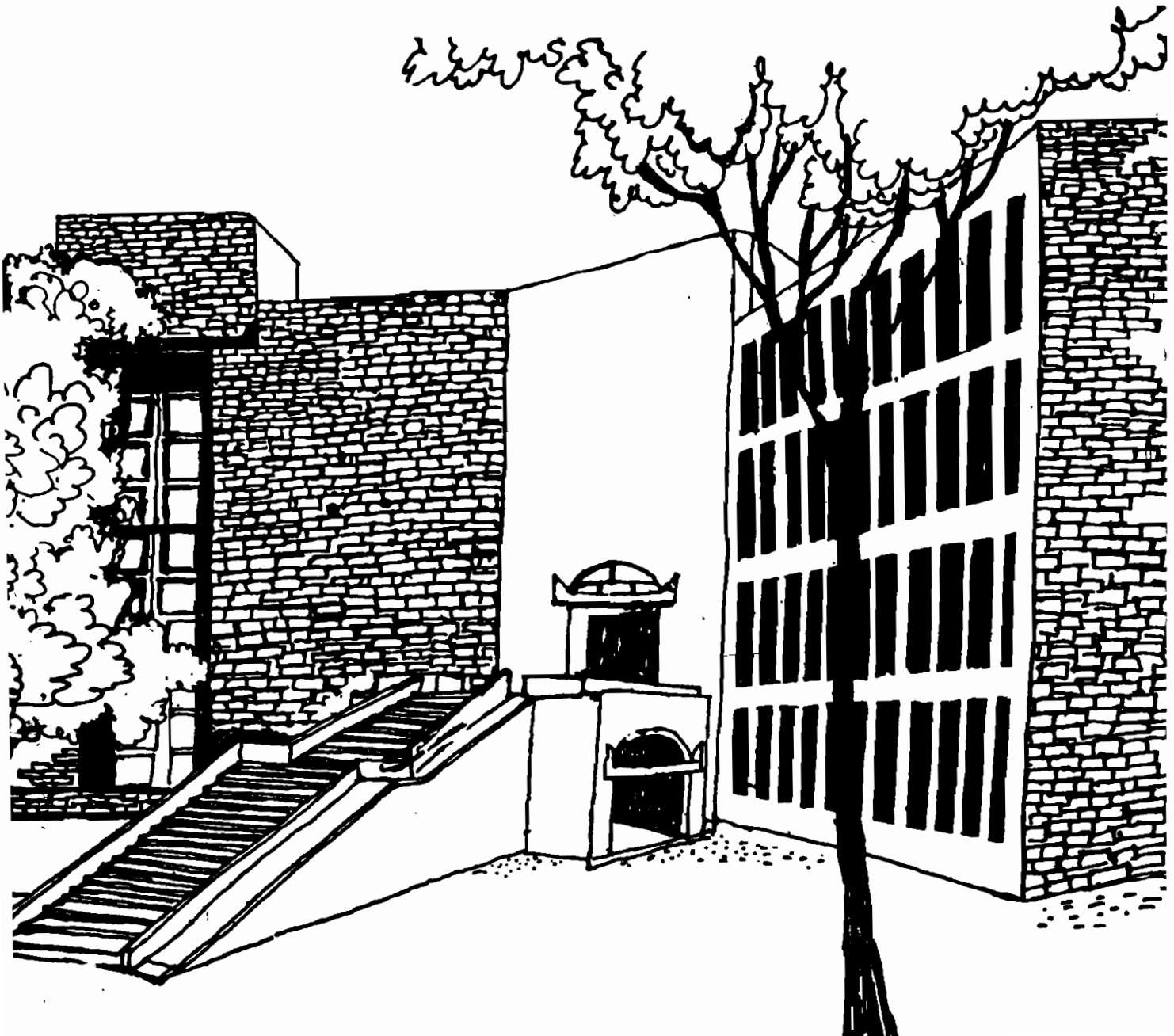




Working Paper



Disputes and dispute resolution:
the effect of union density on
employee intention to quit-the Indian scenario

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Disputes and dispute resolution: the effect of union density on employee intention to quit-the Indian scenario

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Abstract

A review of the existing literature suggests that employees in unionized workplaces have significantly more voice mechanisms present than in non-unionized workplaces. (In India, historically, the trade unions have played the role of an agent of social and economic changes, protecting and enhancing the interest of its members and trying to squeeze more and more out of managements through bargaining or conflict. Unions protect workers directly from arbitrary discipline while providing management with a means of managing the work force that does not call on the use of overt sanctions since industrial action performed an additional voice function. It is observed that meaningful and lasting employee participation occurs only when the union has sufficient power to induce the management to forgo some of its traditional prerogatives; the union and management share a vision of how participation could serve the interests of both the parties; and when the union has substantial institutional security. Presence of a powerful collective bargaining machinery and proactive communication between the management and the unions not only minimises the grievances but also promotes healthy industrial relations. Workers have a reduced capacity to initiate issues and articulate grievances in the non-unionized workplaces and they enjoy comparatively less benefits than their unionized counterparts. While workers joined unions because they thought unions could protect

them against victimization, secure the wage increases, and ensure job security and improved conditions of work, on the other hand, in the absence of unions, employees may not raise disputes because of fear of victimization, fear of being branded disloyal to the organization, and fear of reprisals by the management. Based on the literature review and analysis, a framework linking union density, employee prolificacy to raise disputes, management propensity to make decisions unilaterally, and workers intention to quit has been suggested.

1. Introduction

Disputes and their resolution has been a subject of intensive research for several decades now. While some scholars consider disputes as destructive, others consider them as opportunities to create awareness about problems and improve internal management. Hellman (1993) perhaps brings out the dichotomy succinctly when he suggests that agreement is not necessarily good but the neither is disagreement especially when people disagree for the sake of disagreeing, as a way to assert themselves and to avoid feeling dominated. In the Indian context disputes, under the Industrial Disputes Act, 1947, a dispute is raised when an employment contract is not carried out. The issues could include wage demands, union rivalry, political interference, unfair labour practices as described in the fifth schedule of the ID Act, multiplicity of labour laws, industrial sickness etc. The dispute resolution framework under the ID Act consists of Conciliation, Arbitration and Adjudication. Apart from this, in line with the theories of industrial jurisprudence, in the unionized context there are collective bargaining, establishment of works committee, discipline management and grievance resolution procedures, which

help prevent disputes in the first place. Despite the contention that formation of labour unions is necessary for the survival of the workers (Vickery, 1999) and the concern that workers have a reduced capacity to initiate issues and articulate grievances in the non-unionized workplaces (Kaufman and Taras, 1999) and they enjoy less benefits, there seems to be a link between the use of high performance work systems and the adoption of non-union dispute resolution procedures (Colvin, 2003). The study by Batt, Colvin and Keefe (2002) indicated that while union presence had a negative relationship with quit rates, the prediction for non-union dispute resolution procedures was uncertain as they may be designed to encourage or suppress employee voice. However, rising adoption of individual contracts and union substitution by non-union employers is leading to adoption of non-unionized dispute resolution mechanisms at the workplace (Colvin, 2003). As discussed previously, to obviate the need of unionisation of their organizations, managements employ strategies such as effective supervision, open communication, effective personnel research, healthy and safe working environment, effective employer-employee relations, effective remuneration, effective training and development programmes, effective personnel planning, recruitment & selection, strategic human resource management system, strategies leading to reduction of support for unions and contracting of work. Besides, at times, even employees realise the negative consequences of unionization and stay away from unions (Aswathappa, 2001). This could stem from their misgivings regarding union effectiveness, fear of company closure in the wake of adverse union relationships, and pursuit of personal goals in terms of rewards and control.

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2. Dispute Resolution in the Indian Context

In the Indian context, since disputes are resolved under the ID Act, the emergence of the non-union firms would have no effect on the dispute resolution framework of conciliation, arbitration and adjudication in some specific cases. Under section 2A of the ID Act, “where any employer discharges, dismisses, retrenches or otherwise terminates the services of an individual workman, any dispute or difference between that workman and his employer connected with, or arising out of, such discharge, dismissal, retrenchment or termination shall be deemed to be an industrial dispute notwithstanding that no other workman nor any union of workmen is a party to the dispute”. However, even here, whether the employees exercise these options in the first place is debatable as can be concluded from the preceding literature. With the emergence of non-union forms, mechanisms of industrial jurisprudence like collective bargaining become redundant. However, other mechanisms of providing voice to the employees and pre-empting disputes emerge in the non-unionized workplaces. It emerges from the preceding discussion that for being successful though, these mechanisms need to be efficient, user friendly, accessible, non-punitive, and confidential. These include Open door policy, peer reviewed panels, ombudsperson, and employee involvement techniques.

Research indicates that the factors that contribute to the adoption of dispute resolution mechanisms include the structure of the mechanisms (Loewenberg, 1984), the role of the union steward (Dalton and Todor, 1982), the applicable rights of the employees and the mandate and the relationship between the employer and the employee (Meyer and Cooke, 1988). Bendersky (2003) argues that the design of the dispute resolution procedures assumes that disputes can be matched to the most appropriate type of dispute resolution

component and this assumption limits the component's effectiveness when they act independently or in parallel because few disputes fall neatly into any one category and can be manifested variously. He states that a dispute resolution system is complementary only when the dispute resolution components interact to mitigate the limitations of each individual component and the synergy can be obtained only when employees can use any type of component for any kind of conflict and can use multiple components to address the same conflict. Also the complimentary system has the ability to increase individual's psychological motivation to work towards the group's interests by heightening their sense of participation in decision making processes and affiliation with the organization besides offering substantial voice mechanisms, which are perceived by employees to be procedurally just. Based on these variables any one or more of the several voice mechanisms may be provided by the organization for its employees.

Justice research indicates that providing opportunities to voice grievances can elicit perceptions of procedural justice from individuals who experience the prospect of adverse outcomes (Barry, 2000). In fact the fairness perceptions may stem from all three kinds of justice that constitute organizational justice; distributive justice which focuses on the fairness of distribution of outcomes, procedural justice, which is concerned about the fairness of the processes by which outcomes are distributed, and interactional justice that deals with the fairness of interpersonal interactions and communications. In a naturally occurring field experiment in which an intervention to improve a grievance procedure was introduced and then removed, Mesch & Dalton (1992) found that the interrupted time series experimental design resulted in more compromise resolutions and a dramatic increase in the number of grievances filed. The enhancement of fairness perceptions takes

place both through instrumental and non-instrumental mechanisms. Perceptions of fair procedures have instrumental value if they lead to fair rewards while the non-instrumental value connotes a sense of treating employees with respect (Naumann et al., 1995). Studies indicate that grievant's interest in using voice simply for the non-instrumental sake of being heard or socially valued rather than to actually influence outcomes, seems to increase when they perceive that there are less opportunities to influence outcomes (Barry, 2000). This implies that if they wish grievants to derive non-instrumental satisfaction with an appeals process, listeners to grievances would need to demonstrate convincingly that instrumental action on behalf of the grievant is truly unavailable. Moreover, unfavourable outcomes that are reached by fair processes generate higher distributive justice ratings than favourable outcomes reached by unfair processes (Blancero, 1995).

Studies (Benson, 2000) have indicated that employees in unionized workplaces were found to have significantly more voice mechanisms present than in non-unionized workplaces. In fact the study by Batt, Colvin and Keefe (2002) indicated that while union presence had a negative relationship with quit rates, the prediction for non-union dispute resolution procedures was uncertain as they may be designed to encourage or suppress employee voice. In India, historically, the trade unions have played the role of an agent of social and economic changes, protecting and enhancing the interest of its members and trying to squeeze more and more out of managements through bargaining or conflict. To achieve this, they have resorted to several means ranging from collective bargaining and representation to strikes and disruptive activities. Moreover, despite the presence of several industrial acts, the grievance procedures do not receive much attention due to

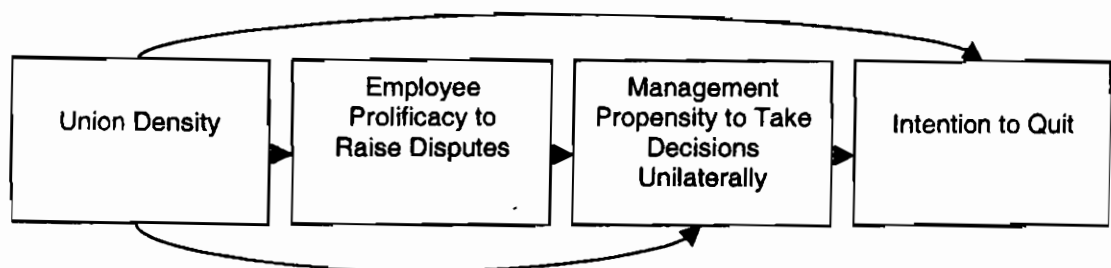
complexities arising out of inarticulate treatment and lack of understanding of issues in bargaining, joint consultation, and grievance redressal by all the actors in the industrial relations system. Unions protect workers directly from arbitrary discipline while providing management with a means of managing the work force that does not call on the use of overt sanctions since industrial action performed an additional voice function. The procedures for direct employee involvement in form of suggestion schemes, joint departmental councils, and open house meetings are seen to be successful only in the presence of a union. It is the presence of union officials in such forums and their pursuance of issues that indeed makes them effective. Preceding discussions have suggested that even the efficacy of quality circles has shown mixed results in the India context. It is observed that meaningful and lasting employee participation occurs only when the union has sufficient power to induce the management to forgo some of its traditional prerogatives; the union and management share a vision of how participation could serve the interests of both the parties; and when the union has substantial institutional security. Presence of a powerful collective bargaining machinery and proactive communication between the management and the unions not only minimises the grievances but also promotes healthy industrial relations. Thus it would seem plausible that union density would have different direct effects on worker behaviours like quit rates.

Moreover, studies (Kaufman and Taras, 1999) have found that workers have a reduced capacity to initiate issues and articulate grievances in the non-unionized workplaces and they enjoy comparatively less benefits than their unionized counterparts. In the Indian context, the study by Bhattacharjee (2001) points out that there is a felt need for tripartite

consultations relating to the various issues borne out of economic reforms. It has also been noted that the trade unions can be much more than mere wage bargainers (Davalá, 1996), and workers joined unions because they thought unions could protect them against victimization, secure the wage increases, and ensure job security and improved conditions of work (Gani, 1996). On the other hand, in the absence of unions, employees may not raise disputes because of fear of victimization, fear of being branded disloyal to the organization, and fear of reprisals by the management. This would suggest that union density would also result in different prolificacy rates of workers to raise disputes which in turn, in accordance with justice theories, would relate to behavioural outcomes. Thus, it is plausible that union density has an effect on quit rates indirectly through workers' propensity to raise disputes.

Given the contention of strategic perspective of industrial relations that with growing realization of the centrality of the performance of the human resource in today's competitive environment, organizations are pursuing policies at the top and bottom which weaken collective bargaining and encourage unitarist strategies (Ramaswamy, 2000), it is also plausible that union density would be directly related to management's propensity to take unilateral decisions. Moreover, the prolificacy of workers to raise disputes would have an effect on the management decision making since the interaction between these two actors is also dependent on the power relations between them (Ramaswamy, 2000). It is likely that a lower prolificacy rate of workers to raise disputes would lead to a higher propensity on the management's part to take decisions unilaterally. With similar arguments it is also likely that the union density be indicative of the management's propensity to unilateral decision making.

Based on the preceding discussion it appears that union density, employees' prolificacy to raise disputes, managements' propensity to make decisions unilaterally and employee attitudes such as intention to quit would be interlinked with both direct and indirect effects. It is therefore likely that union density would have direct effects on employees' prolificacy to raise disputes, management's propensity to take unilateral decisions and employee's intention to quit such that a high union density would be associated with high prolificacy on part of employees to raise disputes, low propensity of management to take unilateral decisions and low intention to quit. Also, the relationship between union density and intention to quit would be mediated by employee prolificacy to raise disputes and management propensity to take unilateral decision such that high union density would lead to high employee prolificacy to raise disputes. This in turn would lead to low management propensity to take decisions unilaterally and thereupon lower intentions to quit. This plausible relationship has been depicted as a tentative model and propositions have been presented thereof.



3. Propositions

Based on the previous discussions, following propositions can be advanced:

- P1 (a) High union density would result in high prolificacy on the part of employees to raise disputes.
- P1 (b) High union density would result in low management propensity to make decisions unilaterally.
- P1 (c) High union density would result in low intention to quit on part of employees.
- P2 The relationship between union density and intention to quit would be mediated by employee prolificacy to raise disputes and management propensity to take unilateral decisions.

The preceding literature suggests that the above model would have to control for certain variables like organizational support, procedural justice, leader member exchange quality, psychological contract, industry characteristics, gender etc. This could be argued from a social exchange perspective which would suggest that fair and supportive employers would benefit when circumstances become less favourable. In a study of 147 skilled trade employees at a manufacturing facility who had been informed of their impending permanent layoff, Naumann et al. (1995) found that the perceptions of organizational support mediated the relationship between the dimensions of interactional justice and organizational commitment. In another study which used the leader-member exchange model as a guide on a sample of 150 unionised blue collar employees of a large

automotive company who had access to a grievance procedure, Cleyman et al. (1995) found that there was a negative relationship between quality of information exchange and grievance filing. It appeared that high quality information exchange facilitated informal dispute resolution through increased communication and perceptions of procedural justice. Considering that employee perceptions of organizational support would be influenced by various aspects of their treatment by the organization, such as management's likely responses to the employee performance, mistakes, comments, health etc. (Naumann et al., 1995) while the leader member exchange quality may depend upon consideration behaviours, friendliness and approachability of leaders (Cleyman et al., 1995) it seems likely that fair and just procedures along with perceived support and interpersonal communication would go a long way in minimising grievances and providing quick resolutions when they actually arise. Similarly, the psychological contract theory stresses on the social exchange process in the establishment and is greatly influenced by the organizational support theory (Aselage and Eisenberger, 2003). These results would also hold good in the Indian context since the scales developed to measure the constructs are independent of context. Since these variables also have impact on behavioural outcomes of employees, it is likely that organizational support, procedural justice, leader member exchange quality and psychological contract would affect both the relationships between union density and employee prolificacy to raise disputes, and between union density and intention to quit. Besides, industry characteristics, gender etc could also have an effect on the relationship between voice and quit intentions (Batt, Colvin and Keefe, 2002). Subsequent studies should develop propositions looking at these moderating effects.

4. Discussion

The paradigms governing the employee relationships have changed in the post reforms world. Earlier, employees enjoyed the comforts of lifetime employment, company sponsored health programmes and retirement pensions but post reforms, these relationships have undergone a sea change. Employees are now expected to work in multi faceted teams, and update their skills continuously. The restructuring on the other hand instils in them a feeling of job insecurity. Thus there is a need to carefully balance the traditional relationship characteristics and the demand of the new era to minimize the retention-relevant outcomes. In the context of industrial disputes and their subsequent resolution, unions would have to re-examine their roles and responsibilities and advance through alliance building, communications, organising, and staff development. Union leaders would have to be alive to the enormous and shifting differences between labour and management organizations instead of trying to perpetuate leadership by virtue of their strong political affiliations or else they would become ineffective and redundant in the context of employer driven decentralization of collective bargaining and the concomitant promotion of Human Resource Management. They would need to represent non-traditional constituents such as new entrants at the higher end of the labour markets including professional and white collar workers, casual workers, both part time and temporary, home-based workers, and women workers and enhance their internal communication. Unions can strengthen themselves by deploying their political and organizational capacities to ensure obligatory, standardized workplace training opportunities for employees thereby enhancing the employment stability of the employees.

Given the contention of strategic perspective of industrial relations that with growing realization of the centrality of the performance of the human resource in today's competitive environment, organizations are pursuing policies at the top and bottom which weaken collective bargaining and encourage unitarist strategies as well as union substitution by organizations, the study of non-unionised workplaces in the context of disputes and dispute resolution becomes significant. As discussed in the preceding literature, various alternate mechanisms have been provided by organizations to provide voice to their employees in absence of the trade unions. It can be said that formal grievance procedures arise from structural and environmental determinants of increased dependency of organizational participants. While voice and fairness perceptions help in minimizing and resolving grievances it would appear from a social exchange perspective that fair and supportive employers would benefit when circumstances become less favourable. Since perceptions of justice at workplace are associated with a variety of employee attitudes and behaviours, it is imperative that attention be paid to conflict resolution procedures. Employee involvement enables employees to respond to solve problems, act at work within their own authority while providing them with a high degree of self esteem, empowerment, learning environment, opportunities for personal growth and development, and a sense of achievement. From the organization's perspective, employee involvement offers a competitive advantage to organizations by creating an environment which encourages challenge, innovation, continuous improvement, employee motivation, and organizational development. However, its application demands time, control, support, and commitment, both from the management and then unions. A high involvement organization can have an empowering culture which translates into

increased acceptance of decisions and continuous improvement. The above framework has implications both for the practitioners and scholars alike in understanding the nuances of presence or absence of voice mechanisms, especially the unions in the Indian context. An empirical testing of the propositions suggested should throw some interesting results in the least.

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