Social Engagement Synergy of Unionized Employees with Enterprise Objectives: An Emerging Paradigm in Industrial Relations

K Pradeep Kumar* and S Suman Babu**

The paper attempts to explore and test the relationship between the unionized employees’ social behavior at workplace during the changes being brought upon by the variants of enterprise agenda and union agenda within an enterprise. It also attempts to study the impact of establishing a mid-term vision on industrial relations management within the economic context through enabled social engagement practices during its win-win long-term agreements for a decade timespan, ensuring the sustainable achievement of enterprise objectives. The primary data point is the enterprises’ objectives, unionized employees’ engagement, social cohesion patterns and the changes made in the long-term agreements/settlements with different unions. The secondary information includes the GDP database and the issues being faced by such comparative organizations. The research explores key industrial relations initiatives which substantiate the hypothesis in different organizations, and the empirical results obtained provide a strong support for the hypothesis that the involvement of employee social factors in an enterprise and its channelization towards enterprise agenda and corporate strategy reduce the risk of financial underperformance and enhance industrial relations’ work climate.

Introduction

An organization’s (enterprise’s) success is determined by its constant ability to evolve and its competitive advantage to embrace change. Organizations should give strategic importance to the social behavior of its employees at workplace to obtain the desired results. Without the active participation of organizations’

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workforce at each level, achievement of success or possessing competitive advantage is immensely difficult. In the era of challenging business environment, collective bargaining has never been so crucial. Enterprises need to engage their workmen emotionally and intellectually and there should be harnessing of social matrices which endures employee engagement and organization performance. Enterprise agenda includes organizational priorities and urgencies. Enterprise agenda has a bearing on the social behavior of an employee. Quite importantly, the union relationships and social relationships with unionized workmen form the integral part of enterprise priorities for conducive alignment.

Monappa (1995) identified four types of participation—consultative, associative, administrative and decisive. Other participative models adopted by various enterprises can be classified into three groups as follows:

- Superficial participation, comprising information-sharing and suggestion schemes;
- Intermediate participation, comprising collective bargaining in both traditional and non-traditional areas, and consultation on restricted issues; and
- Real participation, comprising consultation on unrestricted issues and co-determination of restricted and unrestricted issues.

Bhattacharya (1986) defines real participation or “industrial democracy as the exclusive control of productive organizations by their total workforce on the basis of equality of vote.” In other words, workers do not merely influence decisions, they participate with managers in the management of industry on equal terms. This influence is not confined to peripheral or minor matters, but is intrinsic to the governance of the industrial organization.

Collective bargaining is the process of workers’ organizations represented by union[s] and employers’ organizations represented as management panel to negotiate on all areas relating to wages and terms of employment. Collective bargaining is ever evolving as the social needs of the employees are under transformation. Accordingly, it is required to adapt if it is to remain relevant as a tool for addressing the interests and concerns of the parties today. Industrial relations are tested during collective bargaining period. The industrial relations climate depicts the state and quality of union-management relations in an organization (Martin, 1976; Nicholson, 1979; and Dastmalchian, 1986). It is now increasingly recognized as a multidimensional concept, as there is a decline in trade union density and coverage, and an associated increase in non-union workplaces, and the increased relationship between workplace practices and organizational performance (Kersley et al., 2006). In this paper, an attempt has been made to prove that there exists a strong correlation between employee
engagement, social cohesive metrics, collective bargaining instruments, union-management win-win negotiations and enterprise objectives.

Based on the limited related literature and the fact that this paper propounds a new paradigm in union-management relationship, this research may be considered to be a unique or one among the few of its kind.

Data and Methodology

Using multilevel statistical approach, the paper explores the correlation among variables, namely, workmen productivity, employee engagement, social engagement and critical enterprise performance metrics to ensure sustainability of enterprise objectives during union-management negotiations as under:

**Key Business Factors of the Specific Enterprise**

The enterprise considered in this study is a leading industrial Business-to-Business (B2B) solutions provider having manufacturing locations in Telangana, Uttarakhand, Karnataka (Bangalore) and Union Territory of Dadra and Nagar Haveli (Silvassa). The manufacturing facility (specific enterprise) is in Telangana State and has partnered with the Indian industry for about four decades by offering customer-specific solutions and dedicated service support in diverse sectors that range from metals, automotive, consumer goods, appliances, paper, engineering, building materials, textiles, fiber, pharmaceuticals and other manufacturing industries. Despite having stiff competition and socioeconomic and business challenges, the enterprise has been able to grow business above the Indian economic measure of manufacturing GDP growth rate (Figure 1). The priority of enhancing the industrial relations climate is a desired outcome of the enterprise and the same argument is

<table>
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<th>Figure 1: Production Growth Rate Versus Manufacturing GDP Growth Rate</th>
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<td>Production Growth Rate (%)</td>
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<td>Manufacturing GDP Growth Rate (%)</td>
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supported by the literature (Deery and Iverson, 2005) that identifies industrial relations climate as a key determinant of organizational effectiveness.

**Collective Bargaining History**

There are two unions, while one is affiliated to INTUC, another is to TNTUC. More than 70% of the unionized workmen have chosen a single union and the present union is unanimously declared as the major union. The recognized union participates in the collective bargaining process with a popular mandate given its undisputed workmen support and negotiates strongly with the management. The internal leaders who are employees (workmen) form the part of the committee and the union president is an external person. There is high expectation from the workmen of its union and accordingly the union imparts hard bargaining pressure on management to tackle its popularistic agenda. Workers’ expectations and the promises by their unions and the ability to afford and expectations by the management in the overall enterprise agenda become the vital and driving force in industrial relations. When workers and unions consider their strategies of engagement, particularly how they can induce, influence and/or develop positive managerial attitudes as a means to improve the industrial relations climate for employees, they promote a strategy of enhancing cooperation with employers, who in turn use reciprocal ventures.

**Collective Bargaining Instruments**

There are numerous bargaining instruments like wage increase, VDA points, production incentive, motivation incentive, bonus/ex-gratia, festival advance, medical benefits, annual gift, long-service awards, and subsidies, etc. and some of these form the dominant factors of collective bargaining process from the union’s perspective. On the other hand, the management has its counter agendas of being profitable, growth, quality, safety, and maintaining costs.

**Results and Discussion**

**Employee Engagement Process**

The enterprise periodically undertakes employee engagement surveys including all workmen, union members and staff employees, to closely understand the undercurrents and the alignment towards enterprise agenda and commitment towards the same. Neutral, reputed and global agencies are engaged to conduct survey independently to obtain employee’s valuable feedback and analyze the

<table>
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<tr>
<th>Year</th>
<th>Score (%)</th>
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<tr>
<td>FY 2008</td>
<td>81</td>
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<td>FY 2009</td>
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<td>FY 2013</td>
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results. These agencies such as Gallup and Aon Hewitt ensure confidentiality. While the survey is administered for 100% population, the workmen participation levels are more than 95%. Employee engagement factors of overall satisfaction, engagement, loyalty, advocacy, strive, learning and growth, and pay satisfaction are measured. Table 1 presents the overall engagement scores, represented as percentage for the years in which it was administered and continued in the subsequent year.

**Differentiating Employee Engagement and Social Fulfillment Factors**

Economic uncertainty keeps the enterprise’s agenda and union’s agenda on vigil and hence the collective bargaining process becomes a challenge as the three entities, management representatives, workmen representatives (union) and the watchful workmen, have to conducively coexist before, during and after the agreements or settlements are made in the same socio-ecosystem. Enterprise is a subset of society and employees demonstrate their social behaviors within and outside the work environment. Social behaviors are tacit. For organizations to have competitive advantage and to ensure accelerated responses on business urgencies, the enterprise strategy should be inclusive of corresponding social behavior of employees. Cohen and Syme (1985) propounded social upkeep as co-ordinial support provided by colleagues, and Cobb (1976) added love and care extended by the colleagues. Social factors constitute critical social needs of: employee care, self-esteem, being valued, employee wellbeing, being involved, welfare, being integrated, value diversity, autonomy and considered being included.

Social Fulfillment index (SFi) constitutes the indices of employees’ social cohesion matrices, and employee engagement drivers are subset of social cohesion matrices (Table 2). SFi is a leading factor and hence it helps enterprises to work on their strategies to ensure appropriate organizational performance. To measure the influence of SFi, surveys were administered in FY 2013, 2011, 2009, 2007 and earlier, in partnership with Aon Hewitt and Gallup institute (Table 3). The derivation of the results between the two agencies forms the limitation of this hypothesis. Employees responded to survey questions based on a 6-point scale (1 = Strongly Disagree, 2 = Disagree, 3 = Slightly Disagree, 4 = Slightly Agree, 5 = Agree, and 6 = Strongly Agree).

Pfeffer and Salancik (1978) propounded the social information processing theory where the general workplace environment is assumed to exert a significant influence on the motivation, attitudes, satisfaction and behavior of the parties to the employment relationship. The workplace environment is influenced by contextual factors that shape industrial relations’ outcomes, such as the organization of work, employment terms and conditions, and conflict. Together, the workplace environment and the contextual factors are sometimes described as the industrial relations’ climate, and this concept has been used to explain behavior and attitudes in the
workplace, and interactions between unions, employees and employers (Dastmalchian, 1986; and Clark, 1989). Industrial relations’ climate is also a function of work practices (the organization of work) and employment practices (the management of people), and thus may be linked to organizational performance (company and worker outcomes) (Boxall and Macky, 2009).

The dimensions of social fulfillment are: (1) Advocacy, an aspect where employees speak positively about the organization to co-workers, potential employees and customers; (2) Loyalty: an intense sense of belonging and a strong desire to be a part of the organization by its employees; (3) Strive: employees are motivated

### Table 2: Social Fulfillment Index

<table>
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<tr>
<th>Engagement Drivers</th>
<th>Social Cohesion Matrices</th>
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<tr>
<td>Advocacy</td>
<td>Autonomy</td>
</tr>
<tr>
<td>Loyalty</td>
<td>Care</td>
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<tr>
<td>Strive</td>
<td>Collaboration</td>
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<td>Inclusion</td>
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<td>Self-Esteem</td>
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<td></td>
<td>Support</td>
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<td></td>
<td>Trust</td>
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<td></td>
<td>Valued</td>
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<td>Wellbeing</td>
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### Table 3: Engagement Drivers and Social Engagement Factors

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<thead>
<tr>
<th>Year</th>
<th>Engagement Drivers (%)</th>
<th>Social Engagement Factors (%)</th>
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<tbody>
<tr>
<td>FY 2008</td>
<td>81</td>
<td>58</td>
</tr>
<tr>
<td>FY 2009</td>
<td>86</td>
<td>82</td>
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<tr>
<td>FY 2010</td>
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<tr>
<td>FY 2012</td>
<td>84</td>
<td>81</td>
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<tr>
<td>FY 2013</td>
<td>94</td>
<td>90</td>
</tr>
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and exert considerable effort toward success in their job and for the company; (4) Autonomy: the state or condition of having independence or freedom, or of being autonomous self-government; (5) Care: employees are taken care of in ways that are reasonably possible to ensure their health, safety and wellbeing; (6) Collaboration: when employees work in teams and have the trust and cooperation of their team members, they outperform individuals and teams which lack good relationships; (7) Inclusion: the action or state of including or of being included within a group or structure; (8) Integrated: behavior throughout the organization is consistent with the stated values, leading to trust and a sense of integrity; (9) Self-esteem: an expression of perception about self and the reaction to the response of others to an individual. Even after failure, employees are more likely to trust themselves to take forward the initiatives assigned to them by remaining cohesive and productive workforce; (10) Support: employer sponsored services designed to assist employees and their families in managing work and life’s daily challenges and result in employee satisfaction, productivity and managerial effectiveness; (11) Trust: firm reliance on the integrity, ability, or character of a person/firm belief in the reliability, truth, or ability of someone or something; (12) Being Valued: considered to be important or beneficial; cherished; and (13) Wellbeing: having a measure of control over when, where and how individuals work, leading to their being able to enjoy an optimal quality of life.

Antecedents and research show partial existence of cooperative labor management programs, such as gain sharing, quality of work-life initiatives and labor management committees, and the relationship between these programs and industrial relations outcomes (Katz et al., 1983; and Kersley et al., 2006). It is important that the effectiveness of social engagement initiatives leads to social fulfillment and it has been found to better predict industrial relations’ climate, reinforcing the notion that the ideal union-management relationship may be best categorized as constructive (Figure 2).

Advantages of Focusing on Social Fulfillment Index

Productivity Improvement

To validate the hypothesis (that workmen create a conducive environment to rightfully channelize their representative union to align towards enterprise urgencies, improved organizational culture, to co-create participative value system), we have analyzed the correlation between productivity, engagement drives and social engagement factors. Productivity is defined as the computed ratio of total production tonnage produced in a year and the number of workmen engaged in that year. Engagement drivers and social engagement factors are already presented in Table 3. The correlation between these variables shows a positive trend and the same is presented in Figure 3.

It may now be ascertained that as influence of the social engagement factors or SFi increases, the score on the engagement drivers varies and the productivity
Figure 2: Influence of Proactive Business Strategies on Employees’ Behavior

Figure 3: Social Engagement Versus Productivity

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increases, and hence it is essential that enterprises promote improved social cohesion to have improved productivity. Hence, we may conclude that socially engaged workmen work willingly beyond the best of their capability in the interests of the enterprise. Socially engaged employees demonstrate increased organizational commitment, an essential element required for organizations to ensure goal achievement and respond to organizational urgencies as per the desired velocity.

According to Gallie and White (1993), organizations which have increased engagement and commitment have advantages in terms of: (1) Strive for extra beyond what is expected from employees; (2) Develop pride in the organization; (3) Desire to stay in the organization; (4) Have increased internalization of the values and goals of the organization; (5) Employees are willing to accept role changes and demonstrate flexibility; (6) Employees are loyal to the organization; and (7) Employees have higher brand perception and consider their organization as the best among all organizations.

**Collective Bargaining Alignment**

The other part of hypothesis includes that when the workers’ social fulfillment index is high, such workmen create a conducive environment to rightfully channelize their representative union to align towards enterprise urgencies, improved organizational culture and co-create participative value system. To validate the same, we have looked at:

- **Union Agenda**: The demands of the union submitted as charter of demands, which primarily are the tangible aspect of salary growth (considered based on a three-year long-term agreement); and
- **Enterprise agenda of per person cost of production termed as contribution.**
  This is computed as a ratio of average salary of all workmen for a year and the production (computed as the total production output for that corresponding year).

It may be observed and concluded from Figure 4 that the social engagement index influences the contribution (per person cost/production) and the union demands of salary/wage increase. As a result, the enterprise agenda of contribution is accomplished and the union’s demand for wage hike is also concluded.

**Forward Looking Long-Term Agreement/Settlement Initiatives**

Before an enterprise undertakes reactive actions and defensive strategies, the first task of social engagement needs is to be proactively initiated, as we have seen that more social alignment endures improved productivity and contribution, thereby making the enterprise more successful. Over the decades, the union and management have indulged in varied collective bargaining instruments and used separate agendas and demands for each of the negotiations. Based on the enterprise, agenda and direction provided by the authors, it was thought prudent:
1. To consolidate all the collective bargaining instruments of yearly demands of wage increase, VDA points, production incentive, motivation incentive, bonus/ex-gratia, festival advance, medical benefits, annual gift, long service awards, and subsidies be settled or agreed along with the once-in-three-years long-term agreement. Such forethought has enabled improved managerial time for decision making;

2. Forward looking thought changes included to have less supervision, i.e., no shift engineers on shop-floor and the entire production, quality, etc., has to be managed by the workmen involved in the team, i.e., self-managed team; and

3. The latest enterprise agenda included to roll out the concept of total cost to company.

All the three strategically important dimensions were executed in a period of three long-term agreements spanning different union bodies.

The benefits accrued are:

1. Bundling of collective bargaining instruments like wage, bonus, VDA, production incentive, etc., resulting in saving of managerial time and resources to a great extent;

2. TCC Concept – Total Cost to the Company indicates the total direct amount of expense an employer is incurring for a worker in a year, which enables the workmen to understand their total cost and would ease in comprehending the market benchmark for similar work;

3. Cost-Neutral Long-Term Agreement – Despite the cost increase on account of long-term settlements, the enterprise is successful in maintaining cost
neutral agreements by rightly getting the return on expense through the vehicles of increased productivity, automation and the organizations’ endeavor to undertake social cohesion initiatives;

4. Linking many of the collective bargaining instruments with tangible measure of workmen contribution, which enables social fulfillment and entrepreneurial spirit;

5. Higher social fulfillment index is a key mediating factor in the link between high-performance work systems and organizational performance and effectiveness. Other outcomes that have been found to be associated with it are favorable industrial relations climate, including positive perceptions of organizational prestige, positive attitudes towards supervisors, reduced absenteeism, turnover and conflict, innovation, customer satisfaction, and service/product quality.

Figure 5 demonstrates the actual pay-out to the unionized workmen beyond the mandatory increase notified by the government.

![Figure 5: Actual Pay-Increase Versus Government Mandated Increase](image)

The Emerging Paradigm of Industrial Relations

Social fulfillment at workplace reflects in improved worker-union-management and cohesiveness, thereby increasing the dispute absorption capability and enhancing the co-participation for forward looking industrial relations scenario and for sorting out production-related issues. Worker participation practices thus play a complementary role to promote collective bargaining and sound industrial relations. The interventions used in BHEL are job rotation, inter-unit transfers, on-the-job retraining, job enhancement and on-the-job development. Interventions in Bhilai Steel Plant included communication programs, training and training audit, multi-
skilling, benchmarking in key areas, particularly technical parameters, suggestion schemes and quality circles. At Thermax, the interventions focused on turning around certain poorly performing divisions, drawing up a contingency plan, throwing it open to employees for discussions and suggestions and then creating teams for the translation of the final plans for execution. Team building initiatives related to image enhancement, role expectation, responsible to solve problems, employment-oriented skill development program, attitudinal training programs, and TQM training program were undertaken. In Bharat Electronics Ltd. (BEL) joint brainstorming sessions are carried out to improve productivity, discipline and supervisory effectiveness. Visakhapatnam Steel Plant (VSP) has a communication program on the mission and objectives of the company and is clearly defined. The union was persuaded to accept it as part of a tripartite settlement and it was disseminated among employees through a series of workshops and training programs. Titan Industries has a comprehensive package of communication and worker interaction at its plant. The management launched a concept called ‘dialog house’ as part of a policy initiative to promote an open-door policy and consensual decision making. Total Employee Involvement (TEI) is actually a committee of management representatives and union office bearers of Titan, which provides guidelines on three major issues—productivity, quality and technology. The committee also developed guidelines for the administration of new training programs. Small group activities (similar to quality circles) were started under the TEI system. Gemba Kaizen was introduced for constant improvements, especially 5S for cleanliness and housekeeping, and Kanban for maintenance. Titan has one of the cleanest and most pleasant factories in the world (Sen, 2010).

The scope of issues that are the subject of collective bargaining has expanded to include training, employability and productivity. The key point made is that for collective bargaining to reach its full innovative potential of social alignment, it must go beyond pay negotiations. To support these partnerships, employers need to share basic information about the business and the changing marketplace and provide the education and training that workers and unions need to contribute to continuous improvement. Socially engaged workmen drive unions’ need to be prepared to involve in discussions on productivity, on the improvement of work processes as well as working conditions. Many of the major challenges faced by workers, trade unions and management had already been made obvious. Industrial relations have become more diversified as the average size of enterprises has been reduced by restructuring. This has placed greater pressure on traditional collective bargaining as there is erosion in the bargaining power of trade union organizations. However, even today, collective bargaining plays a vital role in fostering investment in human resources, profitable growth, social harmony and employee engagement. Considering these dimensions and emergence of the SFi, a new paradigm becomes an important aspect for industries to focus on a model based on situation and enterprise agenda as presented in Figure 6.
Such worker-union-management involvement processes re-emerge, along with other human resources management and/or industrial relations practices, mainly driven by enterprises’ need to remain competitive and productive by involving their workforce in the business as a whole. It is obvious that social engagement in collective bargaining is simple but is not easy for a variety of reasons:

- For union or worker representatives, the double roles they are required to play make participation quite difficult;
- Managements are often reluctant to share the larger objective;
- There are often perceived differences in social status, education and awareness between the two parties. This obstructs transparency and trust; and
- The unions find themselves party to decisions which they are not really influencing.

High social engagement in collective bargaining, when used as a process to address and cope with economic and social change, such as the present economic crisis, in a manner that meets the interests of both workers and employers, will yield win-win negotiations.
When the profitability of the enterprise is high and the social cohesiveness index in not commensurate, a climate of mistrust develops among union and management and the collective bargaining will be mostly union-led and worker demanding. Transparency and communication is vital that will endure good management-union relationships through social fulfillment programs. These programs require considerable effort, dedication and attitude changes in both parties to achieve. However, if union cooperative practices with management contribute to business advantages at the expense of employee interests, as the critics of partnership foresee, than partnership, it is then viewed as an unrealistic practice of achieving mutual gains in an environment of diverging interests (Kelly, 2004). The self-management teams, high performance work systems, 5S, TPM, TQM, requiring flexibility and committed employee participation are widely utilized to address competitiveness by organizations. The capacity of workmen and staff employees to contribute to organizational urgencies and enterprise agenda decisions is recognized as possibly one of the most cost-effective and viable performance improvement processes available to management (Martel, 2003).

While external conditions such as legislative changes might be an influence, it is the key internal factors that influence the relationships. They are the social fulfillment factors of advocacy, loyalty, strive, autonomy, care, collaboration, inclusion, integrated, self-esteem, support, trust, valued and wellbeing. Furthermore, both worker union and organization’s representatives need to agree that social managers have an essential role in developing and maintaining good relationships.

**Conclusion**

Enterprise agenda and workmen benefit agenda make the strategic choices for union-management before, during and after collective bargaining. Enterprises can endure and sustain matured relationships when ecology ‘social fulfillment’ of the bargaining employees is high. This paper contributes to the study of industrial relations climate, supports the need to look beyond employee engagement, and enhances the perspective of social engagement for organizations to work towards it. The paper also prompts organizations to align co-building positive behavior dynamics that delicately co-exists on a razor line between manager-worker, and union-management and has to be comprehended by the organizations through thorough, timely and collaborative partnering.

There may be a need to update labor practices to address the reality of changing labor and worker expectations. We need an approach to labor law that is both stable and responsive and provides the social partners with the space to innovate through collective bargaining. The best labor law reforms are those that emerge from a process of social engagement.
The model presented here suggests that enterprise efficiency is compatible with social engagement for employees, which is beyond maximizing profits. Industrial relations will undergo change and be in tune with the shape and dynamics of business environment and evolving workers' socioeconomic needs.

This paper is an attempt to contribute to the field of industrial relations through its integrating approach by measuring the relationship between employee social behavioral needs, enterprise urgencies and the industrial relations instruments and practices adopted by a specific enterprise.

More study and research can be undertaken by greater analysis of organizations which succeed, wherein employees experience social connect and fulfillment, as for many organizations this will be linked to higher levels of performance aligned to enterprise agenda.

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