DCE 5634 - Organization, Employee and Community Relations

INTRODUCTION TO THE COURSE

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Content

• Why study this course
• The notion and evolution of work
• The employment relationship
• Perspectives of employment relationship
Why study this course? – Its relevance to HRD

- HRD important to support the development of the nation/organization.
- Changes in 21st century – skilled & knowledgeable workforce, new leadership style, ethical & moral issues. Pose many challenges for organization & employees at workplace.
- Require good industrial relations practices – preserve industrial harmony.
- Lack of industrial harmony may lead to industrial disputes. Will curtail the optimal development of human resource.
- Many changes at workplace that affect the nature of employment relationship – need to understand how this r/ship has changed and find ways to deal with the new form of employment relationship.

COURSE OVERVIEW
The notion of Work

You can’t eat for eight hours a day, nor drink for eight hours a day—all you can do for eight hours is work. Which is the reason man makes himself and everybody so miserable and unhappy!

—William Faulkner

(Source: Al-Gini 2001 – My job, my self: work as the creation of the modern individual)

• What is work?
  – Related to being economically active.
  – Work as paid employment.

• Why work?
  – Income
  – Identity
  – Status/self-accomplishment
  – Family
  – As a calling/Ibadah
  – Self-expression

Work is central to adult life

INTRODUCTION

• The subject of work and the relations between those who manage it and those who perform it is as old as human civilization.

• It is only in the last 200 years, that these matters are of significant social concern

• Only in the last century have they emerged as a separate, well-recognized area of study and research in educational institutions.

Source: (Kaufman, 2004)
• In the Malaysian case of Tan Tek Seng v Suruhanjaya Perkhidmatan Pendidikan (1996), Justice Gopal Sri Ram in a ground-breaking judgment held that the right to seek and be engaged in lawful and gainful employment is part of the right to life as provided in Article 5 (1) of the Malaysian Federal Constitution.

• In a recent article, Justice Gopal Sri Ram (2007) state that the Malaysian courts have accepted that the right to earn a livelihood is a constitutionally guaranteed right and the at the very least, the Federal Constitution guarantees five rights of a workman namely: (i) protection of livelihood; (ii) the right to work in a reasonably safe environment; (iii) the right to unionise; (iv) the right to fair wage; and (v) the right of reinstatement.

Why study this course? – Its relevance to HRD

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COURSE OVERVIEW

INDUSTRIAL RELATIONS
FORMAL EMPLOYER-EMPLOYEE RELATIONSHIP

PSYCHOLOGICAL CONTRACT
NON-FORMAL EMPLOYER-EMPLOYEE RELATIONSHIP

SOCIAL RELATIONSHIP
ORG/EMP RELATIONSHIP WITH SOCIETY

The concept of Work

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(Al-Gini 2001 – My job, my self: work as the creation of the modern individual)

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The Evolution of work – Western society

| Hunting & gathering: the band, nomads | Skill shared commonly, Division of labor based on gender & age. All members share equal amount of food. Source of motivation - hunger & social pressure to participate in group No IR issue |
| Early agriculture society: farmers, settled societies | Can accumulate food/goods – surplus Surplus leads to looting & warfare. Leads to – creation of warrior class with powerful roles Peasants give portion of corps as tax to feed rulers, priest, warriors, otherwise forced to work as slaves. Increased division of labor – lead to feudal society. |
| Imperial societies: smaller & weaker agriculture society dominated by larger militaristic societies | • Slavery & free labor  
• No rights |
| Feudal society: extension of agriculture society | • Landlord extract surplus from pheasants (serfs) as a form of tax and in the form of forced labor on landlord’s land (*corvee labor*).  
• The most extreme period of inequality in the human history. |
| Merchant capitalism: merchant monopoly over goods/products | • Agriculture displaced with industry. Forcing pheasants off the land into factories as forced labor.  
• Change from feudalism to capitalism. Emergence of industrial relations as a discipline |
| Factory system: workers were centralized under one roof and forced to work according to dictates of the owner. | • Emergence of the industrial capitalist – survival of the fittest (Darwinism), laissez-faire market – people should help themselves and that they need to take no actions to help the less fortunate  
• Emergence of trade unionism |
| Mass production under monopoly capitalism | • Mass production, centralization, assembly line  
• The ideology of the survival of the fittest – no longer suitable.  
• Emergence of new ideology based on persuasion & cooperation  
*Trade unionism experienced strong growth* |
| Post industrial society: emergence of new markets – service industry. | • Better employee welfare system  
• Workers are motivated by better rewards  
• Better equality for *women*  
• Knowledge & skilled workers  
• Gradual decline in trade unionism |
Evolution of Work - Malaysia

- Merchantilism (Portugese/Dutch).
- Colonialism – British/Japan.
  - Foreign firms controlled agriculture, mining, banking and external trades.
  - Chinese and Indian controlled small-scale industry
  - Malays – rural agricultural sector
  - Trade Union Bill 1940 passed & implemented in 1946
- Ethno-nationalistic economic development (1971 onwards).
  - NEP – export oriented industrialization strategy – depend on foreign capital.
  - Trading
- Look East Policy
  - Encouragement of in-house trade union
  - In the last 20 years, Malaysia economy has been transformed from a protected low income supplier of raw materials to a middle income emerging multi-sector market economy driven by manufactured exports, particularly electronics and semiconductors, which constitute about 90% of exports.
  - Now moving towards service industry

The field of industrial relations was born out of a confluence of events and ideas associated with the rise of industrial economies and democratic governments in the Western world of the late nineteenth and early twentieth centuries.

It emerged predominantly from negative aspect.
  - Industrial relations was a reaction against the waste, human suffering and social injustice associated with unrestrained profit making and employer power in nineteenth- and early twentieth-century capitalism in which callous and exploitative treatment of labor were prevalent.

The changing profile of the Malaysian Economy

Table 1
Malaysia: Percentage Share of GDP by Sector, 2002-2007

<table>
<thead>
<tr>
<th>Sector</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>Jan-Sep'07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>8.3</td>
<td>9.4</td>
<td>9.2</td>
<td>8.0</td>
<td>7.3</td>
<td>7.5</td>
</tr>
<tr>
<td>Mining</td>
<td>10.2</td>
<td>10.3</td>
<td>10.0</td>
<td>9.4</td>
<td>8.8</td>
<td>8.5</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>28.0</td>
<td>30.0</td>
<td>30.7</td>
<td>30.8</td>
<td>31.1</td>
<td>30.4</td>
</tr>
<tr>
<td>Construction</td>
<td>3.9</td>
<td>3.8</td>
<td>3.5</td>
<td>3.3</td>
<td>3.1</td>
<td>3.0</td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>44.7</td>
<td>43.6</td>
<td>43.7</td>
<td>44.3</td>
<td>44.7</td>
<td>46.4</td>
</tr>
<tr>
<td>Government</td>
<td>6.6</td>
<td>5.7</td>
<td>5.6</td>
<td>5.8</td>
<td>7.1</td>
<td>6.9</td>
</tr>
<tr>
<td>Less: FISMA</td>
<td>4.5</td>
<td>4.4</td>
<td>4.2</td>
<td>4.0</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Plus: Import Duties</td>
<td>1.7</td>
<td>1.6</td>
<td>1.4</td>
<td>1.3</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Notes: 1. Financial intermediation services indirectly measured.
Source: Department of Statistics, Malaysia; National Accounts. Third Quarter 2007

Table 2
Malaysia: Employment by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2002</td>
<td>2003</td>
</tr>
<tr>
<td></td>
<td>% share</td>
<td>% share</td>
<td>% share</td>
</tr>
<tr>
<td>Agriculture, hunting and fishing</td>
<td>14.7</td>
<td>14.7</td>
<td>14.7</td>
</tr>
<tr>
<td>Mining</td>
<td>1.42</td>
<td>1.42</td>
<td>1.42</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>26.7</td>
<td>20.7</td>
<td>20.7</td>
</tr>
<tr>
<td>Construction</td>
<td>3.7</td>
<td>3.7</td>
<td>3.7</td>
</tr>
<tr>
<td>Services (excluding government)</td>
<td>40.0</td>
<td>40.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Manufacturing and transport</td>
<td>3.5</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Communications and other services</td>
<td>2.6</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Government services</td>
<td>3.6</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(Source: Ministry of Finance, Malaysia; Annual Report, various issues)

- The services sector (excluding government services and construction sector) is also the largest sector to provide stable employment to the Malaysian economy.
- Within the services sector, most jobs are created in wholesale and retail trade, hotels and restaurants and finance, insurance, real estates and business services sub-sectors.

(Source: Economic Review 2009)
The Employment Relationship (ERS)

• Ind. Relations paradigm (Kaufman 2008):
  – Employment relationship paradigm
  – union sector and associated topics, such as collective bargaining, labour–management relations
• Topics on the 2nd paradigm received great attention.
• Kaufman (2008) suggest for the focus on employment relationship in general. Too much focus on the 2nd paradigm is the reason why IR field is declining.
  – Resultant from the decline in unions and the organized sector of most economies.
• The study of ERS to include all types of ERS - private and public, union and non-union, and formal and informal.


Traditional approach to the employment relationship

• Traditionally focused on legal employment relationship that emerge from economic exchange.
  – Relationship between a person called an employee or referred to as a worker and an employer for whom the employee performs work under certain conditions in return for remuneration (International Labor Organization, 2005).
  – An agreement by which two or more persons agree to regulate their legal relationships as enforced by the law (Wadderburn, 1986).
  – The reciprocal rights and obligations are created between employee and employer though the employment relationship.
  – Focus : IR field, Labor law.
Contemporary approach to employment relationship

• Focus on 5 perspectives:
  – Social exchange: psychological contract perspective
  – Justice: fairness in honoring contracts beyond the formally stipulated terms & conditions of employment
  – Industrial relations: focus on cooperation/conflict, inequality, power, trade unionism, regulations, good industrial relations.
  – Economic: wage, salaries, level of benefits, labor-supply, economic conditions. Employer as profit maximizers ad employees as utility maximizers


Employment relationship: Who is the employer/organization?

• Broader definition of ERS – reciprocal exchange in which employee engage in work related behaviors that benefits the organization in return for resources and support provided by the organization.

• Who is an employee? – well established. Workman (contract of service) vs contract for service.
• Who is the employer? – difficult to conceptualize this? Who personifies the organization?
  – Measurement of employment relationship fro the employer side has yet to be established.

References

• Tan Tek Seng v Suruhanjaya Perkhidmatan Pendidikan (1996) MLJ, 261.