



AENSI Journals

Australian Journal of Basic and Applied Sciences

ISSN:1991-8178

Journal home page: www.ajbasweb.com



A Review on Factors Influencing Employment Relations at Workplace

¹Jaya Ganesan and ²Judy Wee Siew

¹Faculty of Business, Multimedia University, Malacca Campus, Ayer Keroh, 75450 Malacca, Malaysia

²Faculty of Business, Multimedia University, Malacca Campus, Ayer Keroh, 75450 Malacca, Malaysia.

ARTICLE INFO

Article history:

Received 27, January 2014

Received in revised form 5 March 2014

Accepted 8 March 2014

Available online 31 March 2014

Keywords:

Management style, Organisational Culture, Employee Commitment, Trade Union and Employment Relations.

ABSTRACT

Background: Employment relations in Malaysia is tripartite in nature. Employers, trade unions and the state play an equal role in the tripartite system. However, the role of state is dominant in the Malaysian employment relations system followed by employers. The legislations governing employment relations have imposed systematic restrictions and limitations on trade unions and their activities. **Objective:** The main objective of this study is to explore the factors that influence employment relations at workplace. **Results:** Data were collected from 138 unionised employees through self-administered questionnaires that were distributed and collected personally. Descriptive, correlation and multiple regression analyses were conducted to analyse the data. The results indicate that organisational culture, management style, trade union and employee commitment are positively related towards employment relations. However, the significant predictor of employment relations is management style. **Conclusion:** There are indications and criticisms that employers do not possess a favourable attitude towards trade union organizing at workplace. The laws governing employment relations impose substantial restrictions on trade union activities including trade union recognition and the scope of collective bargaining. The challenges of globalization foisted on business organizations, protecting the interests of employers and investors are some of the key factors responsible for union avoidance at workplace. Thus, it is evident from this study that a supportive management style, conducive organizational culture, high employee commitment and a trade union with strategic initiatives are essential to maintain a harmonious employment relations at workplace. **Keywords:** Employment Relations, Management Style, Organizational Culture, Employee Commitment, Trade union.

© 2014 AENSI Publisher All rights reserved.

To Cite This Article: Jaya Ganesan, Judy Wee Siew Ling., A Review on Factors Influencing Employment Relations at Workplace *Aust. J. Basic & Appl. Sci.*, 8(3): 570-576, 2014

INTRODUCTION

In today's globalised world, businesses tend to be very competitive and advantageous. Growth of an organization's profit depends on various aspects such as the organisational performance, employees' skills, and customer satisfaction. Employment relations also play a significant role in sustaining organizational growth and reputation. Employment relations in Malaysia is state dominated (Ramasamy, 2010; Aminuddin, 2009; Parasuraman, 2004) and the Malaysian employment relations system is criticised by many studies in the literature for its interference in the union activities, workplace regulations and also for its employer supportive labour legislations (Anantaraman, 1997; Todd *et al.*, 2004; Parasuraman, 2005; Rose *et al.*, 2011; Aminuddin, 2013). Employment relations in Malaysia is governed by three main legislations such as the Employment Act 1955, the Trade Union Act 1959 and the Industrial Relations Act 1967. These legislations have imposed strong restrictions on union registration, recognition and the scope of collective bargaining (Wad, 2013). According to Kumar *et al.*, (2013) in order to have major transformations at workplace there should be significant changes in the approach of management as well as trade unions that represent an organization's work force. Thus, this study aims to explore the factors influencing employment relations at workplace in the Malaysian context. The main objective of the study is to explore how factors such as management style, organisational culture, employee commitment and trade union affect the employment relations from employees' perspective.

Literature Review:

According to Taylor (2002) when employers, employees and trade unions or other employee representatives work together in a relationship of mutual trust the benefits are enormous. Industrial relations can also be

Corresponding Author: Jaya Ganesan, Lecturer, Faculty of Business, Multimedia University, Malacca Campus, Ayer Keroh, 75450, Malacca, Malaysia.
E-mail: jaya.ganesan@mmu.edu.my

precisely known as employment relations. Due (2006) illustrates that employment relations takes place when the employee works in exchange for payment of wages between employer. Due (2006) also added that a complex relationship will occur when the parties are interacting with each other either in different level or between levels of employment. Besides, the interactions in organizations, employment relations take different forms and include a variety of interrelationships between different groups and individuals, employers and employees, managers and workers, unions and managers as well as among different workers. Mustafa (2008) stated that to promote the mutual respect, co-operation and harmonious relations between the employers and the workers as well as to facilitate a peaceful and conducive climate for productivity and economic growth, government had introduced a variety of labour legislations.

Employee commitment is another challenging issue for the managers in achieving and maintaining a harmonious employment relations (Schalk and Freese, 1997). They further argued that employee commitment has been a challenge for many organisations as well as employers because it has a great influence on employee behaviour. Thus, employee commitment is closely related with employment relations. Table 1 below depicts the relationship between employee commitment and employment relations (Roehling et.al., 2000). Most of the employers adopt various approaches to induce commitment among employees which leads to positive employment relations. (Dunham *et al.*, 1994; Allen and Meyer, 1990; Grover and Crooker, 1995).

Table 1: Approaches to developing and maintaining Employee Commitment.

Traditional characteristic of the old employment relationship	Available and increasingly important in the new employment relationship
Job security	Participative decision making
Career advancement (within organization)	Sharing of rewards and risks (a stake in the outcome)
Promise of pay raises	Accommodating employees personal/non-work needs
	Intrinsically rewarding work
	Social networks in the workplace
	External employability
	Respectful and fair treatment

Source: Adapted from Roehling et.al. (2000)

According to Morgan and Zeffane (2003), management style assist in improving operational and financial performance as well as the elimination of the need for union in an organization. However, Taplin and Winterton (2007) stated that a positive and supportive management style will be accountable for good employee morale and high productivity. It will also minimize employee grievances and labour turnover. Yarrington (2007) pointed out that management style supports a firm's strategy in achieving the objectives with the support of employees and unions. Managerial actions are likely to contradict as well be uneven in practice as there is significant variance in managerial approaches to sustain their firms without unions not only for using straight forward tactics to bully but also to emotionally blackmail the employees by hurting their feelings (Dundon *et al.*, 2010). However, it should be noted that there is a steady increase in the growth of unions in Malaysia (Ramasamy, 2010).

According to Roper (2000) a trade union act protects employees social and economic status at workplace. Arudsothy and Littler (1993) stated that however, this is possible only if unions have the power to organize a large membership and also establish a strong structure. Wad (2005) argued that, the main reasons of establishing trade union is to manage employee welfare in the organization. Aminuddin (2009) stated that the bargaining power of a trade union depends upon the size and solidarity of unions. Yun (2002) argues that trade unions should thrive for international affiliation to cope with their challenges and consequences at national and regional levels. According to Regalia (1998) and Hyman (2007) if trade unions are to be effective they should possess more strengths than mere membership. Unions should have the ability to understand the expectations and demands of members, protect member rights and also sustain their position at work place. An effective trade union must attract new employees to join as members, besides retaining the existing members. The effectiveness of a trade union is crucial in the maintenance of harmonious relations between employers and employees (Mohammed *et al.*, 2010).

Various studies have highlighted the importance of organisational culture in many perspectives. According to Chernatony and Cottam (2008) organisational culture has a great impact on an organization's financial performance, brand success and customer satisfaction. A strong organisational culture supports adaptation and develops organization's employee performance by motivating employees toward a shared goal and objective; and finally shaping and channeling employees' behavior to that specific direction should be at the top of operational and functional strategies (Daft, 2010). Organisational culture is conceptualized as shared beliefs and values within the organization that helps to shape the behavior patterns of employees (Kotter and Heskett, 1992).

Research Framework:

A research framework is constructed as shown in Figure 1. The figure shows the relationships between the independent variables (management style, organisational culture, trade union and employee commitment), and the dependent variable (employment relations). In line with the research framework and the prior relationships established by studies, the following hypotheses are developed to be tested in this study:

H1: There is a significant relationship between management style and employment relations.

H2: There is a significant relationship between organisational culture and employment relations.

H3: There is a significant relationship between trade union and employment relations.

H4: There is a significant relationship between employee commitment and employment relations.

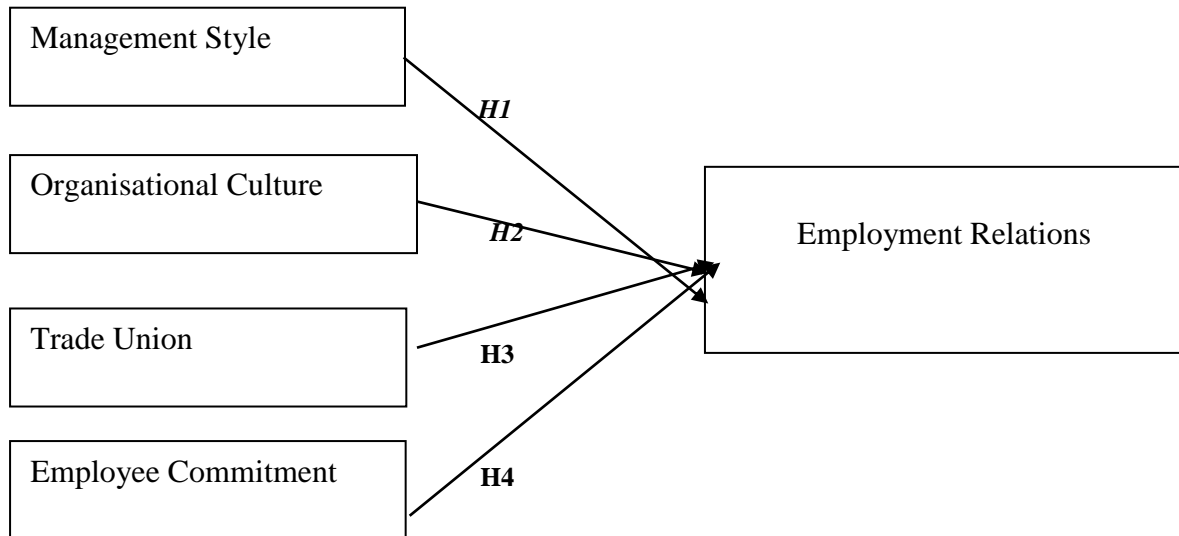


Fig. 1: Research Framework

Methodology:

Sampling Method:

The study employed both stratified random and convenience sampling methods to collect data from the respondents. The respondents were stratified based on their trade unions before the convenient selection was done. A total of ten different unions were selected to ensure the representativeness of the study's population. 20 respondents from each union were selected and a total of 200 questionnaires were distributed. The duration of the survey was 1.5 months, in which 152 unionised employees responded to the survey. However, only 138 completed questionnaires were usable for further analysis.

Survey Questionnaire:

The items in the questionnaire were modified from the studies of Ramasamy (2010), with regard to three variables (trade union, employment relations and management style), Chernatony and Cottam (2008) on organisational culture and Roehling et.al. (2000) on employee commitment. The questionnaire consists of two sections. The first section consists of questions on the demographic details of the respondents. The second section consists of five sub sections including four independent variables and the dependent variable. Each sub section consists of six questions. Responses to the 30 questions on all of the variables were measured on a six-point Likert scale, ranging from 1 = Strongly Disagree to 6 = Strongly Agree.

Assessing Face Validity and Reliability:

To achieve content validity, the survey questionnaire was edited by an academic expert and an industrial relations expert. Some minor adjustments were made to the questionnaire before it was disseminated to the respondents. In terms of reliability, Hair *et al.*, (2006) suggest that the minimum Cronbach's alpha value should be 0.60. All of the variables in this study exceeded the indicated minimum value and are therefore deemed to be reliable.

Table 2: Results of Reliability Analysis.

Variables	Cronbach Alpha
Management Style	0.890
Organisational Culture	0.837
Employee Commitment	0.812
Trade Union	0.826
Employment Relations	0.820

Demographic Profile of the Respondents:

The respondents are mainly from the age group of between 41-50 years of age (73.9%), while those in the age group between 31-40 years is around (22.4%) and in the age group between 20-30 is (3.6%). Around 65.2% of the respondents are Male. In terms of race distribution, majority of them are Malay (63.7%), followed by Chinese (28.9%) and Indian (7.2%). Most of the respondents are STPM holders (69.5 %) and 92.7% of the respondents have 5 years and above work experience. A majority (76.9%) of the respondents are technicians and the salary range is between RM1000 -2000 for (93.4%) of the respondents. A total of 85.5 % possess permanent status of employment and all the respondents are union members (100%).

Table 3: Demographic Profile of Respondents.

Demographic	Demographic details	Frequency	Percentage
Gender	Male	90	65.2
	Female	48	34.7
Race	Malay	88	63.7
	Chinese	40	28.9
	Indian	10	7.2
Age	20-30years	5	3.6
	31 - 40 years	31	22.4
	41 - 50 years	102	73.9
Position	Technical	113	76.9
	Administrative	25	23.1
Qualification	SPM	30	21.7
	STPM	96	69.5
	Diploma	11	7.9
	Bachelor's Degree	1	.72
Experience	Less than 5 years	10	7.2
	5 years and above	128	92.7
Salary	500-1000	3	2.1
	1001-2000	129	93.4
	2001-3000	6	4.3
	3001-4000	0	0
	4001 and above	0	0
Union Member	Yes	138	100
	No	0	0
Employment Status	Permanent	118	85.5
	Contract	20	14.5

Hypothesis Testing:**Correlation Analysis:**

The correlation analysis was conducted to test the relationship between the factors (Management Style, Organisational Culture, Employee Commitment and Trade Union) and employment relations. The result is presented in Table 4. The highest correlation value is for the management style ($r = 0.841$), followed by organisational culture ($r = 0.838$), employee commitment ($r = 0.812$) and the lowest is trade union ($r = 0.760$). All of the four independent variables have positive relationship with employment relations at 0.000 significance level.

Table 4: Results of Correlation Analysis

Independent Variable	r	Sig
Management Style (MS)	0.841**	0.000
Organisational Culture (OC)	0.838**	0.000
Employee Commitment (EC)	0.812**	0.000
Trade Union (TU)	0.760**	0.000

Next, multiple regression analysis is done to identify the predictors of employment relations. Table 5 presents the multiple regression analysis results. The r square value is 0.776 which indicates that 77.6% of the variation within the dependent variable could be explainable by the variation in the four independent variables.

Furthermore, the F value is 65.665 and the p value is 0.000 ($p < 0.05$). Therefore, it means that at least one of the independent variables predict the dependent variable (Table 6).

Table 5: Multiple Regression Analysis

Model	R	R Square	Adjusted R Square	F	Sig.
1	0.881a	0.776	0.764	65.665	0.000a

Table 6: Coefficient Table

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	0.560	0.289	1.939	0.057
Management Style	0.417	0.109	3.818	0.000
Organisational Culture	0.389	0.127	3.053	0.003
Trade Union	0.163	0.087	0.219	0.042
Employee Commitment	0.323	0.107	0.353	0.003

Model Equation of this study: $Y = 0.560 + 0.417MS + 0.389OC + 0.163TU + 0.323EC + \text{ERROR}$

The coefficient analysis result is presented in the above Table 6. The significant value showed that all of the factors have p value of below 0.05. This means all the factors are predictors. The highest beta value is for management style ($B = 0.417$). This indicates that management style is the most significant influencing factor on employment relations. This is followed by organizational culture ($B = 0.389$), employee commitment ($B = 0.323$), and the lowest is for trade union ($B = 0.163$; $p < 0.05$).

The purpose of the study is to explore the factors that influence employment relations at workplace from the view point of unionized employees. They are considered appropriate to provide the information since they are actively involved in union activities and also are highly affected by the management style and organisational culture practiced by organisations. The employees who prefer to have a harmonious employment relations at workplace will tend to have high commitment. Therefore, regarded suitable for this study.

The results indicate that employment relations is highly influenced by management style, organisational culture, trade union and employee commitment. This indicates that H1, H2, H3 and H4 are supported. Malaysian employment relations is tripartite in nature and all actors of the system have a fair role to play. However, the government controls the union activities through labour legislations which are criticized to be more favourable to employers. This is supported by previous studies such as Ramasamy (2010) and Parasuraman (2005). Trade union play vital role in protecting employees' welfare in the organization with the aid of strong bargaining power. This has a great influence in maintaining harmonious employment relations at workplace as stated by Parasuraman (2004). However, trade unions have to revise their strategies to handle the pressures and challenges at workplace (Kumar *et al.*, 2013). Labour legislations provide opportunity for union organizing. However, the union rights are limited and restricted (Wad, 2013).

Organisational culture assists the performance of organization through productivity, team work, fair and transparent policies and practices of the organization which are the core determinants of harmonious employment relations at workplace (Nguyen and Mohamed 2011). Management style has a greater influence on employment relations. It is depicted through mutual trust, appreciation, rewards, fairness, cooperation, employee participation, autonomy and employee retention (Hopkins and Weathington, 2006). Managerial prerogatives control trade union activities in terms of their bargaining ability (Rose *et al.*, 2008; Rose *et al.*, 2011). Employee commitment is attracted through various strategies such as job security, high degree of engagement, selecting the most suitable grievance redressal measures and also by providing appropriate employee benefits. This has a greater influence on employment relations at workplace (Roehling *et al.*, 2000).

Conclusion:

The current employment relations system is facing challenges both internally and externally. The internal factors include management style, organizational style, employee commitment and the structure and strategies of trade union. Globalisation and international pressures, competitive business environment affect employment relations externally. Trade unions should identify and understand the employees' needs as its members and employers as their partners of employment relations at the workplace. The study also indicates that it is the responsibility of the employers to implement fair and legitimate work practices in line with the legitimate interests of employees and unions.

The study has been able to satisfy the objective set which was to explore factors influencing employment relations. The research findings contribute to a better understanding of workplace issues among the various stakeholders, namely employees, employers and trade unionists, and to some extent, the state as well. The study provides on the research and practical gaps from the perspective of strengthening employment relations at workplace with the objective of encouraging further research in this context. Future study should consider using a higher number of respondents. Furthermore, trade union leaders can be used as the sample. Employers'

viewpoint can also be an area of future study especially in terms of management style and organizational culture. In addition, future study may consider an inclusion of additional variables to the existing ones studied here.

REFERENCES

- Allen, N.J. and J.P. Meyer, 1996. Affective, continuance, and normative commitment to the organization. *Journal of Vocational Behavior*, 49: 252-276.
- Aminuddin, M., 2009. Employment relations in Malaysia: past, present and future. *New Zealand Journal of Asian Studies*, 11(1): 304-317.
- Aminuddin, M., 2013. *Malaysian Industrial Relations and Employment Law*. 8th ed, Malaysia, McGraw-Hill.
- Anantaraman, V., 1997. *Malaysian Industrial Relations: Law and Practice* Serdang, Malaysia, UPM Press.
- Arudsothy, P. and C. Littler, 1993. State Regulation and Union Fragmentation in Malaysia. In Frenkel (ed), *S. Organised Labour in the Asia-Pacific Region: A Comparative Study of Trade Unions in Nine Countries*, ILR, Ithaca, NY, pp: 107-130.
- Chernatony, L. and S. Cottam, 2008. Interactions between Organizational Cultures and Corporate Brands, *Journal of Product and Brand Management*, 17(1): 13-24.
- Daft, R.L., 2010. *Organization theory and design*. Boston, MA: Cengage Learning.
- Dundon, T., B. Harney and N. Cullinane, 2010. De-collectivism and Managerial Ideology: towards an understanding of trade union opposition, *International Journal of Management Concepts and Philosophy*, 4(3/4): 267-281.
- Due, S.K., 2006. *Convergences and Divergences in Indian Employment Relations*, Faculty of Graduate School of Cornell University, pp: 1-282.
- Dukes, R., 2008. Constitutionalizing Employment Relations: Sinzheimer, Kahn-Freund, and the role of labor law, *Journal of Law and Society*, 35(3): 341-363.
- Dunham, R.B., J.A. Grube and M.B. Castaneda, 1994. Organizational commitment: The utility of an integrative definition. *Journal of Applied Psychology*, 79: 370-380.
- Gall, G., 2010. Statutory Union Recognition Provisions as Stimulants to Employer Anti-unionism in Three Anglo-Saxon Countries, *Economic and Industrial Democracy*, 31(1): 7-33.
- Grover, S. and K. Crooker, 1995. Who appreciates family-responsive human resource policies: The impact of family-friendly policies on organisational attachment, *Personnel Psychology*, 48: 271-288.
- Hair, J.F., W.C. Black, R.E. Anderson and R.L. Tatham, 2006. *Multivariate Data Analysis*. 6th ed. Upper Saddle River, NJ: Pearson Prentice Hall.
- Hyman, R., 2007. How Can Trade Unions Act Strategically? *Transfer*, 13(2): 193-210.
- Kotter, J.P. and J.L. Heskett, 1992. *Corporate Culture and Performance*, The Free Press, New York, NY.
- Kumar, N., M.M. Lucio and R.C. Rose, 2013. Workplace Industrial Relations in a Developing Environment: Barriers to Renewal within Unions in Malaysia. *Asia Pacific Journal of Human Resources*, 51: 22-44.
- Manetje, O. and N. Martins, 2009. The Relationship between Organisational Culture and Organisational Commitment, *Southern African Business Review*, 13(1): 87-111.
- Mohamed, S., F.M. Shamsudin and H. Johari, 2010. Union Organisation and Effectiveness: An Empirical Study on In-House Union in Malaysia. *Akademika*, 78: 89-94.
- Morgan, D.E. and R. Zeffane, 2003. "Individualism in Organisations: Does Employment Contract Innovation make a Difference?", *Employee Relations*, 25(6): 536-556.
- Mustafa, A., 2008. The Tripartism Concept for Harmonious Industrial Relation: Malaysia Experience, *Asia Social Dialogue Forum*, pp: 1-17.
- Nguyen, H.N. and S. Mohamed, 2011. Leaderships behavior, organizational culture and knowledge management practices: An Empirical Investigation, *Journal of Management Development*, 30(2): 206-221.
- Parasuraman, B., 2004. *Malaysian Industrial Relations: A Critical Analysis* Petaling Jaya, Malaysia, Pearson/Prentice Hall.
- Parasuraman, B., 2005. Consultation and Communication in Malaysia: The Impact of 1975 Code of Conduct. Proceedings of the 19th Association of Industrial Relations Academics of Australia and New Zealand (AIRAANZ) Conference, University of Sydney, Australia, pp: 8-12.
- Ramasamy, N., 2010. Perceived Barriers to Trade Unionism in Malaysia. Phd Thesis, University Putra Malaysia.
- Regalia, I., 1998. Industrial Relations at the Regional Level in Europe: Strengths and Weaknesses of an Intermediate Level of Social Regulation, *European Journal of Industrial Relations*, 4(2): 157-176.

Roehling, M.V., M.A. Cavanaugh, L.M. Moynihan and W.R. Boswell, 2000. The nature of the employment relationship: a content analysis of the practitioner and academic literatures, *Human Resource Management*, 39(4): 305-320.

Roper, I., 2000. Quality Management and Trade Unions in Local Government: Demonstrating Social Partnerships?, *Employee Relations*, 22(5): 442-466.

Rose., Raduan Che., Naresh Kumar. and Harris Gani, 2008. Environmental Changes and Collective Bargaining Priorities: Analysis, Implications and Outline for Future Research. *Journal of International Social Research*, 1(5): 684-705.

Rose., Raduan Che., Kumar., Naresh Ramasamy. and Nagiah, 2011. Trade Unions in Malaysia: Perspectives of Employers and Employees of Unionized Companies. *Indian Journal of Industrial Relations*, 46(3): 384-395.

Schalk, R. and C. Freese, 1997. New Facets of Commitment in Response to Organizational Change: Research Trends and the Dutch Experience, in Rousseau D M (Ed.), *Trends in Organizational Behavior*, 2, 107-124, John Wiley and Sons, California.

Taplin, I.M. and J. Winterton, 2007. "The Importance of Management Style in Labour Retention", *International Journal of Sociology and Social Policy*, 27: 5-18.

Taylor, R., 2002. http://www.leeds.ac.uk/esrcfutureofwork/downloads/fow_publication_1.pdf

Todd, P. and D. Peetz, 2001. Malaysian Industrial Relations at Century's Turn: Vision 2020 or a Spectre of the Past?, *The International Journal of Human Resource Management*, 12(8): 1365-1382.

Wad, P., 2005. Global Challenges and Local Responses: Trade Unions in the Korean and Malaysian Auto Industries, *Asia Research Centre, Copenhagen Discussion Papers*, 3: 1-43.

Wad, P., 2012. Revitalizing the Malaysian Trade Union Movement: The Case of the Electronics Industry, *Journal of Industrial Relations*, 54: 494.

Wad, P., 2013. Getting international labour rights right at a foreign controlled company in Malaysia: A Global Labour Network perspective. *Geoforum*, 44: 52-61.

Yarrington, L.M., K.J. Townsend and K.A. Brown, 2007. Models of Engagement: Union Management Relations for the 21st Century, *Diverging Employment Relations Patterns in Australia and New Zealand*, 1-11.

Yun, H.A., 2002. Globalization's Impact on the Malaysian Workforce, *Journal of Contemporary Asia*, 32(3): 305-322.