



November 2012



**Thinking Aloud**

The 'return' of the Employee relations and Industrial Relations discipline - **Vijayan**

**Podium**

Interview with **Sharad Patil**, Secretary General of the Employers' Federation of India (EFI)

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Sukriti

Dear Reader,

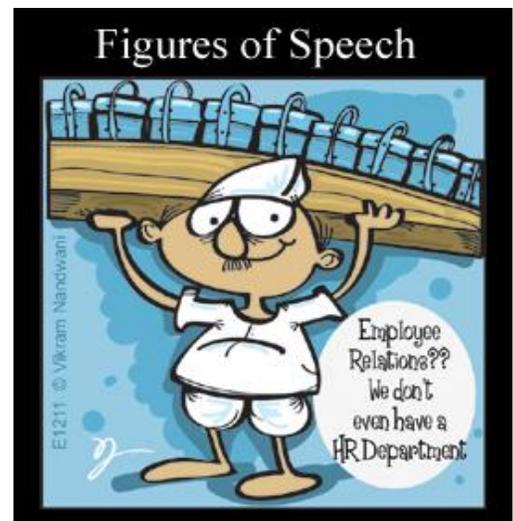
Wishing you a very Happy Diwali and a Prosperous New Year!

The current developments in the Employee Relations (ER) and Industrial Relations (IR) space in India made us look at this theme for this month's newsletter. The Indian business scenario has been no stranger to these concepts but the frozen and outdated labour laws of the country and its poor implementation has led to situations going from bad to the worse. The need of the hour is a major overhaul not only on the policy front, but also at the business level, where owners and managers should aim to do the right thing. This month's issue aims to throw light and evoke fresh thoughts about ER so that it does not become a case of a missed opportunity. I hope you will find this issue thought-provoking.

**Thinking Aloud** this month features Vijayan, who writes about the 'return' of the ER and IR discipline. He says that with the recent trends of labour violence and unrest seen in manufacturing units in India (which is not new though), the ER landscape deserves increased attention. In his write-up he focuses on the single most challenging dilemma, i.e., the use of temporary workforce. He opines that though contractual workers are and will remain an integral part of the economy, paying them just the minimum wages is not the right thing to do. He says that this is the apt time for the emergence of a new philosophy aimed at doing the 'right' thing, which will lead to a more productive future.

On the **Podium** this month we feature **Mr. Sharad Patil**, the Secretary General of the Employers Federation of India (EFI). Mr. Patil tells us what the role of the EFI is, and talks about the ER landscape in India. He shares with us his thoughts on the use of contract labour and says that flexibility (read temporary labour) needs to command a premium. He also gives us his views on 'temping' and its role in the Indian context especially given the potential in the services industry. As EFI is a part of the ILO deliberations, Mr. Patil also gives us a heads-up on the trending labour issues on the global scale.

In **We Recommend** this month, we share with you links to recent management articles from McKinsey Quarterly, the online business journal of McKinsey&Company, which touch on important issues and provide considerable food for thought for managers. The articles



are about 'Leading in the 21st Century', 'Developing Better Change Leaders' and 'Encouraging Your People to Take The Long View'. Just remember to create your login to access the entire articles.

**Standing Ovation** this month features Sukriti Social Foundation, a Chennai based cross-disability organisation. The organisation runs various programs related to the prevention of disability, rehabilitation of the disabled, advocacy on disability and the employability of the disabled. For its vision and its efforts to create an equal society for the disabled, Sukriti deserves a Standing Ovation!

In **Figures of Speech**, Vikram presents ER in the *dabbawalla*'s organisation!

As always, we value your opinion, so do let us know how you liked this issue. To visit our previous issues you can visit the Resources section on the website or simply [Click Here](#). You can also follow us on [Facebook](#), [Twitter](#), [Linked In](#) & [Google+](#).

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## Thinking Aloud

### The 'return' of the Employee Relations and Industrial Relations discipline - Vijayan

It is an irony that a ghastly murder (besides a couple of others in other companies and geographies in India), significant loss of production and a 39 meeting collective bargaining impasse in India's largest automotive company has made India Inc.'s business leaders and senior Human Resources and Employee Relations professionals take notice and initiate diagnosis and corrective steps.

IR breakdowns are not happening for the first time. Most of us would recollect the 555 days textile industry strike in Mumbai (1985) and the violent Trade Union actions in Pune's Pimpri-Chinchwad area. Those events had stirred everyone but had not shaken the common citizen, as it has this time. The ostensible reason could be the '24X7' breaking news phenomenon. Any which way one reflects at the turn of events in the last 12 months or so on the Indian IR and ER landscape, there have been more tears than happiness.

However, if all stakeholders now decide to 'overreact' to the high-octane industrial conflict challenge, we would be sending a message that nobody cared for all the violence and blood that was shed in Indian IR/ER history of the past three decades. Equally, if stakeholders view the current 'heated temperature' as a passing storm, I believe it would be foolhardy. Hence a measured and composed perspective should lead the thinking and crafting of strategy to move Indian IR and ER to an altogether new higher order level, hallmarked by fairness, productivity and inclusion.

I would like to focus only on one of the most challenging dilemmas that has been the common thread of many a dispute and breakdown, in the recent past months and years. The engagement/non-engagement of 'contractual, outsourced, temporary' workforce has been a flash point. The Indian Labour legislation that is reflected in the Indian Contract Labour Regulation and Abolition Act, had intended that the use of contract workforce is to **'SUPPLEMENT'** the permanent work force. Contract labour is supposed to be engaged only in 'non-perennial' work and only on those processes that are 'incidental' to the core manufacturing/value adding processes. Over time, these principles have been blatantly violated than being complied with. This has led to many a workforce, in many industries and companies, now having their share of contract/outsourced workforce much higher than that of the permanent

workforce! This has been ostensibly done due to two reasons: a) to reduce the cost of manufacturing, and, b) the chorus of business and HR leaders that Indian labour law is not flexible enough to 'hire and fire' at will.

In some cases, the large players engaged in the B2B outsourcing workforce space have contributed positively to the raising of standards in the way 'indirectly owned but directly managed workforce' is treated and paid. However, over 93% of the Indian workforce is still in the unorganised sector, where these large players are not present. Hence, the way forward in that sense is quite clear. Whether the stakeholders involved have the courage and wisdom to get their act together is yet another story.

Outsourced workforce/contract workforce and all forms of temporary human resources are and will continue to be a key component of the organisation's risk mitigation strategy to ensure it is able to respond cost effectively to peaks and troughs in demand for product and services and also deploy in non-core activities. These would be legitimate reasons to employ contractual/temporary workforce. However, this workforce does not deserve to be at the receiving end of a double whammy of 'uncertain length of employment' and 'low salary'! In the USA and many parts of Europe, contract and temporary workforce get a higher rate of pay, as compared to the permanent workforce.

Paying contract labour just the minimum wage (as per the Minimum Wages Act) and at the same time expecting them to be as productive and committed as permanent workforce, is NOT the right thing to do. Obsession with only doing things right has been almost exhausted in terms of business organisations and their philosophy. It is time for the emergence of a philosophy that is based more on doing the right things. Business and HR leaders have to advocate that a minimum wage based approach will not provide the physical and intellectual nourishment that is required by a worker/employee in today's highly competitive and increasingly knowledge based roles and jobs.

How long have we to wait to do the RIGHT THING? The next generation of Indians will judge as to whether we left behind the right legacy or was it another instance of a MISSED AND LOST generation. As one hears of the significant national initiatives being engaged as we speak, by an array of stakeholders, we can be optimistic.

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## **Podium**

**Sharad Patil, Secretary General of the Employers' Federation of India (EFI).**



**Sharad Patil, Secretary General of the EFI, has over 36 years of experience in the HRM function in the chemical, pharmaceutical and banking industries. In his last professional assignment he was the Head - HR (India), with Standard Chartered Bank. Mr. Patil's industry experience encompasses setting up of HR in Greenfield operations, people practices, productivity linked settlements, restructuring compensation and long-term benefits, restructuring business for improving productivity and profitability and business turnarounds. He has also contributed to national policy development on training and skill development.**

**A Masters in Economics and HRM and a PG in Business management, Mr. Patil has been the Secretary General of the EFI over 14 years. He is also a Member of the Central Board of Trustees, Employees' Provident Fund Organisation and has held the position of a Board Member of the Employees State Insurance Corporation. Mr. Patil was also the Governing Body Member of Workers Education and V.V.Giri National Labour Institute. He has been a part of the Indian Delegation to International Labour Conference, Geneva for over 12 years and has also been a Member of ILO-GB.**

**ET: As the Secretary General, could you please share with our readers what is the role of the Employers Federation of India (EFI)?**

**SP:** The role of the Employers' Federation of India is to protect, promote and champion the interests of Employers in India, mainly in the area of Human Resources, Industrial Relations, Employee Issues and other cognate matters at various national and international fora. EFI also provides certain employer friendly services to its members and others, such as:

- Employee Relations Advisory Service
- Fortnightly newsbulletin on Labour matters
- Remuneration survey for unionised workforce
- Executive compensation surveys
- Audit of compliance of Labour Laws
- Training Programs, Workshops, Conferences
- Social dialogue meets with social partners
- Representing employers as Trustees on Employees Provident Fund Organizations, Member of ESI and various other fora
- Participate - in ILO Employers Activities.

**ET: Is there a difference in Employee Relations and Industrial Relations? Over the last year, would you say that the Employee or Industrial Relations scenario in India has changed? And, if yes, how?**

**SP:** Employee Relations has a wider connotation, in that it would include matters relating to all employees. Industrial Relations is a part of Employee relations commonly understood to cover matters relating to employees represented by their Unions. Over the last year or so the Industrial Relations scenario in India has changed. There is a simmering discontent amongst a typical workforce particularly 'Contract Labour'. The discontent relates to unfair treatment to them in relation to regular employees doing same or similar work in relation to their remuneration, working conditions, skill and safety related training and welfare amenities.

**ET: At the recent conference organised by the Employers Federation of India, there were different opinions offered about the use of contract labour in India. What is your opinion on the subject?**

**SP:** Contract Labour is necessary to cater to fluctuations in demand for labour, particularly in the context of rigid Labour legislation. I think we need to work towards an eco-system that is equitable, fair and inclusive and supports competitiveness of industry. Flexibility needs to have a premium, particularly in view of the insecurity of tenure and absence of adequate social protection measures, on one

hand, and, on the other as a price for freedom to use flexible manpower to obviate rigours of inflexible labour laws.

**ET: Globally, there is a rise in the use of temporary manpower in Industry but 'Temping' is relatively a new concept in India. In your opinion, is this a viable option for Indian industry, particularly with the rise of the Services sector?**

**SP:** Temping in my view has a definite role. It improves employability and at the same time reduces lead time for hiring. However it should not be used to replace regular tenured work force. It is one of the option to tide over time pressure in recruitment, training and volatility in business.

**ET: As EFI is part of the International Labour Organization's deliberations (ILO), could you please share what are the major global trends in labour issues at present?**

**SP:** In the Western world generally, employment and employability are major issues in view of rapid technological obsolescence and economical downturn. In many Asian countries, the issues are compounded with mismatch of demand and supply owing to general skill shortages. There have been mergers amongst unions giving them greater reach and a common platform. Some of the recent trends are:

- **Vocational training/educations/skills gap:** Need to match skills produced with skills required by employers. Also challenges of basic education systems to equip young people to move into further education. Issue of apprenticeships and continuous education to maintain skills or to be retrained.
- **Internationalization of labour movement across multinationals:** Through the use of IT and social media, unions are more connected domestically as well as internationally. Issues thought to be local can become global instantly. Impact on MNEs, but not only as 'supply chains' of MNEs, i.e., domestic companies can also experience this, leading to creation of company/union networks. Some trends include - pattern bargaining, corporate campaigns against MNEs via local operators, coordination of industrial action, formation of 'alliances' with civil society, i.e. social unionism, increase in 'social' disputes rather than 'industrial' disputes. There have been mergers amongst unions and also greater coordination amongst unions including in India.
- **Business and human rights:** The new UN Framework focuses on State duty to protect, corporate responsibility to respect, and access to remedies. The ILO's 1998 Declaration on Fundamental Principles and Rights at Work is referenced as a 'human rights' issue to which companies must have regard. Disputes of an industrial nature can now simply be labelled as a human rights abuse - game-changer re-ability to manage/resolve a dispute, brand reputation and impact on stakeholders
- **International labour standards:** Push for companies to be responsible for international labour standards of the ILO. Companies subject to OECD guidelines, ILO MNE Declaration, Global Compact, using ISO26000, can be misled as to their responsibility vis-à-vis the obligation of States. Need to watch what you say and where you say it. Companies will be held to every word. Only say what you know to be true!

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## We Recommend

### Articles from McKinsey Quarterly

There is a plethora of management-related literature on the World Wide Web, but this month we will share with you links to resources from McKinsey Quarterly, which is the online business journal of McKinsey&Company.

- 1) **Leading in the 21st century:** An article based on McKinsey's interaction with leaders of some of the world's largest organisations. This article, a part of McKinsey's series of structured interviews with top notch corporate executives such as Josef Ackermann and Carlos Ghosn among others, presents and provides insights from interviews with six leaders about:

- a. Leading in an age of upheaval
- b. Mastering today's personal challenges
- c. The (now 24/7) public face of leadership
- d. Decision making under uncertainty

and much more

**Link:** [https://www.mckinseyquarterly.com/Organization/Leading\\_in\\_the\\_21st\\_century\\_2984](https://www.mckinseyquarterly.com/Organization/Leading_in_the_21st_century_2984)

- 2) **Developing better change leaders:** An article delving upon the need to look at 'soft' skills needed by leaders to bring about effective change in the organisation. The article talks of stories of three business leaders who changed their leadership styles and the results yielded by these changes.

**Link:** [https://www.mckinseyquarterly.com/Organization/Developing\\_better\\_change\\_leaders\\_2959](https://www.mckinseyquarterly.com/Organization/Developing_better_change_leaders_2959)

- 3) **Encouraging your people to take the long view:** The article is based on the premise that often organisations find it difficult to quantify the non-financial performance of its people and hence in the long-term performance declines. The article outlines three key principles which will help leaders in ensuring that their organisations' systems give sufficient priority to the long-term health of the organisation:

- a. Root out unhealthy habits
- b. Prioritize values
- c. Keep it simple—but meaningful

**Link:** [https://www.mckinseyquarterly.com/Organization/Encouraging\\_your\\_people\\_to\\_take\\_the\\_long\\_view\\_3014](https://www.mckinseyquarterly.com/Organization/Encouraging_your_people_to_take_the_long_view_3014)

**Note:** To access the entire articles, you are required to register with the McKinsey Quarterly website.

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## Standing Ovation

### Sukriti Social Foundation



Sukriti Social Foundation is a cross-disability organisation based in Chennai which was established in 2006 by Ms. Sowmya Simhan. At Sukriti, they address key disability issues with an aim to tackle not only the immediate needs but also the long-term requirement of the disabled people. Various programs run by Sukriti are as follows:

- **Prevention of Disability:** Sukriti's work begins with the prevention of disability. The prevention initiatives seek to create focus and catalyse action on the causes that disable people.
- **Rehabilitation of the Disabled:** To enable assistance, Sukriti periodically distributes mobility aids, such as a pair of calipers or a tricycle, to the disabled.
- **Advocacy on Disability:** Sukriti seeks to be an organisation that voices the concerns regarding the disabled groups in various areas – against discrimination, for equality, for recognition and for rights in a wide range of areas such as barrier-free access, education, health and employment. They focus on sensitising society and advocating to key players about the need for creating spaces that are barrier-free for the disabled.
- **Employability of the Disabled:** Sukriti believes that it is not enough to just recognise a disability and provide material assistance such as mobility aids. Today, employment of the disabled has come to the forefront of disability issues and hence it is equally critical to identify the potential that the disabled have. Once the potential is identified, it is important to provide support in a manner that helps realise the potential, either through employment or enterprise.

Sukriti's vision is 'A society where there is equal opportunity for the disabled and where they can live with dignity and self-esteem'.

For the cause and its work, Sukriti deserves a **Standing Ovation!**

If you want to get more information and support Sukriti, you can visit the website <http://www.sukriti.org/> or send them a message by visiting <http://www.sukriti.org/contact>.

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