ER agenda

It is evident that as businesses grow and expand geographically and employ more and more people, their workforce will begin to reflect a slice of the local social setting and consequently a slice of all local social issues and challenges.

Progressive organisations are recognising these social agendas and taking affirmative actions to address these social needs through their ER policies and programs.

While mental health, stress, life style ailments, diversity and safety are social issues that knowledge oriented business are grappling with, education, employability, community development, environment, health and sanitation are issues that manufacturing oriented businesses have to pay attention to.

5. Recognising socio-cultural shifts is critical

The traditional notion that workmen belong to a very different socio-cultural class and therefore need to be treated and managed through yardsticks that are different from what is applied to white collared employees is passé.

The children of many of the older workmen go to the same renowned institutions of higher education and work for the same global corporations as those of white collared employees.

The focus and attention to managing generation Y employees applies equally to generation Y workmen who have similar growth and career aspirations. They will therefore need a more contemporary value proposition.

In fact many of the newer factories report that the traditional rift between supervisors and workmen no longer exists because they belong to the same generational group and have a lesser power distance between them.

Supervisory development programs of the old kind are no longer needed!

At the same time, many of the legacy factories might have to continue with their more traditional value proposition of welfare and support. This might be especially true in some of the remote locations.

6. The long-term wage settlement is no longer a panacea for peace and engagement

From a time when all ER energies were invested in signing a good settlement with the hope that it would help bring peace and serve to govern the relationship for a reasonable period ahead, the wage settlement has now become a small part of the overall ER strategy.

Given the complexities of doing business and the economic cycles, much seems to happen in the intervening three or four year period.

This therefore calls for continuous efforts to engage the workforce and not rest on the laurels of a good settlement.

7. Contingent workforce is a given

The presence of a reasonable proportion of contingent workforce in the overall workforce population of any organisation is a given.

Law makers and enforcers might never come up with a clear stand on what is right.

Progressive organisations are doing their best to assure this contingent workforce of fair and equitable pay and hospitable working conditions thereby making them productive and engaged. Many give them promotions and invest in their skill development as well.

Conclusion

The first step to designing and implementing differentiated practices is the strengthening of ER competencies among leaders in the organisation. This must happen at two levels – Firstly HR professionals need to recognise that ER is one of the important specialist areas and make the effort to acquire proficiency in this area of specialisation. We must urgently banish the popular myth that ER is for smoke emitting factories and recognise that ER for knowledge workmen is the next frontier in Human Resources management. It is also important that we enlarge our focus from engagement to relationships because we cannot engage without a relationship. Secondly, ER competencies need to be acquired by line managers too because it is their actions which will sow the seeds for good or bad ER climate. It is by strengthening ER competencies that organisations will be able to move one step closer to shaping their ER destiny.

About totus HR School

totus HR School (THS) strives to make HR functions in organisations more aligned and effective by building the capabilities of its HR practitioners.

THS specializes in designing and delivering customised HR capability building programs that meet the needs of HR leaders in Strategic Leadership roles, HR Managers in partnering roles and front line HR professionals in people engagement roles.

THS also designs and delivers solutions to build specialist knowledge across key functional areas in HR.

THS undertakes action research projects for its clients to create new insights around their people agenda.

About Under the Bonnet

totus HR School brings out a research-based journal called Under the Bonnet at frequent intervals, which is distributed to the community of Business Leaders and HR professionals.

Under the Bonnet is our contribution to thought leadership and adding to the knowledge about people.

