

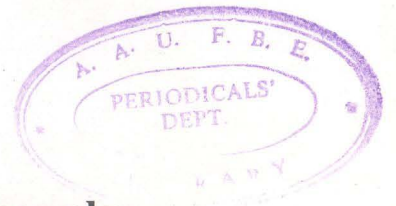
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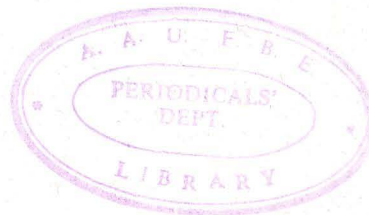
# ASSEMENT ON INDUSTRIAL RELATION CLIMATE

(A Comparative Study of EISF and KK Textile Plc. in Addis Ababa)

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126

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## Certificate

This is to certify that Tsege Gebissa Buliti has carried out her research work on the topic. "Industrial Relation Climate" in EISF and KK plc under my supervision. This work is original in nature and it is suitable for submission of the partial fulfillment of the requirement for degree of Masters of Business Administration.



Research Supervisor

## DECLARATION

I Tsege Gebissa Buliti declare that this work titled, "Industrial Relation Climate" is my own effort and study. I have produced it independently except for the guidance and suggestion of the research supervisor.

This study has not been submitted for any degree or diploma in this or any other university. It is offered here in partial fulfillment of the requirement of the degree of Masters of Business Administration.



Tsege Gebissa

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## **Abbreviations**

ATF - Akaki Textile Factory

CA –Collective Agreement

CB - Collective Bargaining

EISF - Ethiopian Iron and Steel Factory

IR - Industrial Relation

IRC - Industrial Relation Climate

KKTPLC - Ketema Kebede Textile private Limited Company

**Table of contents**

**Page**

Acknowledgment	i
Abbreviations	ii
Table of Contents	iii
Abstract	V
<b>I. The Problem and Its Approach</b>	
1.1. Introduction	1
1.2. Statement of the Problem	2
1.3. Review of the Related Literature	3
1.4. Scope of the Study	8
1.5. Significance or the Study	9
1.6. Objective of the Study	9
1.7. Data collection and Analysis Method	10
1.8. Limitation of the Study	10
1.9. Organization of the Study	10
Chapter End Note	11
<b>II. The Conceptual Approach to IR and IRC</b>	
2.1. An Overview of Industrial Relation to IR and IRC	12
2.2. The Concept of IR	13
2.3. The concept of IRC	14
2.4. Participants in the Industrial	16
2.4.1 Union	17
2.4.2 Management	18
2.4.3 Government	19
2.5. The Dimension of Industrial Relation Climate	20
2.6. Objectives of Industrial Relation	20
2.7 Factors that have impact on Industrial Relation Climate	21
2. 7. 1 Policies and actions of union officials	22
2.7.2 Participation	23
2.7.3 Collective bargaining	25
Chapter End Not	30

III.	Historical Background of the Organizations	
	3.1 Historical Background of EISF	31
	3.1. 1 The Establishment of Ethiopia Iron and Steel Factory	31
	3.1.2 Objectives of the Organization	31
	3.1.3 History of Labor Union	32
	3.1.4 Objectives of the Union	32
	3.1.5 The source of fund for the Union	32
	3.2 Historical Background of KK Textile PLC.	32
	3.2.1 Organizational Establishment	32
	3.2.2 Objective of the Company	33
	3.2.3 Union Formation and Objectives	33
IV.	Industrial Relation Climate in Ethiopian Iron & Steel Factory & KKT PLC	34.
	4.1 Respondents personal variables	34
	4.2 Employees attitude towards the management, and the work condition	35
	4.3 Employees relation with management	38
	4.4 Union Role and Strength	39
	4.5 Employees Management Cooperation	41
	4.6 Union-management Cooperation	42
	4.7 Collective Bargaining	43
V.	Summary Conclusion and Recommendation	
	5.1 Summary and Conclusion	45
	5.2 Recommendations	47

BIBLIOGRAPHY

APPENDIX

## **Abstract**

Favorable Industrial Relation Climate is the important determinant of the success for modern organization. But it can be affected by a number of factors such as the relationship and cooperation of employees (union) and management actions of union officials, the way the two parties agree on the bargaining the condition and terms of employment are among some of the factors.

This research is confine to assess the Industrial Relation Climate of Ethiopian Iron and Steel Factory and KK Textile Private Limited company based on selected variables that can affect the IRC of the organizations.

The result of the survey indicates that most of the respondents reported that their relationship is not adequate to achieve the organization objectives. Different reasons were given by the respondents for their relationship and attitude towards the management and the working condition.

Employees' participation (involvement) in decision making is found very low in both organizations. According to the survey result union leaders who participate in collective bargaining are not strong enough to protect the interest and right of employees. The way the collective bargaining takes place is not in the atmosphere of good faith. The parties who participate in the collective agreement lack mutual trust and cooperation.

# I THE PROBLEM AND ITS APPROACH

## 1.1 Introduction

Of all the resources that are used in the production process human resource is the most important input for all organizations. For the organization, in order to be successful, it has to utilize its human resources effectively and efficiently. The existence of adequate qualified employees doesn't guarantee the effective operation of the organization unless employees used their coordinated effort and developed a positive attitude towards their job as well as the organization.

The traditional assumptions that states, efficiency is achieved only through managerial control, technological advancement and allocation of resources have given way to the view that efficiency is the result of greater involvement of employees in their job, teams and the organization. So many organizations have successfully transformed themselves to promote the role of Industrial Relation and mutual trust with their employees.

As the business world continues to be change, labor related matters don't always run smoothly. Organizations have to consistently provide an effective course of action geared towards recovering and maintaining constructive employee relations. The most important thing that organizations can do in this strong economic climate is to engage in Industrial relations reform. Industrial relations reform is the absolute key for providing the basis for sustainable wage increases which are based on productivity improvements, improving the performance of the organizations and increasing the capacity of the economy as a whole.

Therefore, in modern management of organization, the reform of labor relation is inevitable and the impact of cooperative union-management relation on the organization's performance gets due attention. Every organization has to accept this reality and managers should take the extent and direction of these relationships into account before something goes wrong.

According to Paul (1987), "Effective mutual problem solving between union and management requires the willingness and ability of the parties to find the most creative and sensible solutions."<sup>1</sup> When they are successful in doing so, both management and union, have succeeded in deliberately turning a "top-down organization" into a "bottom-up organization," a requirement for a successful long-term labour-management partnership. It is also this kind of organization in which teamwork through employee empowerment flourishes.

The dimension of Industrial Relations Climate is intended to reflect the perception of organizational members, and the atmosphere surrounding the practice of union-management relations within the enterprises. These relationships are based on mutual agreement of the interest and goal of each party. It depends on the economic, social and psychological satisfaction of the parties. The higher the satisfaction, the healthier the relationship will be. Therefore, the purpose of this study is to provide an overview of Industrial Relation Climate and to assess its practice in those organizations that are selected for investigation.

## **1.2 Statement of the Problem**

Industrial Relation is a dynamic socio-economic process. It is a designation of the whole field of relationship that exists because of the necessary collaboration of employees in the employment process of the industry. The efficient production of goods and services depends to an extent on the existence of a harmonious IRs climate. Efficiency and quality depends on motivated workforce for which a sound IRs climate is necessary.

A sound Industrial relations climate is essential to a number of critical factors for the success of all enterprises. But there are marked difference in Industrial Relation climate among enterprises and industries since each work place has a unique atmosphere to work in.

Therefore, the research will try to address the following important questions:

- ☞ What are the practical experiences of Industrial Relation climate in public enterprises?
- ☞ What are the practical experiences of Industrial Relation climate in private enterprises?
- ☞ Are there common characteristics for both public and private enterprises with regard to Industrial Relation climate?
- ☞ What are the unique characteristics of private or public enterprises?
- ☞ Can the same concept be used to facilitate a positive Industrial Relation climate in both private and public enterprises?

### **1.3 Review of Related Literature .**

Modern production system involves a large number of people, who assemble together and form some social relationship. The relationships can be between employees and their manager, employees and employees, and employees and other bodies outside or inside the organization. But not all the relationships that exist in the organization are Industrial Relation.

The research finding of different authors indicates the evidence that today there has been a growing interest to determine the Industrial Relation Climate of the organization and Industrial Relation should be seen as the theories and methods which have been developed to address and correct labor problems.

Paul (1987), has also observed that “the climate in the workplace has a significant impact on employee behavior and organizational results. Workplace climates that energize workers to produce their very best can improve profit by increasing revenues, lowering costs and improving customer loyalty.”<sup>2</sup>

And these results have been proven time and time again. In addition to this, destructive Industrial Relations have adverse effects on a company's financial and marketing position, which can only be reversed by the parties themselves, not by government intervention.

As it was cited in Deery finding, Gordon and Lodd observed that "Industrial Relations Climate of an organization could have both direct and indirect effects on the productivity and efficiency of the enterprise. The way in which the parties conduct their bargaining activities, resolve their differences and generally manage their relationship can influence the effectiveness of the programmes designed to lift organizational performance."<sup>3</sup>

As Freeman (1992), points out that, "Industrial Relation Climate has impact on the productivity of the firm. He has assumed that other factors held constant, a cooperative Industrial Relation Climate can reduce quits and increase tenure presumably. As quits are reduced, as he said, firm spends less money for hiring and training new employees, therefore, cost of the firm can be reduced and the performance improved with experienced employees."<sup>4</sup>

A research in the United State by Katz et. al. (1983) have found significant relationship between organizational level measures of Industrial Relation Climate and the outcomes of direct labour efficiency and product quality. A poor attitudinal climate between union and management, high levels of formal grievances causes and difficult contract negotiations not only were indicative of ineffective conflict management, but were strongly associated with poorer plant level performance. "The study on General Motor' plant in USA found that cooperative Industrial Relation Climate was correlated with a lower absence rate, higher product quality and higher labour efficiency rate."<sup>5</sup>

One of the most significant finding in the research relates to issue of union instrumentality. The result shows that members who saw their union as effective in representing and advancing their interest at the workplace were more likely not only to regard the Industrial

Relation Climate as positive but also to exhibit high levels of organizational commitment and union loyalty. Furthermore, employees who saw their union as an effective agent in workplace matters had significantly lower levels of absenteeism.

Different research finding in USA manufacturing Industries have revealed that, in an organization where union is perceived to be more effective or instrumental in achieving valued goals for its members, employees would hold more positive attitude about the Industrial Relation Climate. Similarly, the summary of the research finding by Deery Erwin (1999:533), have shown that “union can help to build high performance work system and reduce production const while at the same time retaining an active and influential presence at workplace.”<sup>6</sup>

Studies shows that sound Industrial Relation Climate builds trust and confidence between workers and management, which is the point at which the system must ultimately be effective. As the research finding by Belman (1992), has revealed a “cooperative Industrial Relation Climate has been strongly and consistently associated with improved Industrial Relation outcomes and better economic performance. Similarly companies register significant results where cooperation between the parties is emphasized.”<sup>7</sup> Several countries have also promulgated laws discouraging the previous adversarial relation between the parties in the negotiation table.

In the case of Ethiopian organization, the research finding by Alemayehu (2004)<sup>8</sup> in four selected enterprises in Addis Ababa revealed that employees were not satisfied by the salary scale and the working condition of their organization as he has noted, this can adversely affect the relationship between employees and management. In addition to this, the result of the study shows that the activities of union representatives in those organizations, to solve their problems were weak and there were lack of appropriate communication among members of the organization. With regard to disciplinary action the organizations use a progressive measure for disciplinary problems and there is no strike and work stoppage.

The research finding by Girma (2004)<sup>9</sup> EEPC's revealed that labour management cooperation interims of employees direct involvement is observed in the white collar job holders' involvement in the reform teams and the entire employees' participation in awareness creation forums. The union has representation in different committees and represents its members in collective negotiations with management.

He has further explained that, the government, to enhance EEPC's service initiates the effort for greater labour-management harmony. The endeavor will have significant effect if management takes the responsibility and government plays an advisory and encouraging role than policing. He has taken the dimension or IR from the point of cooperation and dissonance. The term industrial relation climate has commonly been used to describe the quality of labor- management relation in organization.

According to Katz et al 1983, "A poor attitudinal climate between union and management, high levels of formal grievance cases and difficult contract negotiation not only were indicative of ineffective conflict management but also were strongly associated with poorer plant level performance."<sup>10</sup>

The study by Belman (1992)<sup>11</sup> revealed that a cooperative Industrial Relation has been strongly and consistently associated with improved employees relation outcome and better performance. In supporting the above idea, the findings of Norswothy and Zabala, as Decry and Erwin cite it; "the overall union-management relationship can also be expected to influence individual attitudes and behavior. Perceptions of a less trustful industrial relation can make employees less willing to commit themselves to organization change program that support more productive system of the work."<sup>12</sup> According to them this in turn can affect productivity and labor cost and overall organizational performance.

They found, that employee perceptions about their jobs were highly related to employee perceptions of participation in decision-making, teamwork and communications. The better employees felt about management's communication efforts the more committed they felt to the organization.

In fact commitment to the organization was highly associated with employees' feelings about their involvement in decision making, the extent to which they solved problems within teams and how they felt about the effectiveness of the teams in which they worked. Employee commitment was also related to their feelings about participation in decision-making and teams. The authors have come to the firm conclusion that union-management cooperative efforts are most likely to succeed when both parties' survival is at stake, particularly in the early stages of their labour-management partnership. The threat to survival may be economic, or it may be political.

Katz et. al. (1983), have explained that "Individual participation in cooperatively designed programmes could; for instance, contribute to the formation of favorable attitudes about the Industrial Relation Climate."<sup>13</sup> Participation is a greater motivational tool because it gives employees a degree of control, recognizes personal worth, and provides scope for personal growth; these are in themselves intrinsic rewards, which flow from the performance of a job within a participatory environment. When participation extends to setting goals and objectives, it enhances commitment to achieve them.

Another individual has reported the finding of Transit Company that, when the transit employer is on the verge of economic collapse, its unions are also threatened with loss of jobs for its members. In this situation, both union and management have a powerful motive for cooperating with each other to get the transit organization back on its financial feet again and to remove that common economic threat.

From the above research findings we can understand that industrial relations have impact on productivity, efficiency and the overall performance of the organization. A good industrial relation can reduce turnover and as a result it reduce production costs.

Employees were significantly more likely to perceive the industrial relation climate as harmonious when they considered that membership in the union was beneficial, they had secured employment and well treated fairly and equitable. Where employees held more positive views about the industrial relation climate of the organization they were significantly more likely to be loyal to both their company and their union.

#### **1.4 Scope of the Study**

Industrial relation, whether it is favorable or unfavorable, is applicable in all types of organization and the finding of the research work will be fruitful, if it is conducted widely by including large number of organization. However, due to various constraints the study is focus on two selected manufacturing industries. Thus the organizations under consideration are:

- ☞ Ethiopian Steel and Iron Factory (public)
- ☞ KK Textile Private Limited Company (private)

The previous researches by Alemayehu and Girma, in Ethiopian organization case, take cooperation, conflict and disciplinary action as the dimension of management labour relation. Even though, the concept of IRs consist a number of dimensions, the scope of this paper is delimited to the Industrial Relation Climate with such factor as union policy and activities, participation of employees and collective bargaining of the parties to provide better working condition and promotion opportunities. The other dimensions are beyond the scope of this paper.

## **1.5 Significance of the Study**

In this point of view, the objective of this paper is to review the concept of labor relation Climate in two selected manufacturing enterprises in Addis Ababa. The finding of the research will have the following impotencies:

- ☞ The recommendation, which will be given based on the finding, can help the organization under investigation to improve their Industrial Relation Climate.
- ☞ The recommendation can also help other similar organization to consider and revise the Industrial Relation Climate.
- ☞ The research paper can be used as an input for further investigation on similar or the same topics.

## **1.6 Objectives of the study**

Since nothing can be done without the participation of human resource, it is a determinant factor for the success and survival of any organization. But the participation of employees is determined by the relationships that exist among the participants of Industrial Relation. Therefore, the objectives of this study will include:

- ☞ To review the Industrial Relation Climate in two selected private and public Factories in Addis Ababa.
- ☞ To assess the factors which have impacts on Industrial Relation Climate.
- ☞ To compare the Industrial Relation Climate of public enterprises with private enterprises.
- ☞ To find good experience of private or public enterprises.
- ☞ To give possible constructive recommendation.

### **1.7 Data collection and Analysis Method**

The descriptive survey research method is used to conduct this study. Data were collected from primary source by the use of questionnaires. From each Factory 50 employees were selected and a total of 100 questionnaires were distributed for these randomly selected employees. 20 questionnaires papers will also be distributed to the administrative body and union representatives and interview conducted with personnel and union officials for additional information. Moreover, a number of books, essay paper and Internet were used as a secondary source.

### **1.8 Limitation of the Study**

It would have been better and reasonable to conduct a broad study and investigation on different types of organization. However, there were a lot of constraints while this research was conducted. Some of the limitations are lack of time, financial constraints and lack of sufficient information.

### **1.9 Organization of the Study**

This paper comprises of five chapters. The first chapter deals with the problems and its approach. In this part the research findings of other researchers were included. The second chapter deals with the general conceptual approach to Industrial Relation Climate of an organization. The third part tries to show the profile of employees in the organizations. The fourth chapter presents data analysis and interpretation. The final chapter provides summary, conclusion and possible recommendation.

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## CHAPTER II

### THE CONCEPTUAL APPROACH TO IR AND IRC

#### 2.1 An Over View of Industrial Relation

In the period of modern industrial society, organizations have employed a large number of workers who need effective management and the way these employees managed has a significant impact on the productivity of the organization, quality of its goods and services, labour cost as well as on the quality of the workforce and their motivation for better performance.

Now a day, rapid changes have taken place in the techniques and methods of production process, which requires workers to have different knowledge and experiences. Moreover, employers and government are viewing labour relation from a more strategic perspective, i.e. how industrial relation can be competitive to and promote workplace cooperation, flexibility, productivity and competitiveness. As a result, industrial relations have become more complex and important than ever before.

Labour relations should be seen as an essential part of management systems and techniques, and not as a discipline apart from management. The present trend in LR and human resource management are to place greater emphasis on employees' involvement, harmonious employer-employee relation and on practice which promote them. During the past decades labour relations was viewed by government as a means of preventing or minimizing conflict. However, now labour relation is viewed from a more strategic prospective i.e. how labour relation can contribute to and promote workplace cooperation, productivity and efficiency.

Therefore, maintaining good IRC is the vital pre-requisite for organizational success and the overall prosperity of the organization and nation. In conclusion, it is possible to say that harmonious Industrial relation climate in any organization is essential for economic growth and social stability. It is important that government guide the framework for industrial relations so that it supports the development of harmonious relations.

## **2.2 The Concept Of Industrial Relation**

Since employees have no the power to bargain with employers on terms of employment which even approached to a degree of equality in bargaining strength, Industrial Relation was formed in the intention of preventing the right of employees from unfairly influence of employers.

According to Davar “the concept of Industrial Relation is the consequence of Industrial Revolution, which made the previous simple and personal master-servant relation, complex and impersonal.”<sup>14</sup> When it was further explained by Katz, the concept of industrial relation is a comprehensive concept along with traditional concept of labour –management relation of a bipartite nature. Although industrial relations are basically bipartite in origin, they cannot remain the concern of two parties; they include the participation of third parties.

The concept of Industrial relation has been extended to denote the relationship that exists among employer, labour/union and government who regulate these relationships through formulation of rules and procedures. However, the core of Industrial Relation is the ability of union and management to negotiate on terms and conditions of employment.

Different authors have defined the term Industrial Relation in various ways. Many authors use the term Industrial Relation interchangeably with the term labour relation or employees’ relation, but some argues that these terms are not exactly the same. However, for the purpose of this research these terms are taken to be similar.

Industrial Relation is defined as the relationship among employees, management and union in the work setting to make the working environment more conducive to work in. Industrial Relation is the activities of union, management and employees in negotiation and implementing collective bargaining agreements. Union helps the employees to make fair contractual agreements in the employment process.

The term Industrial Relation defined by different authors as follows:

According to Katz it “Industrial Relation is an interdisciplinary field of study encompass all aspects of the employment relationship, that concentrate on Individual, work groups of workers, and their union and association, employer and their interaction.”<sup>15</sup>

In the words of Brewster Industrial Relation has also be defined as, “the relationship between workers and their organizations, managers and governmental organizations that concern with the workplace and employment generally.”<sup>16</sup>

Ivancevich and Glueck point out that, “Labour relation is a continuous relationship between a defined group of employees (represented by union or associations) and on employer.”<sup>17</sup> The relationship includes the negotiation of written contract concerning pay hours, and other conditions of employment and the interpretation of administration of this contract over its period of coverage.

### **2.3 The Concept of Industrial Relation Climate**

Davar (1994:258) has tried to explain it, “Industrial Relations Climate is the nature of relationship between the employee and the employer in an Industry or an organization constitute.”<sup>18</sup>

From the definitions of Glueck and Davar, it can be observed that Industrial Relation is the relationship between employers and employees who are represented by management and union respectively. However, the definitions given by Katz and Brewster indicate that the relationship is not limited to the employer and employees rather it includes, the involvement of third parties, government and other environmental elements. Glueck has given emphasis on the negotiation of terms of employment and other working condition by the parties. Organizational Climate refers to a set of measurable properties of the work environment, that are perceived by the people who live and work in it, and that influence their motivation and behavior.

The term industrial relation climate has commonly been used to describe the quality of labor- management relation in organization. As Katz et. al. (1983) has noted "IR has been seen as reflecting the perception of organizational members about the conduct and practice of union –management relation within enterprises. When he further explains it, Industrial Relations Climate of an organization is generally viewed as a variable, or a set of variable that represent the norms, feelings and attitude of parties prevailing at a workplace." <sup>19</sup>

From the above definitions of Industrial Relations Climate we can realize that Industrial Relations Climate of an enterprise clearly shows that extent and direction of the relationship between labour and management as well as the feeling and attitude of each parties.

The aim of good industrial relations climate is to achieve a motivated, capable workforce that sees its work as creative and fulfilling. A breakdown in industrial relations climate can lead to an industrial dispute where one party takes industrial action. State laws further regulate collective bargaining and make collective agreements enforceable under state law. They may also provide guidelines for those employers and employees.

The efficient production of goods and services depends to an extent on the existence of a harmonious Industrial Relation Climate. A sound IR system is one in which relationship between management and employees (their representatives) on one hand, and between them and the state on the other, are more harmonious and cooperative than conflict and creates an environment conducive to economic efficiency and motivation, productivity as well as for the development of the employees and generates employee loyalty and mutual trust.

Therefore, a sound industrial relation climate in an enterprise is essential to a number of issues, which are critical to employers, employees and community.

## **2.4 Participants in the Industrial Relation Process**

Today the Industrial Relation system is no more the concern of two parties. It is changed from bipartite to tripartite system. Ideally, tripartite is the process whereby union (the most representatives of employees), management (representatives of employer) and government as independently and equal partners, consult each other and jointly formulate and implement policies on workplace.

In this regard, the tripartite partners comprising the employers, unions and the government who have formulated a code of Industrial Relation process. This is to promote and guide both employers and trade unions to conduct industrial relations and deal with labour management relations in a responsible and constructive manner for the benefit the company and its workers. Partnership between management and unions can have a beneficial impact on companies' financial performance where the workplace faces a declining or turbulent market, according to new research published today.

From the definitions of Katz and Brewster, we can also understand that there are three parties who have involved in the Industrial Relation Process. These parties are employees/union, management and government. The motivation and perception of these parties are the most important factor in Industrial Relation process.

In modern, productive workplaces, trade unions make an important contribution for harmonious industrial relation. The role and responsibilities of each party is briefly discussed as follows:

#### **2.4.1 Union**

One of the first sets of individuals who participate in the industrial relation process is those who join union. According to Ivancevich and Glueck "A union is a group of employees who have joined together to achieve present and future goals that deals with employment conditions."<sup>20</sup>

When the term is defined by Flippo (1982:378), "A labour union or trade union is an organization of workers formed to promote, protect and improve through collective action the social, economic and political interest of its member."<sup>21</sup>

Similarly, Mathis and Jackson (1997:528) have explained it, as "A union is a formal association of workers that promotes the interest of its members through collective action."<sup>22</sup>

From the definitions given above, we can realize that union is the power of employees to promote and protect their interest through collective bargaining process. Employees have various reasons to join union: the major reasons, according to Milkovich (1982), employees believe that unions have:

- Increased wage of their members.
- Bargained for and achieve benefits, such as pensions, insurance, vacations, and rest period.
- Provides formal rules and procedures for discipline, promotion, wage differentials and other important job related factors.
- Become the lobbyists for the common people and have made their voice heard in congress and state legislature.

### **2.4.2 Management**

Few labour relation scholars and practitioners will disagree with the claim that top management must be the strong visionaries and innovators in transforming union-management relations from an adversarial to a cooperative relationship. However, management, who are the most representatives of stockholders or employers, play a decisive role in the Industrial Relation process According to Brewster (1984), "management is responsible in running the organization, and which should accept responsibility for employee relations which are an integral part of the whole management process."<sup>23</sup>

The attitude and initiatives of management to provide good working condition, fair treatment of employees, competitive wages and benefits and a cooperative relation with union have impact on the process of Industrial relations. Management orientations to unions and union membership played an important role in determining workplace performance. Managerial support for and a preparedness to engage seriously with unions bring rewards in terms of an improved industrial relations climate.

Management must be proactive in its dealings with employees/union officials if it wants to reverse hostile Industrial relations. It cannot wait for the union to make the first move toward a more conciliatory approach. Management is concerned with the effect of collective bargaining on labour cost, productivity, profit, product quality and the degree of managerial control.

### **2.4.3 Government**

According to Silva (1997:17), "the core of Industrial relation in industrialized market economies is the ability of managements and unions to negotiate terms and conditions of employment relatively free of state control or intervention. However, in many developing countries this freedom has been substantially less, the core of the system being the state's power or influence, exercised either through legal control or administrative action."<sup>24</sup>

Government regulatory bodies administer the labour relation through labour laws. According to Holley and Jennings (1994:17) “although the Federal government does not dictate the terms of a negotiated labour agreement, laws, judicial decisions, and administrative agencies can influence or restrict work rules.”<sup>25</sup>

In supporting their ideas Brewster (1984:76) has described, “The government is one of the parties that would be involved and shapes the employee relations framework through different legislations and laws. The state may not involve directly in the employee- management relations as the involvement of the trade unions and managers. However, the state is more important since it sets the framework within which employee relations exist.”<sup>26</sup>

As Katz (1992) explained it, the term government encompasses:

- The local, state and Federal political processes;
- The government agencies responsible for passing and enforcing public policies that affect IRs; and
- The government as representative of public interest. Government policies shapes how the Industrial relations proceed by regulating, for example, how workers form unions and what rights unions may have.

Government is being attentive and taking action to prevent practices those are contrary to the development of harmonious relations in the organization. Government can create a complex rules and regulations to govern the workplace and work community with the intention to provide harmonious relation between employer and employees. Government involvement can influence and shape IRs through laws, rules, agreements, awards of the court, policies, etc. But the Government cannot, through changing laws or rules alone, improve labour management relations.

## **2.5 The dimensions of Industrial Relations Climate**

The dimensions of Industrial Relations Climate are intended to reflect the perceptions of organizational members the kind of norms and atmospheres surrounding the practice of union –management relations within the enterprises. The Industrial Relations Climate elements include the extent of union and management cooperation, aggression/resistance, apathy, hostility, support for trade union, joint participation, goal identification, trust, and power balance.

The dimension of Industrial Relations Climate can be observed with different dimension of Industrial relation process. The Industrial Relations process of an enterprise includes collective bargaining, union policy and activities, participation, union – management relation and dispute handling.

## **2.6 Objectives of Industrial Relation**

The main aim of industrial relation is to maintain harmonious relationship between employer and labour/union by solving their problems through collective bargaining. According to Ivancevich and Glueck, the primary objectives of industrial relation are to bring about good and healthy relationship between the two parties, the labour and management.

The followings are some of the objectives of Industrial Relations:

- ☞ To safeguard the interest of labour and the organization by securing the highest level of mutual understanding.
- ☞ To avoid industrial conflicts or strike and develop harmonious relationship.
- ☞ To raise productivity to a higher levels in area of full employment by reducing the tendency to high turnover and frequently absenteeism.
- ☞ To establish and nurse the growth of all industrial democracy based on labour partnership in the sharing of profits and of managerial decisions.

- ☞ To eliminate as far as possible, lockouts and strikes by providing reasonable wages and fringe benefits.
- ☞ To establish governments control of such plants and units.

In general, Industrial Relations fulfilled the function of providing employees with a collective voice, and union with the means of establish standardize terms and condition of employment. From these objectives of Industrial relation we can deduced that an Industrial Relations system not only seen from the point of view of bargaining, conflict resolution, basic rights and so on but also from the point of view of contributing to enterprise performance on which the welfare of employees also depends.

## **2.7 Factors that have impact on Industrial Relation Climate**

The critical determinant of the relationship between Industrial Relations Climate and Industrial Relations is the role each parties, management and union, plays in delivering particular benefits to employees.

The Industrial Relation Climate of the organization can be affected by a number of factors. Many authors have identified particular contextual variables influencing IRC. Dastmal Chian (1986) as it was cited in Blyton (1987), has noted “importance of fragmented collective bargaining fluctuated earnings and trade union organization, similarly the degree of centralization and formalization of decision making, union policies and action, size of the organization, Industrial Relation structure and other related factors have signify ant impact on IRC.”<sup>27</sup>

With this numbers and variety f factors potentially affecting the IRC, for this study three factors are taken into consideration.

### **2.7.1 Policies and actions of union officials**

Union, therefore, affects both efficiency and equity either positively or negatively. Economic theory depicts unions as a constraint on organization. In a competitive market, union's attempts to obtain monopolistic control over the supply of labour to raise wages above the market determined rate. Moreover, as unions are likely to attempt to establish restrictive work rules to protect their members, productivity is likely to fall. On the contrary, union can ensure the success of quality of work life program by their support and participation. In general, unions play a significant role in shaping the Industrial Relation of the organization.

An effective union policy is one, which succeeds in getting employees to accept and to achieve organizational goal as well as to satisfy their own interests. According to Holley (1994), "the primary concern of union is to ensure that members' jobs are protected from elimination due to technological change or managerial decision-making."<sup>28</sup>

Some unions have been successful in attaining their objectives. They secure greater job security for their members by postponing plant closings, work stopping, and make concessions on terms and other workplace conditions.

However, others are not in a position to struggle and protect the rights of employees. They give priority to their own personal interest and act against the interest of employees and the objective of the organization. Unions are now gradually concentrating more on their traditional role in Industrial Relation, which is to improve the working conditions of their members and to protect their interests through negotiation.

As Ivancevich and Glueck (1989) have stated it, "most union and association have represented the membership well. They have fought hard and fair for improved working conditions, better wages, human dignity, and a share of fruitful of labour, some, however, have been corrupt, violent and an embarrassment to the membership."<sup>29</sup>

Union become the most effective at achieving fruitful Industrial Relation Climate when it acts independently, to protect and advance the interest of its members. The other important functions of union are to negotiate and administer the contract with the employer, which covers wages, hours and the conditions of employment. The contract designates the formal terms of the union management agreement in every specific language. As Fossum has noted it, "unions are developed to enhance the power or workers to resist employers' unilateral imposition of terms and conditions of employment."<sup>30</sup>

According to Goel (1993:250- 260), the basic and important functions of union are the following:

- ☞ Administration of the collective bargaining.
- ☞ Representing workers in handling grievances.
- ☞ Keeping the members informed about labour issues.
- ☞ Promoting increased membership.
- ☞ Maintaining effective contract with national union.
- ☞ Negotiating with management at the plant level.
- ☞ Employees counseling on all types of problems; personal, educational, vocational, health or behavioral.

### **2.7.2 Participation**

According to Silva (1997), "In the past, union and management have dealt with the economic issues largely through adversarial, even hostile, collective bargaining; labour and management were in competition with each other."<sup>31</sup> They competed over how big a slice of a fixed-size economic pie, or profits, each would get. Both were willing to endure a strike, if necessary. Today, the thinking and organizational cultures of both union and employer have moved away from the idea of competing over the largest

possible piece of a fixed pie, toward enlarging the pie through mutual effort, and thereby both sides benefiting from having a larger pie to share.

Mutual trust and shared value as appear as central mechanism for work coordination and control in a flexible enterprise. When work is complex and constantly changing "direct control" based on supervision becomes too expensive and unwieldy, and "bureaucratic control" based on work standardization, rigid system, procedures and rules and regulations are not workable and counter-productive. And unless management involves unions as completely equal partners in the participative programs, the organization might not be achieving its objective.

Participation is a great motivational tool because it gives people a degree of control, recognizes personal worth, and provides scope for personal growth. When participation extends to setting goals and objectives, it enhances commitment to achieve them.

Organizations must rely more on "self-management", this form of internalized control is built on mutual trust and confidence, shared value and common understanding and acceptance of the organization or corporate objectives, philosophy priorities and norms.

the practice which make up equity are mainly, employees participation in employment decisions including bargaining; due process in resolving perceived injustice, security of expectations through job rights, work rules and compensation structure, job design of a sort that is responsive to technology and organization, as well as job- holder needs. As the parties experience success and mutual trust in putting these ideas to work, the basic question of "what's in it for me" becomes "what's in it for us. When the parties reach that point, they have achieved the shared vision, shared goals, and shared strategy needed for a successful labour-management partnership. Workers participation means, simply, a mental and emotional involvement of workers/union in setting goal and sharing responsibilities.

Workers participation is a way to reduce power difference between labour and management. The type of participation, as Saiyadain has noted, it involves the following five levels:

- ☞ **Informative participation:** - which refers to sharing the information on production, expansion, balance sheet, etc. without having the right to a scrutiny by the employees.
- ☞ **Consultative participation:** - entails consultations with employees on such matters as welfare, safety, work methods, etc, but the management retains the prerogative of taking final decision.
- ☞ **Associative participation:** - management is under some obligation to accept and implement the unanimous decisions of the council.
- ☞ **Administrative participation:** - in this case a decision already takes to the council for choosing an alternative to implement.
- ☞ **Decisive participation:** - involves joint decision making on matters relation to production, welfare etc.

In general, workers participation in the movement to improve the relationship between the management and workers can create cooperative Industrial Relation Climate in the organization. However, the result depends on the degree of effectiveness in participation and how far the participation meets the interest of the each party.

### **2.7.3 Collective bargaining**

Collective bargaining consists of negotiations between an employer and a group of employees so as to determine the conditions of employment. The result of collective bargaining procedures is a collective agreement. Employees are often represented in bargaining by a union or other labor organization. Collective bargaining is governed by federal and state statutory laws, administrative agency regulations, and judicial

decisions. As collective bargaining is about determining conditions of employment, the result of this process is meant to be a collective agreement.

According to Holley and Jennings (1994:202), "collective bargaining is an activity whereby two groups, union and management officials, attempt to resolve conflict by exchanging commitments in a manner that will sustain and possibly enrich their continuing relation."<sup>33</sup>

As Jackson and Mathis (1997: 552) have described it, "collective bargaining is the process whereby representatives of management and workers negotiate over wages, hours and other terms and conditions of employment." It is one of the varieties of mechanism for resolving conflicts and pursuing common interest at the workplace. Collective bargaining, as Ivancevich and Glueck (1989:737) have defined it, "is a process by which representatives of the organization meet and attempt to work out a contract with the employees' representatives –the union."<sup>34</sup>

From the above definitions we understand that collective bargaining is the relationship between employers and employees, and their dealings with each other. In most organizations, the condition of employment is determined by collective bargaining. Wages and conditions are determined by free collective bargaining between employers and trade unions.

### **A. Importance of collective bargaining**

Collective bargaining has many advantages which have been claimed for it as a means of resolving differences between management and employees. It settles issues through dialogue and consensus rather than through conflict and confrontation.

According to Katz et. al. (1992:75), there is two justifications which had been given by Industrial Relation scholars for promoting and protecting collective bargaining.

- ☞ It is often argued that employees and employers have a better understanding of their needs, priorities and problems than do outsiders.
- ☞ Perhaps more important, the parties may lose the capability to resolve their own problems once they begin to rely on outsiders for resolving their differences.

The collective bargaining will outline the basic principles shared by union and the employer and their understanding of their respective roles and responsibilities. These will commonly include:

- ☞ a joint commitment to furthering the aims of the organization
- ☞ recognition of the importance of good industrial relations
- ☞ acceptance of the need for joint consultation and collective bargaining
- ☞ the need for both formal and informal channels of communication and problem solving.
- ☞ the need to make information available on issues affecting the staff or business of the organization
- ☞ recognition that it is management's responsibility to plan, organize and manage the activities of the organization
- ☞ recognition that it is the union's responsibility to represent the interests of its members and work to improve their conditions of employment
- ☞ commitment to protect the right of employees to join trade unions and encourage trade union membership
- ☞ commitment to adhere to and develop policies on equal opportunities

A collective bargaining states the union or unions who have rights to represent and negotiate on behalf of the employees in that workplace. It will make clear whether a particular union has sole negotiating rights for a bargaining group, or whether the employer recognizes two or more unions jointly.

The parties in a recognition agreement may also agree on the basic purpose of the organization. This provides a common understanding of what the organization or company is there to do.

## **B. The purpose of the bargaining**

Most collective agreement begins with a clause outlining the goals the parties wish to achieve. While this section does not lay down any specific rules or procedures, it does set the tone for the rest of the document. It will often include a commitment to:

- ☞ co-operate in achieving positive industrial relations;
- ☞ use a joint approach to training in industrial relations procedures
- ☞ engage in effective communications with employees
- ☞ achieve greater participation and involvement of all members of staff
- ☞ Work towards a high quality service.

Formal collective bargaining provides a framework for industrial relations within an organization. It sets out the rules and procedures to be used by the union and the employer in carrying out consultation, collective agreement and representation.

It is in the interests of both parties to have a clear and comprehensive collective agreement. A good agreement will contribute to:

- ☞ positive working relations between union and management
- ☞ high levels of employee participation
- ☞ effective procedures for dealing with problems and change

It is obvious condition for successful collective bargaining that both parties bargain good faith; otherwise the process is unlikely to yield positive and enduring result. Collective bargaining is a form of participation. Both parties participate in deciding what proportion of the 'cake is to be shared by the parties entitled to a share. The attitude and action of union and management officials' towards collective bargaining and the negotiation settlement influence their relationship during the length of the labour agreement. A successful collective bargaining settlement occurs when both parties can claim victory-both believe they have gained something, even if that gain is simply maintaining the status quo.

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## **CHAPTER THREE**

### **HISTORICAL BACKGROUND OF THE ORGANIZATIONS**

#### **3.1 Historical Background of EISF**

##### **3.1.1 The Establishment of Ethiopia Iron and Steel Factory**

Ethiopia Iron and Steel Factory is one of the oldest Steel factories in the country. It was established in 1960 by Ethiopian Imperial Government and Italian shareholders. After certain surveys have been made for the location of the factory, a place where 20 Km to the south of Addis Ababa was selected, the location has given different advantages to the factory. The main advantage is since it is located at the center of the city of Akaki and near to the main road; it is easier for the organization to transport the input/output from/to different parts of the country. The other advantage is since it was established in short distance to Akaki River it has the opportunity to utilize the water of the river.

##### **3.1.2 Objectives of the Organization**

Ethiopia Iron and Steel Factory was established for the following objectives:

- ☞ To produce quality products in order to satisfy the domestic and external customers.
- ☞ To assist the national economy by exporting some of its products to abroad.
- ☞ To provide different types of Iron and Steel products to satisfy domestic markets and to be competitive.
- ☞ To initiate workers participations in decision making and problem solving activities.
- ☞ To improve the life of employees and their performance through training and motivating them for better performance.
- ☞ To maximize profit by satisfying their customers.

### **3.1.3 History of Labor Union**

The labor union of Ethiopia Iron and Steel Factory was established before 40 years after three years later from the establishment of the organization.

### **3.1.4 Objectives of the Union**

- ☞ To protect employees right, based on rules and regulation set by the government.
- ☞ Improve the working condition and work environment.
- ☞ To solve problems arise in the organization between employees and management.
- ☞ To deal with the organization and government body about the right of employees.
- ☞ To improve the performance of employees and create better management labor relationship and other related activities are performed.

### **3.1.5 The source of fund for the Union**

In the previous time, union was engaged in some profit making activities, like purchasing of consumer goods and sold on credit to employees with a minimum margin and paid the credit in the long period. But now the main source of fund for union is the contribution from the employees as a membership fees. Each permanent employee's income is subject to one percent deduction for the union's membership fees.

## **3.2 Historical Background of KK Textile PLC.**

### **3.2.1 Organizational Establishment**

The history of the company dates back to the establishment of AKaki Textile Factory (ATF) in 1956. The factory was part of ATF until 1997. It has started its operation in 1997 as a private limited Company. After three years operation, its name is changed as KK Private Limited Company in 2000. It gets its name from the owner, Ato Ketema Kebede. Initially the company was producing Blanket products but currently it has widened its operation by adding additional product line such as Acrylic products.

The organization has created employment opportunities for about 450 employees, out of which 66 are contract workers in the company. More than 120 workers were transferred from ATF during the acquisition of the Blanket Factory.

### **3.2.2 Objective of the Company**

KK PLC. is organized to achieve different objectives in the country. The company tries to attain the following objectives:

- ☞ To enhance the performance of the company, to make it profitable and competitive in the market.
- ☞ To play its role in the social development of the country.
- ☞ To open different job opportunities for the society and ensure employees satisfaction.
- ☞ To provide quality products for domestic as well as for foreign markets.

### **3.2.3 Union Formation and Objectives**

The union of the company was organized before 15 years ago when the factory was under AT. Union leader were elected by the members and they perform these additional activities side by side with their regular working hour since they are the permanent salary employees of the organization. The union leaders committee has five members. They are organized with objective: to create smooth relationship between management and employees, to safe guard the life and health of employees and to provide geed working condition for employees. In addition, they aim to negotiate the employment condition such as salary, benefits, compensation, transfer, promotion, etc. with the employer.

## CHAPTER FOUR

### 4. Industrial Relation Climate in Ethiopian Iron & Steel Factory & KKT PLC.

On this parts of the paper data collected through questionnaires and interview conducted will be analyzed and interpreter. In doing so, to measure and compare the dimension of industrial relation climate in Ethiopia Iron and Steal Factory (EISF) and KK Textile Private Limited Company (KKPLC) 100 questionnaires were administered for employees.

In addition, 20 questionnaires were distributed and collected for the administrative and union leaders of each organizations, some additional information were also be collected from personnel department and union officials through the interview. The questions were required the respondents to rate the relevant of each statement and to give their opinion on some industrial relation climate issues. Both open and closed ended questions were included in the questionnaires.

The analyses of data were made by scoring the frequency of the responses for each organization and taking their percentage for comparison purpose.

#### 4.1 Respondents personal variables

For both organization, from table 4.1. below, 90% for EISF and 92% for KKPLC the respondents have served for more than five years. This implies that most of the more of the respondents are well experienced and they have enough information about the company, management and Union.

For their educational background EISF'S respondents were better than that of KK's respondents. About 68% of EISF respondents have diploma from technical and vocational school or colleges, with only 28% in KKPLC.

**Table 4.1 Respondents personal variables**

NO	Variables	EISF		KK PLC	
		Frequency	%	Frequency	%
1	Sex				
	A. Male	35	70%	38	76%
	B. Female	15	30%	12	24%
	Total	50	100%	50	100%
2.	Service year				
	A. Below a year	-	-		
	B. 1- 5 years	5	10%	4	8%
	C. 5 – 10 years	9	18%	5	10%
	D. more than 10 years	36	72%	12	24%
	Total	50	100%	29	58%
3	Educational Background;				
	A. under Grade 12 <sup>th</sup>	6	12%	26	52%
	B. Grade 12 <sup>th</sup> complete	8	16%	10	20%
	C. Diploma from TVS	18	36%	12	24%
	D. Diploma from College	16	32%	2	4%
	E. First Degree	2	4%	-	-
	F. Second degree or above	-	-	-	-
	Total	50	100%	50	100%

**4.2 Employees attitude towards the management, and the work condition**

A sound Industrial relation climate is necessary for every organization. The attitude of employees towards the company and the management is one of the factors that should be taken into consideration. Employees who have developed a positive attitude towards their company are committed themselves for the achievement of the organization goods as well as dedicated to perform beyond what they are expected to do.

**Table 4.2 Employees attitude towards management & work environment**

No	Factors	EISF		KK PLC	
		Frequency	%	Frequency	%
1	Do you have a positive attitude towards management of the firm?				
	A. Yes	22	44%	14	28%
	B. To some extent	19	38%	20	40%
	C. No	7	14%	10	20%
	D. No response	2	4%	6	12%
	Total	50	100%	50	100%
2	What do you feel about your working conditions?				
	A. highly satisfied	8	16%	5	10%
	B. Satisfied to some extent	26	52%	18	36%
	C. Dissatisfied	10	20%	23	46%
	D. No response	6	12%	4	8%
	Total	50	100%	50	100%

The summary of the finding in table 4.2 indicates that only 44% of EISF and 28% of KKPLC. Respondents' developed totally a positive attitude towards the management of the organization where as 14% of EISF and 20% of KKPLC'S respondents have no positive attitude towards the management of the company. Even though in both organization employees' attitude towards the management is not satisfactory the degree is higher in KK PLC.

Similarly, employees in both organizations are not well satisfied with the working condition of their company. Form the data collected, it is observed that 52% of EISF'S respondents satisfy to some extents while it was only 36% in KK Textile factory.

Various reasons have been given by the respondents for their attitude towards the working condition. Some of them are summarized as follows.

- Lack of different facilities in the workplace, such as well lighting and ventilator.
- Old and outdated nature of the machines on which they are operated, make the work boring and stressful in KK PLC.
- Working during the night is difficult.
- The pays and compensation is not satisfactory with the effort they exerted.

#### **4. 3 Employees relation with management**

Labor - management relations play a crucial role in securing acceptance by workers, obtaining their commitment to create a favorable industrial relation climate in the organization.

Form the data presented below, it can be concluded that in both organizations management employees relative is not as such good, since only 38% in EISF and 20% of KK PLC respondents' were satisfied. The survey result indicates that 44% of EISF respondents confirm the relationship is satisfactory while it was 30% in KK PLC. On the other hand 80% of EISF and 100% of KKPLC'S Administrative respondents thought that management-employees relation is good in their respective organization. This was supported by 60% union respondents' from each organization.

However, administrative respondents rating the relation by relating to employees performance and voluntarily to perform the duty there are assigned to perform. But most Employees were expressed the managements employees relation by relating it to treatments and the way information or direction given to them.

**Table 4.3. Employees' relation with management**

No.	Factors	EISF		KK PLC	
		Frequency	%	Frequency	%
1	What do you think your relation ship with the management?				
	A. Good	19	38%	10	20%
	B. Satisfactory	15	30%	26	52%
	C. Poor	8	16%	14	28%
	D. No response	8	16%	-	-
	Total	50	100%	50	100%
2	Do you agree that the current management- labor relation is satisfactory?				
	A. Yes	22	44%	15	30%
	B. To some exterm	8	16%	14	28%
	C. No	20	40%	21	42%
	Total	50	100%	50	100%

#### 4.4 Union Role and Strength

Representative and strong unions are necessary to ensure the equality of the parties in the bargaining position. Unions should be strong enough to protect the right of employees and to make fair negotiation for the working condition, working hours, leaves, safety and health and other factors, which have their own contribution for the IRC be favorable or unfavorable.

As it is observed from the table below, 50% of EISF employees reported that unions are true representatives of employees, but they are not strong enough to influence the management in order to provide better working condition. The respondents of EISF for lack of strength of unions have given various reasons. The inflexible police of the organization and avoidance of confrontation on the part of union are among the reasons.

**Table 4.4. The Role and Strength of Union**

No.	Factors	EISF		KK PLC	
		Frequency	%	Frequency	%
1	Do you think that union is a true representative of employees?				
	A. Yes	25	50%	6	12%
	B. To some extent	19	38%	13	26%
	C. No	4	8%	21	42%
	D. No response	2	4%	10	20%
	<b>Total</b>	50	100%	50	100%
2	How do you observe union initiatives and strength to protect employees' right and to negotiate with management?				
	A. Strong	16	32%	10	20%
	B. Medium	18	36%	12	24%
	C. Weak	13	26%	26	52%
	D. No response	3	6%	2	4%
	<b>Total</b>	50	100%	50	100%
3	Benefits employees get from being a member of union.				
	A. High	17	34%	2	4%
	B. Medium	18	36%	13	26%
	C. Low	15	30%	35	70%
		<b>Total</b>	50	100%	50%

From the same table, 42% of the respondents of KK's have believed that unions are not the true representatives of employees as well as 52% have replied that they are not strong to protect their rights. According to the data collected unions have fear of loosing their job, they are not competent, and they give priorities for their personal interests. Therefore, in general, unions are not strong enough to protect the right of their members due to the above-mentioned reasons in this company.

## 4.5 Employees Management Cooperation

Appropriate Industrial Relation Climate based on Labour management cooperation is also important for the creation of a climate appropriate to securing better management employees relation. Cooperation between management and workers facilities not only a settlement of disputes or disagreement but also avoid disputes or disagreement but also avoid disputes which may otherwise arise.

**Table 4.5 Employees - Management Cooperation**

No.	Factors	EISF		KK PLC	
		Frequency	%	Frequency	%
1.	Do managers encourage employees to participate (to have say) in decision-making?				
	A. Yes always	3	6%	-	-
	B. Yes sometimes	5	10%	2	4%
	C. No	40	80%	38	76%
	D. No response	2	4%	10	20%
	<b>Total</b>	50	100%	50	100%
2	Do managers cooperation to share ideas with and to solve problem of employees?				
	A. Yes	18	36%	10	20%
	B. Some times	20	40%	13	26%
	C. No	12	24%	27	54%
	<b>Total</b>	50	100%	50	100%

Participation in decision making process is one of the indicators of employees, management cooperation. Issues relating to participation is common for both organization, 6% of EISF and 4% of KKPLC respondents agree that there is participation in decision making process. But those who have complain for the absence of participation in the decision making, account for more than three fourth of the respondents, 80% for EISF and 76% for KKPLC.

Of the respondents, 40% EISF and 26% KK, sometimes get support from managers and share their ideas with the managers: Similarly, more than half of the respondents (54%) from KK PLC, do not get support from their managers. The cause for the absence of participation as stated by the respondents are managers undermined the contribution of employees, lack of confidence, and feeling of superiority on the part of management.

## 4.6 Union-management Cooperation

Cooperation of union and management can be a means through which information shared mutual understanding is promoted; participation in decision making is facilitated and working conditions negotiated very well. Therefore, unions and manager need to be cooperative in order to address the issue of IRC.

The information gathered through questionnaires, as it is summarized in table 4.6 above, indicates that in both organizations, management, union respect for each other goal is not adequate the same is true for joint management union activities to provide better work environment.

**Table 4.6 Union Management Relation**

No.	Factors	EISF		KK. PLC	
		Frequency	%	Frequency	%
1	Do management and union have respect for each other goal?				
	A. Yes	12	24%	7	14%
	B. To some extent	21	42%	15	30%
	C. No	8	16%	19	38%
	D. No response	5	10%	9	18%
	<b>Total</b>	50	100%	50	100%
2	Do managers and unions jointly and cooperatively provided favorable work environment?				
	A. Yes	15	30%	12	24%
	B. To some extent	28	56%	13	26%
	C. No	16	12%	16	32%
	D. No response	1	2%	9	18%
	<b>Total</b>	50	100%	50	100%

Union leaders and management are asserted that their organization are ruled and governed by policies, procedures and collective bargaining so they strictly follow these rules and guidelines. As one of the union leaders from EISF has explained it, union has limited area to act as a coworker with the management for example, disseminating timely information to the employees and solving work related problem smoothly.

#### **4.7 Collective Bargaining**

Arrangements and agreements resulting from collective bargaining may provide ways in which better industrial Relation environment created. CB which results in collective agreement is based on mutual understanding for the benefit of the parties they are representing. It is an obvious condition that for successful collective bargaining both parties (union and management) bargain in good faith and they should be true representatives of employees and employer.

With this regard in the organizations under consideration, the survey result shows that almost 90% of the respondents confirm that union/employees representatives participate in the collective bargaining of the both organization. But only 20% of EISF and 16% of KK plc respondents agree that the CB takes place in the atmosphere of good faith. The cause given by the respondents was, the parties who participate in the CB have no mutual trust, and they are running for maximizing their interests.

The majority of the respondents from KK plc 52% believe that the CA of their respective organization does not protect their right properly. However, respondents from the management have disagreed with this idea. They said that since the CA give priority for employees' right rather than the benefits of the organization.

**Table 4.7. Collective Bargaining process**

No.	Factors	EISF		KK PLC	
		Frequency	%	Frequency	%
1	Do you agree that union leaders who participate in the collective bargaining are true representatives of employees?				
	A. Yes	22	44%	10	20%
	B. To some extent	13	26%	11	22%
	C. No	15	30%	16	32%
	D. No response	-	-	13	26%
	Total	50	100%	50	100%
2	Did the negotiation take place in the atmosphere of good faith?				
	A. Yes	10	20%	8	16%
	B. To some extent	13	26%	14	28%
	E. No	20	40%	23	46%
	F. No response	7	14%	5	10%
		Total	50	100%	50
3	Do you think that CA employees?				
	A. Yes				
	B. To some extent	9	18%	6	12%
	C. No	20	40%	18	36%
		Total	21	42%	26
		50	100%	50%	100%

## **CHAPTER FIVE**

### **5. Summary Conclusion and Recommendation**

This chapter deals with the summary, conclusion and recommendation of the research finding on Industrial Relation Climate in Ethiopia Iron and Steel Factory and KK Textile Private Limited Company.

#### **5.1 Summary and Conclusion**

From the research finding it is found that 90% of EISF and 92% of KK plc's respondents have served for more than five years in their respective organization. This implies that the respondents have long years experience and an understanding of the situation that takes place in the companies.

For educational background, more than half of the respondents from KK plc (52%) are under grade 12<sup>th</sup> whereas it was only 12% in EISF. About 68% of the respondents from EISF have a diploma from TVS and college but it accounts for 28% in KK plc.

The qualities of an organization can be demonstrated through the attitude it adopts from its employees. Employees who have developed positive attitude towards management and their workplace are committed themselves to the organization. However, from the analysis of the data, it is revealed that less than half of EISF's (44%) the respondents have positive attitude towards management, similarly it was only 28% of KK PLC's respondents. This indicates that in both organization employees have no positive attitude but the degree is much higher in KK plc.

Employees' attitude towards their working condition is not satisfactory. The main causes for this situation were lack of different facilities in the work place and working during night shift. In addition to these, employees in KK plc complain for the outdated and obsolete

nature of the machines on which they are operating. Lack of positive attitude for management and work environment on the part of employees may result in unfavorable Industrial Relation Climate.

Employees- management relationships are important and necessary to create an enterprises climate conducive to fostering trust and intimacy. But it is found only 38% of EISF's and 20% of KK's have agreed that the relationship is good. Most of the respondents (44% and 30% form EISF and KK respectively) were agreed that the current management employees' relation is not sufficient to achieve organizations' goal. Employees dissatisfied with the treatment they have obtained from the management and the way information or direction given in the organization.

But on the other hand, 80% of the Administrative and 60% of union leaders from EISF and 100% of Administrative and 60% of union leaders from KK plc have asserted that there is good relationship between employees and management. However, administrative respondents evaluating the relation by relating to employees performance and voluntary to perform the duty there are assigned to perform. But most Employees were expressed the managements employees relation by relating it to treatments and the way information or direction given to them.

Employees join union since they consider union as a vehicle for accomplishing important objective that cannot be achievable individually. Their representatives (union) should be strong enough to protect employees' right. Union has to reflect and struggle for the interest of employees in the bargaining table. Related to this point, unions of the organization are not strong enough to protect the right of employees. Avoidance of confrontation and inflexible policies and procedures of the organization are the main causes mentioned by the respondents of both organizations. In addition to this, fear of losing their job is also the factors in the KK plc.

Employees' participation and involvement can create an atmosphere of trust and commitment which in turn promote cooperation. However, the survey result shows that in both organizations participation is almost non-existence. Over three quarters (80% from EISF and 76% from KK plc) of the respondents reported that they were never participating in decision making. Furthermore, 54% of KK plc didn't get supports from the managers where as it was 24% in EISF. Almost similar reasons have been given for low participation of employees in decision making. Some of them are undermining employees' contribution, lack of confidence and sense of superiority by management. This situation can have an adverse effect of the Industrial Relation and results with unfavorable Climate.

Union and managers need to cooperate in order to address the issues of Industrial Relation Climate. Management – union cooperation can be a means through which mutual understanding is promoted. In the case organizations, union management cooperation is not satisfactory. The reasons are: Unions give priority for their personal interests rather than protecting employees' right. The unions in the companies have limited area to exercise their power to accomplish their responsibilities. Unions are the major role player in the organization to create sound Industrial Relation Climate. The absences of supportive and cooperative sprite between management and union have a negative impact of the IRC of the organization.

Collective bargaining is a form of participation because it involves a haring of rule making power between employees and employers. Collective bargaining has and advantage to settle issues through dialogue and consensus rather than confrontation. Employees perceived that their union is able to secure collective bargaining agreement or obtain concessions through collective bargaining.

However, the survey result revealed that the collective bargaining process is not performed in the atmosphere of good faith. Employees are highly complain about their representatives who participate in the collective agreements, sine they are not strong enough to negotiate with the employer, therefore, their interest and right are not well protected in the collective bargaining. For successful collective bargaining both parties bargain in the atmosphere of

good faith. Agreements results from collective bargain provide ways for better Industrial Climate. Absence of equality of power and good faith in the bargaining process may result in confrontation between management and union.

## **5.2 Recommendations**

Based on the research finding, the following points are recommended.

- ☞ To hold a favorable Industrial Relation Climate for both organizations, it will be better to change employees' attitude towards management and work condition by providing better facilities in the workplace. Specially, for KK plc it is advisable to replace the old and obsolete machines not only to provide better work environment but also to improve the performance of the company.
  
- ☞ The relationship between managers and employees is very important factor to create good working environment as well as good Industrial Relation Climate. Improve employees' relation in both organizations by applying two way communication and other means. Give consideration and well treatment for employees. Examine different cause which can affect employees - management relation rather than evaluating it on limited.
  
- ☞ Male unions feel free from fear of losing their jobs. Be flexible in the implementation of policies and procedures. Give unions the right to exercise their authorities and responsibilities. Respect the goal of each other in the part of management and union.
  
- ☞ The initiatives of management for greater participation are necessary to promote participatory decision-making process in both organizations to create the spirit of belongness in the mind of the employees. Be cooperative to share ideas with and solve the problem of employees, improve the leadership style, give recognition for the performance of employees, and avoid a sense of superiority.

- ☞ For EISF although the current management cooperation to solve employees' problem is good, it needs further improvement.
- ☞ Improve union and management cooperation by compromising their differences and allow union to practice their power freely.
- ☞ Both parties should have to work cooperatively to satisfy the organization's and workers' interest. Union, rather than focusing merely on their interest be committed to protect the right of employees and try to achieve a common goal.
- ☞ The collective bargaining should be done in the atmosphere of good faith; therefore it will be better to develop mutual trust among the parties who participate in the collective bargaining.

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## II. Employees' attitude towards Management and work condition

5. Do you have positive attitude towards the management of the organization?

- A. Yes       B. To some extent       C. No

6. What do you feel about your current job and working condition?

- A. Highly Satisfied       B. Satisfied to some extent       C. Indifferent

7. In this organization there is favorable working condition to work in.

- A. Agree       C. Indifferent       D. Disagree

8. Are Employees generally view the condition of their employment here as fair?

- A. Yes       B. To some extent       C. No

## III. Employees Relation with Management

10. What do you think about the relationship between management and employees?

- A. Good       B. Satisfactory       C. Poor

11. Do you agree that current management- employees' relation is satisfactory to achieve the organization objective?

- A. Yes       B. To some extent       C. No

12. How do you evaluate your relationship with the management?

\_\_\_\_\_

\_\_\_\_\_

13. What do you think the reasons for this kind of relationship?

\_\_\_\_\_

\_\_\_\_\_

## III Management - Employees Cooperation

14. Does management help you in solving problems that you face in work place?

- A. Yes always       B. Yes sometimes       C. No

15. Does management cooperative to share ideas with employees?

A. Yes always  B. Yes sometimes  C. No

16. Do Managers encourage employees to participate (to have say) in decision-making?

A. yes always  B. yes some times  C. No

17. What are the reasons for you responses for question no. 14 - 16?

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#### V. Union Role and Strength

18. Is union strong enough to protect the right of employees?

A. Yes  B. To some extent  C. No

19. Generally, you have gained a lot by being a member of union.

A. Highly agree  D. Disagree   
B. Agree  E. Highly disagree   
C. Indifferent

20. What are the benefits you get from being a member of union?

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21. How do you observe the activities and initiatives of union leaders to protect employees' right?

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#### IV. Union - Management cooperation

22. Union and management have respect for each other's goal.

A. Highly agree  D. Disagree   
B. Agree  E. Highly disagree   
C. Indifferent

23. In this company, management and union committee achieve definite result.

A. Highly agree  D. Disagree   
B. Agree  E. Highly disagree   
C. Indifferent





## II. Management attitude towards Employees'

5. Do you have positive attitude towards the employees of the organization?

A. Yes  B.To some extent  C. No

6. In this organization there is favorable working condition to work in.

A. Agree  C. Indifferent  D. Disagree

7. Are Employees generally view the condition of their employment here as fair?

A. Yes  B.To some extent  C. No

## III. Management Relation with Employees

8. What do you think about the relationship between management and employees?

A. Good  B. Satisfactory  C. Poor

9. Do you agree that current management- employees' relation is satisfactory to achieve the organization objective?

A. Yes  B.To some extent  C. No

10. How do you evaluate your relationship with the employees?

\_\_\_\_\_

\_\_\_\_\_

11. What do you think the reasons for this kind of relationship?

\_\_\_\_\_

\_\_\_\_\_

## III Management- Employees Cooperation

12. Do employees cooperate to perform the duty they are assigned ?

A. Yes always  B. Yes sometimes  C. No

13. Does management voluntary to share ideas with employees?

A. Yes always  B. Yes sometimes  C. No

14. Do Managers encourage employees to participate (to have say) in decision-making?

A. Yes always  B. yes some times  C. No

15. What are the reasons for you responses for question no. 14 - 16?

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**V. Union Role and Strength**

16. Is union strong enough to protect the right of employees?

- A. Yes       B. To some extent       C. No

17. What are the benefits unions contributes for the achievement of the organization's goal?

---

---

18. How do you observe the activities and initiatives of union leaders to protect employees' right?

---

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**IV. Union - Management cooperation**

19. Union and management have respect for each other's goal.

- A. Highly agree       D. Disagree   
B. Agree       E. Highly disagree   
C. Indifferent

20. In this company, management and union committee achieve definite result.

- A. Highly agree       D. Disagree   
B. Agree       E. Highly disagree   
C. Indifferent

21. Do managements provide support (financial, place for meeting, etc.) for union?

- A. Yes always      B. Yes sometimes      C. No

22. Management and union jointly provide favorable working condition for employees.

- A. Highly agree       D. Disagree   
B. Agree       E. Highly disagree   
D. Indifferent

23. Do you think that employees have positive view on joint union – management committees?

- A. Yes       B. To some extent       C. No

**V. Collective bargaining process**

24. In your organization, employees/ unions participate in collective bargaining.

- A. Highly agree       D. Disagree   
B. Agree       E. Highly disagree   
D. Indifferent

25. Employees or union representatives who participate in collective bargaining are true representatives of employees

- A. Highly agree       D. Disagree   
B. Agree       E. Highly disagree   
D. Indifferent

26. In this company negotiation takes place in the atmosphere of good faith.

- A. Highly agree       D. Disagree   
B. Agree       E. Highly disagree   
C. Indifferent

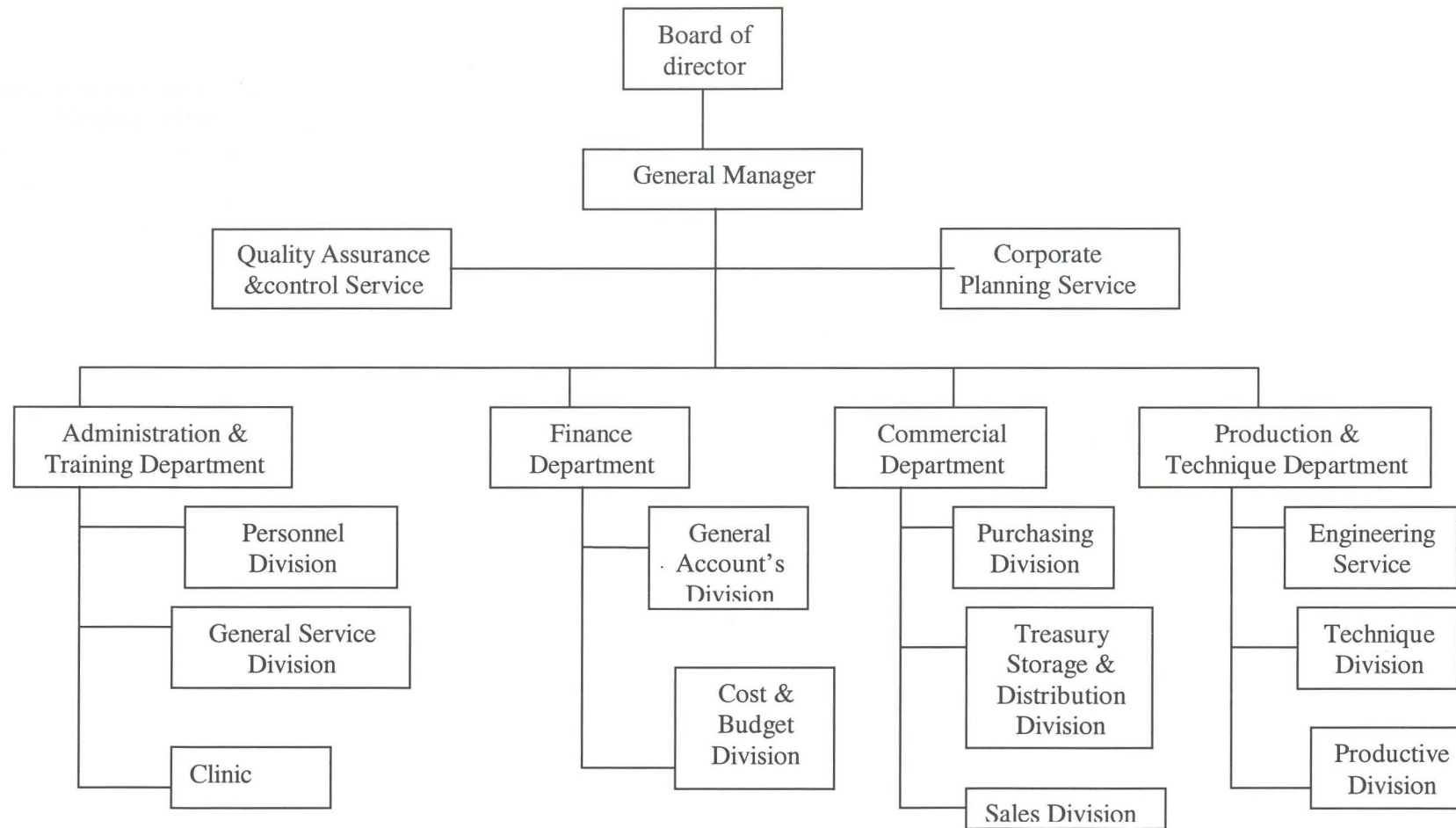
27. The collective agreement is regarded as fair by employees.

- A. Highly agree       D. Disagree   
B. Agree       E. Highly disagree   
C. Indifferent

28. Do you agree that collective bargaining is effective in satisfying your interest and create conducive environment for your relationship with management?

- A. Yes       B. To some extent       C. No

### 3.1.6 Organizational Chart of EISF



### 3.2.6 Organizational Chart of KK PLC

