

Employment Relations: An Evolutionary Perspective

SMS Journal of Entrepreneurship & Innovation
4 (1) 9-15
<https://doi.org/10.21844/smsjei.v4i01.10810>

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Abstract:

Employment relations started gaining significant importance in the last 20 years due the changes taking place in the business landscape. The structural changes evolving in organisations had a significant effect on the industrial and employment relations in the organisations. With the beginning of the 21st century, the term 'industrial relation' started to lose its sheen and the term employment started gaining prominence in the annals of academic studies. The objective of the paper is to present an evolutionary perspective of employment relations and will present an elaborate discussion on how employment relations have evolved from ancient times till date.

Key Words: *Employment relations, employer-employee relations, industrial relations*

Introduction

Employment relations as an academic discipline gained significant popularity during in the last 20 years owing to the substantial changes happening at organisational level and the relationship between the employers and employees (Shapiro & Shore, 2007). The changes taking place at the organisation level include replacement of 'blue collared' employees and rise of 'white collared' employees, weakening strength of trade unions, emergence of HRM or Personnel management, rise of atypical employment like temporary, part time worker etc., decentralisation of decision making, outsourcing etc. in order to secure competitive advantage. All these structural and technological changes brought significant changes in the field of employment relations across the globe (Fitzgerald, 1999). Understanding the trends and patterns of industrial relations will offer an in depth understanding on how employment relations has evolved over the years.

The Conceptual Framework of Employment Relations

Employment relationship as an agenda was included in the general discussion on the work contract during the 85th International Labour Conference of International Labour Organization (ILO) in 1997 (Working Document No. 28, Labour inspection and employment relationship, ILO, Geneva, 2013). Employment relationship has been defined by ILO during its 91st session held in 2003 as “a legal link between a person, called the 'employee' (frequently referred to as 'the worker') with another person, called the 'employer; to whom she or he provides labour or services under certain conditions in return for remuneration” (pg 2). The preface to the Working Document No. 28 (ILO, 2013: 2) defined employment relationship as the natural growth and evolution of the earlier model of master-servant at workplace. With the passage of time the term started gaining prominence in

academic literature.

Armstrong (2009: 878) defined employment relations as “managing and maintaining the employment relationship, which involves handling the pay-work bargain, dealing with employment practices, terms and conditions of employment, issues arising from employment, providing employees with a voice and communicating with employees either collectively or individually.” Rose (2008) takes employment relations to be a complex area of study involving the interaction between the employers, employees, trade unions and government on a regular basis. Ram *et. al* (2001) defined employment relations as a process where parties central to work interact with each other either collectively or individually and which is based on written or unwritten customs and tacit understanding. The definition of employment relations offered by Ackers (2002) includes the

study of social institutions in employment relations where they interact with each other in order to regulate business's interaction with other stakeholders in society. Moving a step further, Abbott (2006) expanded the scope of his definition and taking reference to the definition in the British HRM literature included the types of interaction evolving between the different stakeholder viz. the state, employees' union and employers' association. Putting up all the definitions above, a conceptual framework of employment relations can be formulated which can be explained as the individual and collective relational interaction between the different 'actors' (Dunlop, 1958) and how the rules or norms (written or unwritten) of the enterprise are determined and how the environmental influences shape and sustain this relationship. On the basis of all the definitions, the author has tried to develop a model of employment relations.

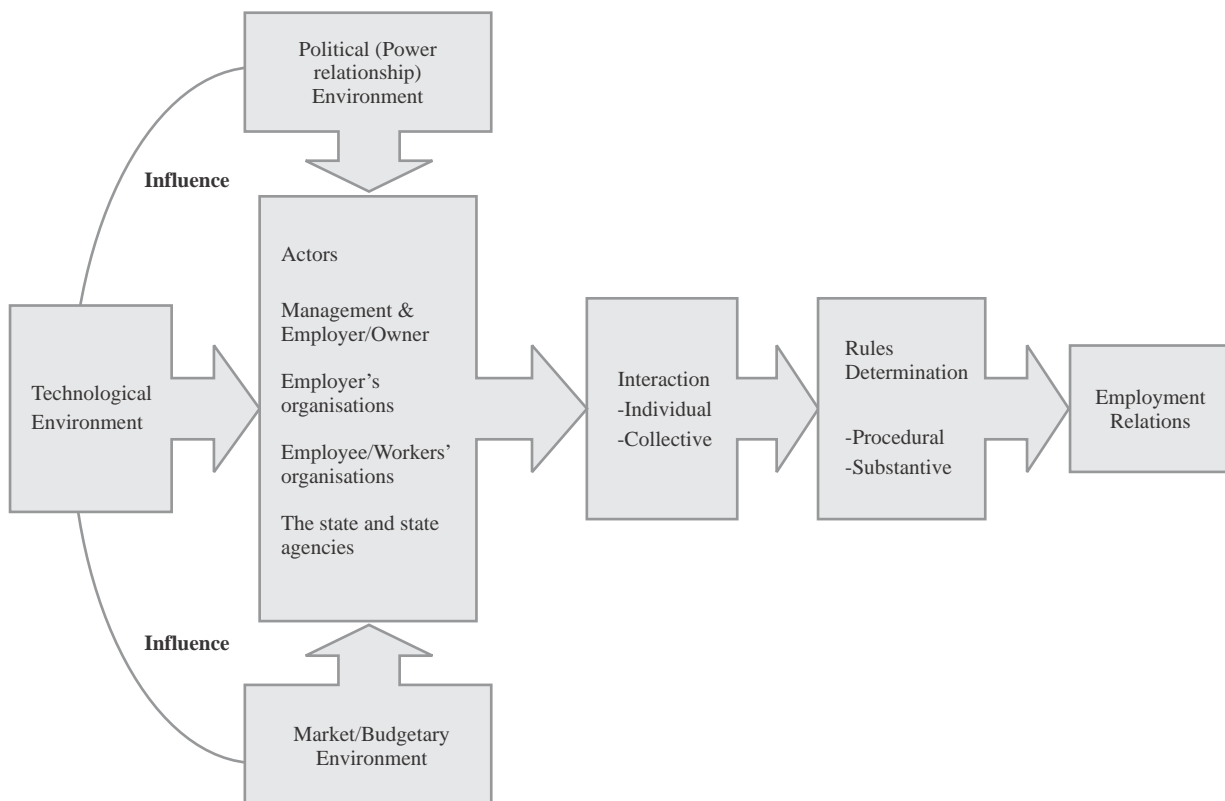


Fig. 1. A Model of Employment Relations

Employment Relations: The Evolutionary Perspective

Work, workers and the people who manage these workers has always remained a central point of discussion since the day human civilization took birth (Kaufman, 2004). During the Middle Ages, the workforce were employed in traditional forms of work like artisans, tradesmen, common labourers, domestics and servants (Kaufman, 2004). The workers were employed as tenant farmers or farmers by the employers to cultivate their plots of land, or as weavers spinning or weaving clothes, or were employed at a small workshop with other craftsmen (Kaufman, 2004). The relation between the employer and employee was based on a cultural and social value system that conditioned people to accept their place in the social order (Abbott, 2006). The relationship was of master-servant where the servant, whether for reasons of custom, or because of legal obligations or religious beliefs, were expected to offer faithful service to their masters (Abbott, 2006). In fact, employment relations was regulated by the Master and Servant act under English common law for more than 500 years and served as guidelines affecting the employers and servants across the world (Naidu & Yuchtman, 2010). Before the act was repealed in 1875, the law gave absolute authority to the employers to prosecute and punish the workers in case of breach of contract or indiscipline at the workplace. Master and Servant law gave employers the power and ability to criminally (as opposed to civilly) prosecute and severely punish workers for breach of contract at the workplace. However, in exchange of the services of their workers, the masters took care of the basic needs of the servants with offering them some degree of protection and welfare facilities. Thus, the relations between the employer and worker during the phase were dependent upon their mutual obligation with one having legitimate authority over the other based on the prevailing

social order (Abbott, 2006). This type of relation between the employer and the worker based on social order along with the mode of production continued till the advent of the Industrial Revolution during the nineteenth century (Abbott, 2006). Industrial Revolution offered the required momentum for the rise of labour markets along with labour migration which was witnessed movement of people from rural to urban areas in mass in search of livelihood inside the newly developing factories and corporations (Kaufman, 2004). The rise of the factories was the manifestation of the emergence of the capitalist class in the economy which also gave rise to the Enlightened Ideas of Free Labour and Free Will (Atkinson, 2013). All these developments facilitated in substantiating the claims by the employers that they have complete freedom and authority to hire the workers on contract which can be ceased at the will of the employers (Atkinson, 2013). The capitalist class emerged as the more powerful class as it offered the most important input of production, i.e. the capital (Mamoria *et al.*, 1983). As such, the workers were bound to accept the terms and conditions of employment as offered by the employers. The workers during this period did not receive a fair deal at the hands of the employers owing to their illiteracy, ignorance and lack of training (Mamoria *et al.*, 1983). This was followed by the introduction of disciplined workshop production led by close supervision and monitoring (Berg & Hudson, 1992) which forced the workers to work for extreme hours without appropriate wages and welfare facilities. Budd *et al.* (2004) discussed how out of this factory system emerged the employment conditions which were characterised by long operational hours, reduced wages, seasonal employment, insecure working conditions, absence of welfare facilities, firing at the personal whims of the employer, etc. The relation between the employer and worker during the period shifted from social relation based to economic relation based. As the employers and the

workers worked under the will theory of contract, both the parties determined their own contractual terms with little interference by the state to mandate additional terms or qualify the existing ones (Atkinson, 2013). As industrialisation moved forward, social and economic relation between the employers and workers shifted from one of “status” to “contract” which made the labour being treated as commodity which can be bought and sold in the market (Kaufman, 2004). Under this contract system, the workers were subject to extreme exploitation. The workers were required to work in factories which had no safety provisions. As a result, the workers often had to risk their lives while working under such conditions. In order to avoid cost and maximise production, the employers employed female and child workers in their enterprises (Botticelli, 1997). The employers frequented for women and child workers as they offered low production cost for them without raising their voice against them (Berg & Hudson, 1992). Thus, the period was marked by extreme employment conditions resulting in the emergence of unionised workforce in upcoming future.

But the Industrial Revolution also witnessed certain positive results. With the separation of workforce from household works, an increase in interest among the employers for training and development of the workers was evident (Mokyr, 2001). As the traditional skills were becoming irrelevant and obsolete for the modern industries, the employers were in search of skilled workforce. Also, as there was increase in the workforce due to the large scale production process, the owners were in search of new ways to manage this workforce, or the ways to supervise and control them. Mokyr (2001) observed how the workers were provided training to be punctual, disciplined and ready to abide by the orders while working in the factories. This gave impetus to the notions of efficacy and effectiveness which later on were absorbed as best management practices (Mokyr, 2001). However,

the new form of factory system eliminated the principle of monopoly and propelled the competition where organisations were forced to adapt to latest technologies and management practices (Botticelli, 1997). As an outcome, employers started exerting greater pressure on their workers to perform beyond their limitations. Naturally, under such capitalist controlled industrial relations system, the relation between the employers and employees becomes bitter. With balance of power tilted towards the employers, there was rise in exploitation, long working hours and sweatshop conditions (Kaufman, 2004: 169). These anomalies prevalent due to competitive laissez-faire capitalism and emerging management practices in the labour market gave rise to Labour Problem or Social Question (Kaufman, 2010). Kaufman (2004) defines Labour Problem as the “emergence of a self-conscious and aggrieved working class, and the spread of trade unionism, industrial conflict, and radical social and political movements.” It is the historical tendency of capitalism that along with its growth, it spatially collectivises workers as a class (Bell & Henry, 2001). The workers started becoming more powerful over the initial years of the 19th century (Steinfeld, 2001). As workers started coming together by the forces of accumulation, they gradually evolved themselves into trade unions and started exerting their power on the employers for higher wages, better working conditions, welfare facilities, shorter working hours and leave days (Bell & Henry, 2001). As the working class took a surge, conflict erupted inside the factories as the workers started raising their grievances against the working conditions and the injustice meted out to them by the employers (Kaufman, 2004). This led to the formation of trade unions by the workers. The birth and rise of the trade unions was one of the most significant aspects of employment relations during the 19th century. The power dynamics which was entirely tilted towards the employers now started to come at par with the workers. The

domestic relations prevalent in practice before the pre industrial revolution period has now shifted towards the industrial relations. Gradually the employers also organised themselves to fight against the trade unions (Chalmers, 1938). As the relation between the employer and the employee entered the public domain and began to have an impact upon the society, formal institutions stepped in to regulate this relationship (Singh & Kumar, 2011). Trade unions and employers' associations can rightly be said to be the two such institutions (Singh & Kumar, 2011). As the trade unions started to flaunt their muscles and exert pressure in order to gain strength in negotiations over wages and working conditions through the use of strike and pressure tactics, the employers also began to unite in their attempt to restrict wage rates and restrict the emerging organized labour movement. Out of this conflict evolved a mechanism to regulate employment relations between the employers and the workers. The emergence and growth of collective bargaining proved to be instrumental in promoting better employment relations in the industrial domain. But, employment relations largely remained 'pluralist' in nature where different parties were in conflict and cooperation with each other in order to gain supremacy in the production process.

The conflict between labour and capital during the period between 1880 and 1920 remained one of the most prioritised domestic policy issue facing governments in the industrialising countries (Kaufman, 2004). By this time industrial revolution has brought almost every nation under its way and each nation was competing with each other to leverage the benefits of this industrial revolution. The result was the rising Labour Problem manifested in the form of union organising, strikes and socialist politics (Kaufman, 2004). Meanwhile, the First World War broke out which witnessed a majority of the industrialising nations joining the fray. As a result, a good number

of workers were required for the production of ammunitions to be used in war. But the workers did not respond to the call of the employers and assigning reasons of refusal to the scarcity of labour and rising inflation, the workers resorted to strikes along with quitting their jobs at an unprecedented rate calling for the need to make wages, working hours and environment more conducive for the working class (Kaufman, 2004). The traditional model of employment relations took a backstage and the with workers taking a rebellious stand, the employers started looking down upon to the "commodity" and "autocracy" approach to regulate employment relations and started looking for alternative models of employment relations. At the same time the Russian Revolution of 1917 led to the rise of the Soviet Union and the ideals of socialist and communist ideals along with the turning away from the capitalist model. Also, there was rise of the joint stock form of company organisations where those who own the productive resources were not necessarily the same as who control and manage them (Venkat Ratnam, 2006). As a result, under the socialist and the communist, the government not only emerged as the only or major employer and owner of productive resources, but it also introduced heavy regulations in almost every sphere of employment and industrial relations (Venkat Ratnam, 2006). These initiatives offered protection to the workers. Out of this protectionist approach towards labour, the employers also started taking softer stand towards their employees. Welfare programmes were expanded, discontent was minimised through offering better payments and initiating personnel practices along with establishment of participatory mechanism like shop councils and joint councils (Kaufman, 2004). Industrial democracy and workers participation started becoming evident in the context of employment relations. The state played a vital role in the promotion and growth of these principles to foster better employment relations. It

was during this phase that the third dimension of employment relations, i.e. the state emerged. Different industrialised countries formed high level government commissions and investigation bodies to suggest labour reforms. Meanwhile, the foundation of the International Labour Organisation in 1919 played a key role in propagating the values of freedom of association and right to collective bargaining which also resulted in the passing of some legal and constitutional obligations in many parts of the globe (Venkat Ratnam, 2006). As the International Labour Organisation was a tripartite organisation with labour, employer and the state coming at a single platform to discuss issues of concern, everyone had the opportunity to lodge their grievances and search for probable redressal. All these factors were moving employment relations from being bitter during the period of industrial revolution to cooperative and accommodating during the beginning of the 20th century.

The last decades of the 20th century witnessed re emergence of capitalism due to the rising influence of privatisation. With the shifting of power balance towards the employer, there was also the emergence of bargaining and decentralised bargaining. The emergence of management practices like 'Personnel Management' and 'Human Resource Management' also offered the employers to deal with the employees in a much better manner. Aguilera & Dabu (2003) discussed how evolution of these mechanisms will offer better managerial coordination which in longer run will foster better employment relations at workplace. The decline of trade unions also facilitated the fostering of individualistic relations between the employers and employees. All these developments led to the reshaping of employment relations into a more organised form during the 21st century. Also, the relationship shifting towards becoming more humanistic where traditional method of 'command and control' was replaced by techniques like

employee voice, employee engagement, employee participation, etc. Employers realised the fact that to sustain in the market for a longer period of time it is imperative to offer he employees better working conditions, better facilities and better payments. Such ideology very significantly led to the evolution of healthy relations from being bitter to better during the 21st century.

Conclusion

Employment relations may be regarded as the reinterpretation of the term 'industrial relations.' Employment relation must be studied in the light of industrial relation. Employment relations has evolved though a range of social, political, economic and social developments occurring during the period post Industrial Revolution. The historical evolution of employment relations is supported by the events and activities taking place in the context of industrial relations. With the structural changes happening around the nations across the globe, employment relations has replaced industrial relations and has now evolved as much sought after subjects of study in the field of human resource management.

Note: The author is grateful to the anonymous referees of the journal for their suggestions to improve the overall quality of the paper. Usual disclaimers are applicable.

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