

Industrial Relation System: Lessons for Bangladesh and Sri Lanka from Japanese Perspective

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Abstract

Industrial Relations (IR) usually refer to relationships between labour and capital that grow out of employment. There are two parties in the 'employment' relationship-labour and management. Both parties need to work in a spirit of cooperation, adjustment, and accommodation. In their own mutual interest certain rules for co-existence are framed and adhered to. Opinions about IR in Japan are extremely diversified. The main concern regarding IR appears to be whether Japan can maintain the vitality and flexibility to cope with the changes in the industrial structure and technology in a stagnant world economy. The lack of opposition and dispute between labour and management may be the most important feature for summarizing labour-management relations in modern Japan when making international comparisons. The study highlights IR and points out lessons that Bangladesh and Sri Lanka can take from Japanese perspectives. The research is based on desk study. Moreover, the recommendation would be helpful to the practitioners, researchers, planners, policy makers and academicians, who are involved in the concerned area.

Key words: industrial relations (IR), employment, capital, labour

JEL Classification: M54

Introduction

The relationship between employer and employee or trade unions is called Industrial Relation (IR). Harmonious relationship is necessary for both employers and employees to safeguard the interests of both parties of the production. In order to maintain good relationship with the employees, the main functions of every organization should avoid any dispute with them or settle it as early as possible so as to ensure industrial peace and higher productivity. In other words, good Industrial Relation means industrial peace which is necessary for better and higher productions.

IR may be understood in both inter and intra terms-that is between employers and employees, between employees and employees and also between employers and employers. Such diverse relations are the outcome of modern industrial production, entailing an enormous body of collective work and involving the corporate labour of a huge number of people in an enterprise. Of all these relations, however the one between employers and employees is of paramount importance under the system of capitalist relations of production. Some authors define the term industrial relations also as either the full range of rule governing the work place (Dunlop, 1958),

or a study of the institutions for job regulations (Allen,1975) or even the maintenance of stability and regularity in industry (Richard,1981)

IR is also concerned with determination of wages and conditions of employment. IR and human relations are distinctly two indispensable factors in industry, one depending on the other. We can have good industrial relations in an industry, but bad human relations in the same establishment and vice versa. Good industrial relations provide the necessary background for human relations. In any undertaking, good relations between the management and workers depend upon the degree of mutual confidence which can be established. This, in turn, depends upon the recognition by the employees of the goodwill and integrity of the management in the day-to-day handling of questions, which are of mutual concern. The first requisite for the development of good industrial relations is a good labour policy. The aim of such a policy should be to secure the best possible co-operation of the employees. Every employee should have the opportunity to contribute not only his services, but also his suggestions and ideas towards the common effort.

The basic needs of an industrial worker are freedom from fear, security of employment and freedom from want. Adequate food, better health, clothing and housing are human requirements. The human heart harbors secret pride and invariably responds to courtesy and kindness just as it revolts to tyranny and fear. An environment where he is contented with his job, assured of a bright future, and provided with his basic needs in life means an atmosphere of good IR.

IR has several roles in the industrial development in any country; two fold objectives of good industrial relations are to preserve industrial peace and to secure industrial-operations. If we have to establish industrial peace, the workers must be assured of fair wages, good conditions of work, responsible working, holidays and minimum facilities of life. The objectives of good industrial relations should be the development and progress of industry through democratic methods, stability, total well-being and happiness of the workers, and industrial peace. Hence, industrial peace is the fruit of good industrial relations.

The following objectives have been considered:

1. To understand the philosophy and concept of IR;
2. To focus on present scenario of IR policy in Japan,Bangladesh and Sri Lanka;
3. To suggest some possible solutions for developing and improving the IR to Bangladesh, Sri Lankan from Japanese perspectives.

Material and Methods

Given the nature of the present study, it was required to collect data from the secondary sources. The authors were always careful of the objectives of the study and collected data accordingly to achieve those objectives. Secondary data was collected from research studies, books, journals, newspapers and ongoing academic working papers. The collected data may be processed and analysed in order to make the present study useful to the practitioners, researchers, planners, policy makers and academicians of the area concerned.

Analyses and Findings

The analyses of findings have been discussed under the following sub-heads:

Industrial Relations

IR plays a critical role in establishing and maintaining industrial democracy (Monappa, 1995). IR indicates the status of the relationship between the employers and employees in general. Better relationship is always designed which, however, rarely remains in a satisfactory stage and

in a static position because of various internal and external factors. The concept of IR has a wide meaning. The expression 'IR' by itself means relationship that emerges out of day-to-day working and association of labour and management. But when taken in its wider sense it includes 'the relationship between an employee and employer in the course of running of an industry and may project itself to spheres which may transgress to the areas of quality control, marketing, price fixation and disposition of profits among others' (Johri, 1969). IR, thus, when taken in its wider meaning, is a 'set of financial interdependence including historical, economic, social, psychological, demographic, technological, occupational and legal variables' (Singh, 1968).

Industrial Relations in Bangladesh

Democracy in the larger society is a prime and essential condition for the development of industrial relations. In Bangladesh, the extent of democracy is very poor. It is surprising to note that after independence, the frequent changes in government and emergence of military rule during 1975-1979 and 1982-1990 hampered the democratic environment for industrial relations in general and trade unionism in particular.

Since independence, every government has been found to participate in the trade union activities directly through the formation of labour front. Due to government interventions, the industrial peace and productivity were affected a number of times. For example Awami League government maintained close contact with the workers through "Jatiya Sramik League (JSL)". Bangladesh National Party (BNP) government did so through "Bangladesh Jatiyatabadi Sramik Dal (BJSB)", and Ershad government did the same through "Jatiya Sramik Party (JSP)".

The level of industrialization in Bangladesh is very poor. The level of employment is very poor too. Here the supply of labour is always much higher than that of the demand for labour. So the labour cost is low. Out of a total civilian labour force of 70 million about 2 millions are unemployed. Here the industrial workers are not at all class conscious. Due to very poor literacy level, workers of Bangladesh are completely in the dark about their rights and obligations. The labour force participation rate in trade unionism is only 12%. Due to improper physical fitness and lack of sufficient skill the productivity of our workers is very low. As a result, they cannot contribute towards the higher level of profitability to the employers, thereby causing their level of wages to remain low. Till now the Government of Bangladesh could not ensure a satisfactory level of minimum wage for the workers (Khan & Taher, 2009).

Multiplicity of trade unions is one of the great weaknesses of labour politics in Bangladesh. As a result of weak strength, trade unions in Bangladesh is facing a number of problems like increasing political influence, inter and intra-union rivalries, unhealthy competition in collective bargaining agent (CBA) election, employers, tendency to avoid CBA process and develop opportunities among the trade union leaders etc. The opportunistic nature of trade union leadership has been responsible for poor labour movements. Most of the time, the trade union leaders acted as agents of employers and of the political governments.

Industrial Relations in Sri Lanka

IR in Sri Lanka has arrived at the crossroads which makes an interesting study for the Human Researches Specialist. The Sri Lanka shifted from a centrally planned economy to a market economy in 1977. Since 1977, the socio-economic changes were greatly influenced by the radical changes in the external environment, globalization, information technology (IT) revolution and changing consumer needs. These changes in the socio-economic system of the country have resulted in contradictions and conflicts in the sphere of IR. With the emergence of the market economy and resultant competition, the achieving of the desired economic growth was the challenge for the government. At micro level, business corporations fought for their survival in a competitive environment. This situation has provided a new challenge to partners involved in IR.

Historically, the state has played a key role in managing IR in Sri Lanka. The state intervention has more in the nature of labour legislation and in the area of dispute settlement. Since early 20th century, these laws have been enacted to protect the less privileged partner i.e. Labour/Employee. Hence the labour laws in Sri Lanka have a bias towards the employee and this rigidity has adversely affected the progress of business. For example, the Termination of Employment Act 1971 prohibits the termination of employment except in case of disciplinary matters without the permission of the Commissioner General of Labour. Even though plethora of labour laws protects the employees, it has been a hindrance to the business activity. The business community has made several appeals to the Government to appropriately effect such changes in labour laws to meet the current environment. Such changes in the form of entrepreneurial labour laws are urgently required not only to meet the needs of the Sri Lankan economy, but also to facilitate the working population.

Being a developing country, it is natural that the state needs to protect certain less privileged classes of the society from the economic transformation. In addition, in a democratic country, the working class is a source of strength to political parties. In this context, the present People's Alliance Government formulated the Workers' Charter to safeguard the rights and privileges of the working people. The salient features of the Charter are: (a) The commitment to the principles of the Declaration of Philadelphia and the labour standards adopted by the International Labour Organizations (ILO); (b) Recognition of trade Unions; (c) Encouragement of Collective bargaining; (d) Strengthening of existing laws to protect employees interest; (e) Defining casual, temporary and others forms of non permanent employment and; (f) Bringing forth a code of industrial harmony.

Employers strongly felt that their views have not been duly considered and it was not the opportune item to bring forward this piece of legislation. The employers argued that the requirement was not for a workers' Charter, but for an Employment Charter. Even though six years have lapsed, the government has still to bring in legislation for this purpose except an amendment to the Industrial Disputes Act providing recognition to trade unions and prevention unfair labour practices. The reluctance on the part of the government to provide legal enforcement to the workers' Charter indicates that the government despite, an election pledge, has realized that such labour laws should not be allowed to restrain the development of a free market economy. De Silva stated that "Labour law always presents the perennial problem of balancing the interests of capital and labour and at the same time protecting public interest. Again, more than any other branch of the law, labour laws reflects governments or society's moral tone and attitude towards social issues."

The Employer's Federation of Ceylon (EFC) was established in 1930 as a counter measure to deal with trade unions so that the employers should be united and disciplined to manage labour issues; and more importantly, due to the need for building up a mutual understanding between employers and workers. EFC has taken 50 years or more to reach the 200 mark in membership. However, since 1980, during the period of 20 years, the membership grew to over 500. The reason for this growth, besides the free market policies introduced in 1977, was the direct result of the need for industrial relations service. The lack of expertise within the workplaces to handle industrial relations prompted the employers to seek support and assistance of EFC. It is also significant to note that since 1980, the EFC has made a fundamental change in their approach. It shifted from their emphasis on providing legal services to assist the employers to adopting better Human Resources Management (HRM) practices in managing people at their workplaces.

At the micro level, the relationship between the employees and the trade unions has been adversarial. The history of numerous conflicts between the employers and employees during the colonial rule and the post-independence era has greatly contributed to the development of this situation. Amongst other reasons: (a) Being unaware of the significance of trade unions in national and organizational context; (b) Lack of understanding in modern management

techniques, (c) negative approach of Trade Unions; (d) Lack of professional management in HR; (e) Concealed hostility of the employers based on bounded rationality.

Nevertheless, experience has made employers realize that such an antagonistic approach would lead to unsatisfactory relationship, loss of work hours resulting from industrial disputes thus affecting the productivity. With the emergence of market economy, this would adversely affect the ability of the enterprise to be competitive. In this context, many employers have begun to adopt an approach of understanding towards trade unions and also making concerted efforts to establish cordial relationship with the workforce by adopting sound HR practices.

From the inception of the trade union movement in 1930s, trade unions have adopted an antagonistic approach towards management. This may be due to Sri Lankan trade unions becoming appendages of Marxist/Leninist political parties espousing a class struggle and having a history of agitation against colonialism/establishment. Despite the rapid disappearance of Marxism/Leninism globally, some trade unions continue this class struggle approach without understanding the changes in the socio-economic environment. Trade unions have been comfortable in adopting this adversarial attitude and make every endeavour to keep their membership away from the management. Another significant characteristic of the trade union movement is the politicization in which major trade unions are linked to major political parties. The political parties continue to treat unions as a source of power. It has been observed that on certain occasions, the behaviour of trade unions has been motivated by political objectives rather than the interest of the working class. These along with multiplicity of trade unions have had an adverse impact on the unity and strength of trade unions.

However, since 1977, this situation has been subjected to gradual change. (1) The competition in the marketplace has prompted the trade unions to review their approach. The antagonistic approach would affect the business, which could result in loss in employment. (2) New generation of workers are more concerned about their welfare and personal interest rather than espousing political ideologies. This is amply demonstrated from the fact that the number of trade Unions has decreased from 1636 in 1977 to 1428 in 1996 and the membership has been static at 1.6 million of 7 million of working population.

The ratification of ILO Convention 144 on Tripartite Consolation by the Sri Lankan Government signifies the acceptance of the need to consult the employer and employer organizations by the government in regard to matters of mutual interest. The significance of this event is that the acceptance of the principle that the government should consult the other two social partners at national level makes it morally obligatory for the employers to consult the trade unions at organizational level.

The structures of tripartism have existed in diverse forms, but there has been little effort to coordinate and harmonize the interest and work of the social partners or to provide them with the role of active participation at national level such as: (a) Minimum wages fixed for 40 trades by Wages Boards set up by the Labour Ministry under the Wages Boards Ordinance, are tripartite in character. These boards permit a consultative approach to the fixing of terms and conditions; (b) A National Advisory Council was set up in 1989, with the objective of having a permanent consultative mechanism within the Ministry of Labour. The objectives of the council were broadly to consult worker and employer interests on policy matters and implementation of proposed changes in Labour law; (c) Employees councils were made obligatory by the Employees' Council Act No. 32 of 1979, in public corporations and government owned undertakings, to encourage participation of employees in the affairs of these organizations; (c) In the Free Trade Zones (FTZ) administered by the Board of Investment (BOI), companies are expected to set up Joint Employees Councils as a condition of licensing.

Tripartism cannot be strengthened or placed on a stronger base by passing legislation. If the desired results are to be achieved, the implementation of the laws must be monitored and enforced to some extent. Persuading and educating the workers as well as employers on the

advantages of consultation and dialogue at all levels are considered desirable than law enforcement. It is imperative that the attitude of officials should change. They should be facilitators rather than regulators in promoting good industrial relations. It has been observed that at national level, there seems to be a tendency for some unions to affiliate and also for some employers to be interested in working together to deal with problems on a common front. It also appears that more and more bipartism is exhibited at work place which is a good sign of collaboration by social partners. EFC in 1989 suggested to ILO a strategy to build up a tripartite consultative process to be the joint responsibility of the EFC and the Trade Unions. The first phase was a joint body on Safety and Health. This industrial Safety and Health Association (ISHA) brought the parties together in a spirit of cooperation on Safety and Health. This led to a seething up of another mechanism called Labour Management Consultative Committee (LMCC).

The collective bargaining/agreement is a mechanism under the provisions of the Industrial Disputes Act to resolve disputes and to maintain industrial peace. The government has ratified ILO Convention 87 on Freedom of Association and 97 on Collective Bargaining. One of the key reasons for the employees to organize themselves was collective bargaining, and the EFC has been instrumental in encouraging this process in the private sector and responsible for many collective agreements signed to date. Even though this is a mechanism that could be used to the benefit of both parties, due to numerous reasons the use of this process to a greater extent has been restricted. Firstly, the employers have found that apart from industrial peace, Unions in general do not wish to offer in return other benefits such as: productivity, rationalization of work arrangements.

Industrial Relations in Japan

The central features of the Japanese industrial relations system include: workplace focused enterprises unions, lifetime employment systems, broad based training and seniority based wages. Another outcome of the Japanese institutions such as the Keiretsu system and the system of production organization (subcontracting and quality-focused, team based work) is the simultaneous achievement of stability in labour market terms and considerable functional flexibility in work place level industrial relations through the development of internal labour markets. The Japanese follow permanent employment system, consensus decision making and patriotic leadership. The Japanese respect the senior and the senior behaves just like a guardian not like a boss. The management treats everybody as team members whether executives or workers. They emphasize continuous customer-focused improvement in quality and total involvement.

There is disagreement on the date when the Japanese industrial relations system was set up. Taira (1970 as cited in Khan & Taher, 2009) suggested that the lifetime employment practice developed in the late 1800s in the silk industry where employers, forced to compete for scarce labour, instituted lifetime employment to create stable employment conditions. The key practices were encouraged by the government, which institutionalized several of them during the inter-war period in its Factories Act of 1938. Enterprise unionism emerged post war based on the structure of the firms (the large employers who accounted for a significant share of employment). Jacopy (1993) and Gordon (1985) (as cited in Khan & Taher, 2009) also suggested that precursors to the current system could be seen in the company unions of the 1920s, with institutional occurring during the interwar period.

Cusumano(1985) argues that it was the early labour-management crises in the post-war period, coupled with the revolution in production management that account for the creation of the more advanced aspects of the internal labour market in Japanese industry. Okayama (1986) also credited the industrial strife of the 1950s as the most important variable in the development of the Japanese Industrial Relations system, a view also held by Kenney and Florida (1994) and Takahashi (1997) who argued, "The main stimulus (for lifetime employment) was the

experience of large-scale conflict between labour and capital in the early post-war years, partly in response to many workers being made redundant as the war industries shut down. Employers sought a way to end or reduce this conflict, not a social or political norm impervious to pressures of economic change”. (as cited in Khan& Taher,2009).

There were several changes in the Japanese system over the 1970s and 1980s. Notably, there was erosion in the seniority based wages concept, as wages began to be tied increasingly to skills acquisition and productivity, while employers had started the practice of mid career hires in white collar and technical occupations. The practice of “Shukko”- transferring employees to other parts of the Keiretsu during downturns-had gained in prominence over the last two decades.

Recent Changes in Industrial Relations of Japan

In the 1990s, there has been acceleration in the change already underway, as well as changes in other practices that constitute the core of the Japanese (IR) system. To a large extent, this has been due to the effect of the recession of the 1990s, as Berggeren argues, which has been the deepest one since the 2nd World war. Thus, in the 1990s, there has been a significant questioning of the lifetime employment concept, with severe declines in job security on an unprecedented scale, changes in hiring practices from schools and universities, a dramatic increase in outsourcing strategies, the introduction of limited term employment contracts for some occupations, increased wage flexibility, and some degree of union restructuring, along with evidence of breaking up of some Keiretsus. By themselves, any one of these changes might suggest a gradual adaptation to new economic circumstances, but all of these happenings together suggest the critical importance of the 1990s recession in forcing employers to question the existing practices and act to change them.

These changes came as a movement towards transformation of the industrial relations system given that the evidence suggests changes in most aspects of employment relations in Japan, such as: job security, hiring, corporate governance, wages and wage flexibility and the role of seniority, as well as union structure, and would seemingly consist of a significant eroding of the “three pillars” and a move towards a more individual based system such as in the United States (Brown, Nakata, Reich and Ulman,1997). There is also some evidence that the Keiretsu system is breaking down after the crisis, possibly as a result of firms’ capital requirements, and thus one major source of the “stickiness” seems to be weakening (as cited in Khan& Taher,2009).

Lessons for Bangladesh and Sri Lanka from Japanese Perspectives

Proper industrial relations imply harmonious and peaceful relations between labour and management. In such a situation, both labour and management realise their mutual obligations toward each other and resort to actions that promote harmony and understanding. For making a fruitful comparison in the characteristics of industrial relations in between Japan, Bangladesh and Sri Lanka, we need to make a systematic analysis. The main lessons for Bangladesh and Sri Lanka may be summarized as follows:

1. The level of organizational commitment among the workers and employees should be increased;
2. Human Resources should be treated as organization’s assets rather than a money-making machine;
3. Management of conflict and employee grievances should be handled effectively which would ultimately lead to innovation and productivity improvement of a concerned organization;
4. During selection and promotion of candidates (employees) a human resource manager should follow a standard method and all candidates can get equal treatment without bias;

5. The activities of industrial relations in Bangladesh and Sri Lanka should be free from the influence of the party's politics;
6. Organizational policies and strategies should be formulated and also implemented through general consensus between the workers/employees and the employers.

Policy Implications

Although the present study was confined to *IR in Japan: Lessons for Bangladesh and Sri Lanka*, it may be appropriate to briefly state the policy implications for the study. In this context, the following policy actions may be considered worthwhile.

Proper demographic environment

In order to ensure effective IR, a proper democratic environment in the greater society is essential. In the absence of democratic environment the employers may try to exploit the workers and even the workers may try to adopt unfair means, thereby disturbing industrial harmony.

Efficient management

Efficient management, capable of performing its duties professionally and thereby satisfying both parties - the employers and the employees - is indispensable.

Spirit of collective bargaining

The relationship between an employee and the employer will be congenial only when the differences between them are settled through mutual negotiation and consultation rather than through the intervention of any third party.

Existence of strong and well organized trade unions

Industrial relations will be sound only when the bargaining power of the workers' unions is equal to that of the management. A strong trade union can protect the workers' interest related to wages, benefits, job security, etc.

Existence of sound and organised employers' unions

These associations are helpful for the promotion and maintenance of uniform Human Resource (HR) policies among various organizations and for the protection of weak employers' interests.

Concluding Remarks

Finally, as regards industrial relations in Bangladesh and Sri Lanka, it can be said that despite a much smaller number of work stoppages in recent years, the industrial relations have been far from being sound. There were attitudinal problems of mistrust, multiplicity of unions, political affiliation of unions on deep ideological grounds, employer's reluctance to part with information, their undermining the importance of unions and passing of laws, unions' failure to represent the interest of the workers but that of the political parties and overwhelming emphasis on third party settlement which has not proved too effective. The recommendation would be helpful to the practitioners, researchers, planners, policy makers and academicians, who are involved in the area concerned.

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Sistemul de relații industriale: lecții date statelor Bangladesh și Sri Lanka din perspectiva japoneză

Rezumat

Relațiile industriale (RI) se referă de obicei la relațiile dintre forța de muncă și capital, relații rezultate din procesul de angajare. În relațiile de muncă sunt implicate două părți – forța de muncă și managementul. Ambele părți trebuie să lucreze în spirit de colaborare, ajustare și acomodare. În interesul lor sunt concepute și adoptate anumite reguli de co-existență. Opiniile legate de RI în Japonia sunt extrem de diversificate. Principala problemă legată de RI pare să fie dacă Japonia își poate menține vitalitatea și flexibilitatea pentru a face față schimbărilor din structura industrială și din tehnologie într-o economie mondială în stagnare. Lipsa opoziției și a disputei dintre forța de muncă și management poate constitui cea mai importantă trăsătură care rezumă relațiile dintre forța de muncă și management din Japonia modernă atunci când se fac comparații internaționale. Studiul pune în lumină RI și identifică lecțiile pe care Bangladesh și Sri Lanka le pot învăța din perspectiva japoneză. Cercetarea se bazează pe studiul teoretic. Mai mult, recomandarea i-ar putea ajuta pe specialiștii, cercetătorii, organizatorii, decidenții și academicienii care activează în domeniul vizat.